ESTTA Tracking number: **ESTTA220059**

Filing date: **06/24/2008**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91177156
Party	Plaintiff H-D Michigan, Inc.
Correspondence Address	LINDA K. MCLEOD FINNEGAN, HENDERSON, FARABOW GARRETT & DUNNER LLP, 901 NEW YORK AVENUE NW WASHINGTON, DC 20001-4413 UNITED STATES
Submission	Plaintiff's Notice of Reliance
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Signature	/Linda K. McLeod/
Date	06/24/2008
Attachments	Notice of Reliance No. 2.pdf (3 pages)(73987 bytes) NOR No. 2 Exhibit 1-1.pdf (62 pages)(2761467 bytes) NOR No. 2 Exhibit 1-2.pdf (56 pages)(2341351 bytes) NOR No. 2 Exhibit 1-3.pdf (59 pages)(4302819 bytes) NOR No. 2 Exhibit 1-4.pdf (54 pages)(3232448 bytes) NOR No. 2 Exhibit 2-1.pdf (64 pages)(3259309 bytes) NOR No. 2 Exhibit 2-2.pdf (56 pages)(2405368 bytes) NOR No. 2 Exhibit 2-3.pdf (46 pages)(2380284 bytes) NOR No. 2 Exhibit 2-4.pdf (56 pages)(4037072 bytes) NOR No. 2 Exhibit 2-5.pdf (51 pages)(3447377 bytes) NOR No. 2 Exhibit 2-6.pdf (54 pages)(2646094 bytes) NOR No. 2 Exhibit 3-1.pdf (60 pages)(2760607 bytes) NOR No. 2 Exhibit 3-2.pdf (60 pages)(2943350 bytes) NOR No. 2 Exhibit 3-3.pdf (50 pages)(1728078 bytes) NOR No. 2 Exhibit 3-4.pdf (49 pages)(2580596 bytes) NOR No. 2 Exhibit 4-1.pdf (72 pages)(2780157 bytes) NOR No. 2 Exhibit 4-2.pdf (67 pages)(2625746 bytes) NOR No. 2 Exhibit 4-3.pdf (59 pages)(1773150 bytes)

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

H-D MICHIGAN, INC., Opposer v. BRYAN BROEHM, Applicant.	Opposition No.: 91177156 Mark: Serial No.: 78896325 Filed: May 30, 2006

OPPOSER'S NOTICE OF RELIANCE NO. 2 UNDER 37 CFR § 2.122(e)

H-D Michigan, Inc. ("Opposer") submits of record in connection with this opposition proceeding certified copies of Harley-Davidson Inc.'s 10-K Form and accompanying Exhibits filed with the U.S. Securities and Exchange Commission for fiscal years 2004-2007. These 10-K Forms and accompanying Exhibits qualify as official records of the Securities and Exchange Commission under Trademark Rule 2.122(e). *Raccioppi v. Apogee Inc.*, 47 USPQ2d 1368 (TTAB 1998).

This evidence is relevant to the issues of likelihood of confusion and dilution, and shows, among other things: the nature of the goods and services offered under Opposer's HARLEY-DAVIDSON and HARLEY names and marks, and BAR & SHIELD Logo(s); the channels of trade for goods and services offered under Opposer's marks; the nature and extent of Opposer's licensing of its marks in connection with a wide variety of products and services; the marketing and advertising of products and services; the dealers, retailers, and distributors of products offered under Opposer's marks; and the company's annual sales and

advertising figures. This evidence also establishes that H-D Michigan, Inc. is a wholly-owned subsidiary of Harley-Davidson, Inc., and Harley-Davidson Motor Company Group, Inc. is a wholly-owned subsidiary of H-D Michigan, Inc.

EXH. NO.	FISCAL YEAR ENDING	SEC DOCUMENT TITLE
1	2004	Harley-Davidson, Inc. Form 10-K and Exhibits
2	2005	Harley-Davidson, Inc. Form 10-K and Exhibits
3	2006	Harley-Davidson, Inc. Form 10-K and Exhibits
4	2007	Harley-Davidson, Inc. Form 10-K and Exhibits

Dated: June 24, 2008

Respectfully submitted,

David M. Kelly
Linda K. McLeod
Jonathan M. Gelchinsky

FINNEGAN, HENDERSON, FARABOW, GARRETT & DUNNER, L.L.P.
901 New York Avenue N.W.
Washington, DC 20001
(202) 408-4000

CERTIFICATE OF SERVICE

I certify that a true and accurate copy of the foregoing OPPOSER'S NOTICE OF RELIANCE NO. 2 UNDER 37 CFR § 2.122(e) was served by first class mail, postage prepaid, on this 24th day of June 2008, upon Bryan Broehm at the following address:

Bryan Broehm
331 Gazetta Way
West Palm Beach, FL 33413-1053

Susannah Klank

U.S. Trademark Opposition No. 91177156
H-D Michigan, Inc. v. Bryan Broehm
Serial No. 78896325

Mark:

Exhibit 1

UNITED STATES OF AMERICA
SECURITIES AND EXCHANGE COMMISSION

ATTESTATION

I HEREBY ATTEST

that:

Attached is a copy of, annual report on Form 10-K, for the fiscal year ended December 31, 2004, received in this Commission March 11, 2005, under the name Harley-Davidson, Inc., File No. 1-9183, pursuant to the provisions of the Securities Exchange Act of 1934.

on file in this Commission

May 6, 2008
(Date)

Larry Mills
Records Officer

It is hereby certified that the Secretary of the U.S. Securities and Exchange Commission, Washington, D.C., which Commission was created by the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is official custodian of the records and files of said Commission, and all records and files created or established by the Federal Trade Commission pursuant to the provisions of the Securities Act of 1933 and transferred to this Commission in accordance with Section 210 of the Securities Exchange Act of 1934, and was such official custodian at the time of executing the above attestation, and that he/she, and persons holding the positions of Deputy Secretary, Assistant Director, Records Officer, Branch Chief of Records Management, and the Program Analyst for the Records Officer, or any one of them, are authorized to execute the above attestation.

For the Commission

Secretary

SEC 334 (10/07)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

y ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2004
o 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	39-1382325
(State of organization)	(I.R.S. Employer Identification No.)
3700 West Juneau Avenue, Milwaukee, Wisconsin	53208
(Address of principal executive offices)	(Zip code)

Registrants telephone number: (414) 342-4680

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

Title of each class	Name of each Exchange on which registered
COMMON STOCK, $.01 PAR VALUE PER SHARE	NEW YORK STOCK EXCHANGE
PREFERRED STOCK PURCHASE RIGHTS	NEW YORK STOCK EXCHANGE

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes y No o.

Aggregate market value of the voting stock held by non-affiliates of the registrant at June 27, 2004:

$17,747,151,212

Number of shares of the registrant's common stock outstanding at March 7, 2005:

291,972,467 shares

Documents Incorporated by Reference

Part III of this report incorporates information by reference from registrant's Proxy Statement for the annual meeting of its shareholders to be held on April 30, 2005.

Harley-Davidson, Inc.

Form 10-K

For The Year Ended December 31, 2004

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Part I

Note regarding forward-looking statements

Certain matters discussed by the Company are "forward-looking statements" intended to qualify for the safe harbors 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" or "estimates" or words of similar meaning. Similarly, statements that describe the Company's future plans, objectives, targets 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 the Risk Factors discussed on page 35 of this report. 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 herein are only made as of the date of this report, and the Company undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Item 1. Business

Harley-Davidson, Inc. was incorporated in 1981, at which time it purchased the Harley-Davidson(R)motorcycle business from AMF Incorporated in a management buyout. In 1986, Harley-Davidson, Inc. became publicly held. Unless the context otherwise requires, all references to the "Company" include Harley-Davidson, Inc., all of its subsidiaries and all of its majority-owned affiliates. The Company operates in two segments: the Motorcycles & Related Products segment and the Financial Services segment. The Company's reportable segments are strategic business units that offer different products and services. They are managed separately based on the fundamental differences in their operations.

The Motorcycles & Related Products (Motorcycles) segment includes the group of companies doing business as Harley-Davidson Motor Company (Motor Company) and the group of companies doing business as Buell Motorcycle Company (BMC). The Motorcycles segment designs, manufactures and sells primarily heavyweight (engine displacement of 651+cc) touring, custom and performance motorcycles as well as a complete line of motorcycle parts, accessories, clothing and collectibles. The Company, which is the only major American motorcycle manufacturer, has had the largest share of the United States heavyweight (651+cc) motorcycle market since 1986. At the end of 2004, the Company's market share, based on retail sales of new Harley-Davidson motorcycles, was 49.5% in the United States (Data provided by the Motorcycle Industry Council).

The Financial Services (Financial Services) segment includes the group of companies doing business as Harley-Davidson Financial Services (HDFS). HDFS is engaged in the business of financing and servicing wholesale inventory receivables and retail loans, primarily for the purchase of motorcycles. HDFS conducts business in the United States, Canada and Europe.

See Note 12 to the Consolidated Financial Statements for financial information related to the Company's business segments.

Motorcycles and Related Products

Motorcycles. The primary business of the Motorcycles segment is to design, manufacture and sell premium motorcycles for the heavyweight market. The Company is best known for its Harley-Davidson motorcycle products, but also offers a line of motorcycles and related products under the Buell brand name. The Company's worldwide motorcycle sales generated 80.0%, 80.0% and 78.9% of the total net revenue in the Motorcycles segment during 2004, 2003 and 2002, respectively.

The Company's Harley-Davidson branded motorcycle products emphasize traditional styling, design simplicity, durability and quality. The Company's 2005 model year line up includes 32 models of Harley-Davidson touring and custom heavyweight motorcycles, with domestic manufacturer's suggested retail prices ranging from $6,495 to $20,405. The Company also offers exclusive limited-edition factory-custom motorcycles through its Custom Vehicle Operation (CVO) program. Motorcycles sold through the CVO program are available in limited quantities and offer unique features, paint schemes and accessories.

The Company currently has three motorcycle offerings available through the CVO program with domestic manufacturer's suggested retail prices ranging from $25,495 to $29,995.

The Motor Company manufactures five families of motorcycles: Sportster(R), Dyna Glide, Softail(R), Touring and VRSC. These motorcycles are powered by one of four air-cooled, twin-cylinder engines with a 45-degree "V" configuration, or in the case of the VRSC family, a liquid-cooled, twin-cylinder engine with a 60-degree "V" configuration. The Motor Company's Harley-Davidson engines range in size from 883cc's to 1690cc's.

The average U.S. purchaser of a new Harley-Davidson motorcycle is a married male in his mid-forties (over two-thirds of purchasers are between the ages of 35 and 54), with a median household income of approximately $81,400. These customers generally purchase a motorcycle for recreational purposes rather than to provide transportation. Over two-thirds of the Company's U.S. retail sales of new Harley-Davidson motorcycles are to buyers with at least one year of education beyond high school, and 30% of the buyers have college degrees. Approximately 10% of the Company's Harley-Davidson U.S. retail motorcycle sales are to female buyers. (Source: 2004 Company studies)

The Company's Buell(R) motorcycle products emphasize innovative design, responsive handling and overall performance. Buell currently manufactures and sells six models, including five heavyweight models in its XB family, and the Blast(R). The Buell XB motorcycles focus on superior handling and are powered by either a 984cc (XB9) or a 1203cc (XB12) air-cooled, twin-cylinder engine with a 45-degree "V" configuration. The Buell XB motorcycle models have domestic manufacturer's suggested retail prices ranging from $8,695 to $10,495. The Buell Blast is smaller and less expensive than the Buell XB models and is powered by a 492cc single-cylinder engine. The Blast, which competes in the standard market segment, has a domestic manufacturer's suggested retail price of $4,595.

The average U.S. purchaser of a new Buell XB motorcycle is a male at the age of 36 with a household income of approximately $79,600. Approximately 9% of all new Buell XB U.S. retail motorcycle sales are to females. The average U.S. purchaser of a new Buell Blast is at the age of 37, with over one-half of them being female. Approximately 57% of new Buell Blast purchasers have never owned a motorcycle before and in excess of 97% of them had never owned a Buell motorcycle before. (Source: 2004 Company studies).

The motorcycle market is comprised of four segments: standard, which emphasizes simplicity and cost; performance, which emphasizes handling and acceleration; touring, which emphasizes comfort and amenities for long-distance travel; and custom, which emphasizes styling and individual owner customization. The touring segment of the heavyweight market was pioneered by the Company and includes motorcycles equipped for long-distance touring with fairings, windshields, saddlebags and Tour Pak(R)luggage carriers. The custom segment of the market includes motorcycles featuring the distinctive styling associated with classic Harley-Davidson motorcycles. The standard and performance segments of the market are served primarily by the Company's Buell motorcycle line.

In the United States, suggested retail prices for the Company's Harley-Davidson motorcycles range from being competitive to 50% higher than suggested retail prices for comparable motorcycles available in the market. Although there are some differences in accessories between the Company's top-of-the line touring motorcycles and those of its competitors, suggested retail prices are generally comparable. The high-end of the custom portion of the Harley-Davidson product line represents the Company's highest unit volumes and the Company believes Harley-Davidson custom products continue to command a premium price because of the features, styling and high resale value associated with Harley-Davidson

custom products. The Company's smallest displacement custom motorcycle (the 883cc Sportster) is price competitive with comparable motorcycles available in the market. The Company's 2004 surveys of retail purchasers in the United States indicate that 83% of the purchasers of its Sportster models either have previously owned competitive-brand motorcycles, are completely new to the sport of motorcycling or have not participated in the sport for at least five years. The Company expects to see sales of its Sportster models lead to future sales of its higher-priced models.

Since 1988, the Company's research has consistently shown that U.S. purchasers of new Harley-Davidson motorcycles have a repurchase intent at or in excess of 90%.

Parts & Accessories. The major Parts and Accessories (P&A) products are replacement parts (Genuine Motor Parts) and mechanical and cosmetic accessories (Genuine Motor Accessories). Worldwide P&A net revenue comprised 15.6%, 15.4% and 15.4% of net revenue in the Motorcycles segment in 2004, 2003 and 2002, respectively.

General Merchandise. Worldwide General Merchandise net revenue, which includes MotorClothesTMapparel and collectibles, comprised 4.5%, 4.6% and 5.7% of net revenue in the Motorcycles segment in 2004, 2003 and 2002, respectively.

Other Services. The Company also provides a variety of services to its dealers including service and business management training programs, customized dealer software packages, delivery of its motorcycles, a motorcycle rental and tour program and Riders Edge(R), the Company's rider training program.

Licensing. The Company creates an awareness of the Harley-Davidson brand among its customers and the non-riding public through a wide range of products for enthusiasts by licensing the name "Harley-Davidson" and other trademarks owned by the Company. The Company's licensed products include t-shirts, jewelry, small leather goods, toys and numerous other products. The Company also licenses the use of its name in connection with a cafe located in Las Vegas, Nevada. Although the majority of licensing activity occurs in the U.S., the Company continues to expand these activities in international markets. Royalty revenues from licensing, included in Motorcycles segment net revenue, were approximately $41 million, $38 million and $36 million in 2004, 2003 and 2002, respectively. While royalty revenues from licensing activities are relatively small, the profitability of this business is relatively high.

Patents and Trademarks. The Company owns certain patents that relate to its motorcycles and related products and processes for their production. The Company diligently protects its intellectual property and it rights to innovative and proprietary technology. This protection, including enforcement, is important as the Company moves forward with investments in new products, designs and technologies.

Trademarks are important to the Company's motorcycle business and licensing activities. The Company has a vigorous world wide program of trademark registration and enforcement to strengthen the value of the trademarks and prevent the unauthorized use of those trademarks. The Company believes the HARLEY-DAVIDSON trademark and the Company's Bar and Shield trademark are each highly recognizable to the public and are very valuable assets. The BUELL trademark is well-known in performance motorcycle circles, as is the associated Pegasus logo. Additionally, the Company uses numerous other trademarks, trade names and logos, which are registered world wide, where the Company conducts business. The following are among the Company's trademarks: Harley-Davidson, H-D, Harley, the Bar & Shield Logo, MotorClothes, the MotorClothes Logo, Rider's Edge, Harley Owners Group, H.O.G., the H.O.G. Logo, Softail, Sportster, V-Rod, Buell, the Pegasus Logo and BRAG. The HARLEY-DAVIDSON trademark has been used since 1903 and the Bar and Shield trademark since at least 1910. The BUELL trademark has been used since 1984. All of the Company's

trademarks are owned by H-D Michigan, Inc.

Marketing. The Company's products are marketed primarily through dealer promotions, customer events and advertising through national television, print, radio and direct mailings. Many of the Company's marketing efforts are accomplished through a cooperative program with its independent dealers. The Company also sponsors racing activities and special promotional events and participates in many major motorcycle consumer shows and rallies.

On an ongoing basis, the Company promotes its products and lifestyle through the Harley Owners Group(R), or H.O.G.(R) H.O.G. has approximately 900,000 members worldwide and is the industry's largest company-sponsored motorcycle enthusiast organization. The Company formed the Harley Owners Group in 1983 in an effort to encourage Harley-Davidson owners to become more actively involved in the sport of motorcycling. The Company has also formed the Buell Riders Adventure Group, or BRAG(R), which has approximately 10,000 members. These groups sponsor many motorcycle events, including world wide rallies and rides for Harley-Davidson and Buell motorcycle enthusiasts.

The Company Web site (www.harley-davidson.com) is also utilized to market its products and services. The Web site features an online catalog which allows customers to create and share product wish lists, utilize a dealer locator and place catalog orders. Internet orders are sold and fulfilled by the participating authorized Harley-Davidson dealer selected by the customer. Dealers also handle any after-sale services that customers may require.

International Sales. International revenue was approximately $917 million, $816 million and $675 million, or approximately 18%, 18% and 17% of net revenue of the Motorcycles segment, during 2004, 2003 and 2002, respectively. At the end of 2004, the Company's market share, based on retail sales of new Harley-Davidson motorcycles, was 7.7% in the European heavyweight (651+cc) market and 25.3% in the Asia/Pacific (Japan and Australia) heavyweight (651+cc) market. See Note 12 to the Consolidated Financial Statements for additional information regarding foreign operations.

Distribution-United States. The Company's basic channel of distribution in the United States for its motorcycles and related products consists of 659 independently-owned full-service Harley-Davidson dealerships to whom the Company sells directly. This includes 411 combined Harley-Davidson and Buell dealerships. With respect to sales of new motorcycles, approximately 82% of the U.S. dealerships sell the Company's motorcycles exclusively. All dealerships stock and sell the Company's genuine replacement parts, accessories, and MotorClothes apparel and collectibles, and perform service for the Company's motorcycles. The Company's dealers also sell a smaller portion of parts and accessories and general merchandise through "non-traditional" retail outlets. The "non-traditional" outlets, which are extensions of the main dealership, consist of Secondary Retail Locations (SRLs), Alternate Retail Outlets (AROs), and Seasonal Retail Outlets (SROs). SRLs are satellites of the main dealership and are developed to meet the service needs of the Company's riding customers. SRLs also provide replacement parts and accessories and MotorClothes apparel and collectibles and are authorized to sell new motorcycles. AROs are located primarily in high traffic locations such as malls, airports or popular vacation destinations and focus on selling the Company's MotorClothes apparel, collectibles and licensed products. SROs are located in similar high traffic areas, but operate on a seasonal basis out of temporary locations such as vendor kiosks. AROs and SROs are not authorized to sell new motorcycles. In 2004, there were approximately 87 SRLs, 64 AROs, and 10 SROs located in the United States.

Distribution-Europe. The Company's European management team is located in Oxford, England and is responsible for all sales, marketing and distribution

activities in Europe, the Middle East and Africa. The Company has sales offices in the United Kingdom, France, Germany, Italy, the Netherlands, Spain, Switzerland and seven independent distributors throughout the region. In the European region, there are approximately 389 independent Harley-Davidson dealerships serving 36 country markets. This includes 292 combined Harley-Davidson and Buell dealerships. Buell is further represented by 7 dealerships that do not sell Harley-Davidson motorcycles. In addition, the Company's dealer network includes 31 ARO's across Europe.

Distribution-Asia/Pacific. The Asia/Pacific region is served by 170 independent dealers in 10 countries. Of these dealers, 134 sell both Harley-Davidson and Buell products, while three are Buell-only dealers. The Company's distribution in Japan, which is the largest market in this region, is managed directly by the Company's subsidiary in Tokyo. Operations of this subsidiary include sales, marketing, and distribution of product to the country's network of 113 independent dealers. Independent distributors manage distribution for the region's second largest market, Australia/New Zealand, with 51 dealerships currently in operation. Of these, 24 sell both Harley-Davidson and Buell products. The Company supplies product directly from its U.S. operations to the remaining Asia/Pacific dealers, which are located in East and Southeast Asia.

Distribution-Latin America. In Latin America, 14 countries are served by 31 independent dealers. Mexico is the Company's largest market in Latin America with 10 dealers. In Brazil, the region's second largest market, products are distributed by an independent master dealer through eight dealership locations. Certain motorcycle models sold in Brazil are assembled at the Company's subsidiary in Manaus, Brazil. The remaining dealers in Latin America receive product directly from the Company's U.S. operations.

Distribution-Canada. In Canada, there are approximately 75 independent Harley-Davidson dealerships and three AROs, all served by a single independent distributor, Deeley Harley-Davidson Canada/Fred Deeley Imports Ltd. Currently, 43 of the 75 dealerships are combined Harley-Davidson and Buell dealerships.

Seasonality. In general, the Motor Company has not experienced seasonal fluctuations in its wholesale sales. This has been primarily the result of strong demand for the Company's Harley-Davidson motorcycles and related products, as well as the availability of floor plan financing arrangements for its North American and European independent dealers. Floor plan financing allows dealers to build their inventory levels in anticipation of the spring and summer selling seasons.

As the Company works to narrow the gap between supply and demand for its Harley-Davidson motorcycles, the Company's independent dealers are likely to experience a greater degree of seasonality in their retail sales patterns.

Retail Customer and Dealer Financing. The Company believes that HDFS as well as other financial services companies provide adequate financing to the Company's distributors, dealers and their retail customers. HDFS provides financing to the Company's dealers, distributors and dealers' retail customers in the U.S. and Canada. Beginning in 2002, HDFS began servicing the wholesale financing needs of many of the Company's European dealers. The Company's customers in the Asia/Pacific and Latin America regions are not serviced by HDFS, but have access to financing though other established financial services companies.

Competition. The heavyweight (651+cc) motorcycle market is highly competitive. The Company's major competitors are based outside the U.S. and generally have financial and marketing resources that are substantially greater than those of the Company. They also have larger worldwide revenue and are more diversified

than the Company. In addition to these larger, established competitors, the Company has competitors headquartered in the United States. These competitors generally offer heavyweight motorcycles with traditional styling that compete directly with many of the Company's products. These competitors currently have production and sales volumes that are lower than the Company's and do not hold significant market shares.

Competition in the heavyweight motorcycle market is based upon a number of factors, including price, quality, reliability, styling, product features, customer preference and warranties. The Company emphasizes quality, reliability and styling in its products and offers a 2 year warranty for its motorcycles. The Company regards its support of the motorcycling lifestyle in the form of events, rides, rallies and H.O.G.(R) and its financing through HDFS as a competitive advantage. In general, resale prices for used Harley-Davidson motorcycles, as a percentage of prices when new, are significantly higher than resale prices for used motorcycles of the Company's competitors. (source: 2004 Company data)

Domestically, the Company competes most heavily in the touring and custom segments of the heavyweight motorcycle market. These segments accounted for 81%, 82% and 80% of total heavyweight retail unit sales in the U.S. during 2004, 2003 and 2002, respectively. The custom and touring motorcycles are generally the most expensive vehicles in the market and the most profitable for the Company. During 2004, the heavyweight segment (including standard, performance, touring and custom motorcycles) represented approximately one-half of the total U.S. motorcycle market (on- and off-highway motorcycles and scooters) in terms of new units registered.

For the last 17 years, the Company has led the industry in the United States for retail unit sales of heavyweight motorcycles. The Company's (Harley-Davidson motorcycles only) share of the heavyweight market was 49.5% in 2004 and 2003. This share is significantly greater than that of the Company's largest competitor in the domestic market which ended 2004 with an 18.7% market share.

The following chart includes U.S. retail registration data for the Company and its major competitors for the years 2000 through 2004.

Market share of U.S. Heavyweight Motorcycles (a)

(Engine Displacement of 651+cc)

(Units in thousands)

	Year Ended December 31				
	2004	2003	2002	2001	2000
New U.S. Registrations (thousands of units):					
Total market new registrations	494.0	461.2	442.3	394.3	340.0
Harley-Davidson new registrations	244.5	228.4	209.3	177.4	155.1
Buell new registrations	3.6	3.5	2.9	2.6	4.2
Total Company new registrations	248.1	231.9	212.2	180.0	159.3
Percentage Market Share:					
Harley-Davidson motorcycles	49.5 %	49.5 %	47.5 %	45.0 %	45.6 %
Buell motorcycles	0.7	0.8	0.7	0.7	1.2
Total Company	50.2	50.3	48.2	45.7	46.8
Honda	18.7	18.4	19.8	20.5	18.5
Suzuki	10.2	9.8	9.6	10.8	9.3
Yamaha	8.7	8.5	8.9	7.9	8.4
Kawasaki	6.4	6.7	6.9	8.0	9.0
Other	5.8	6.3	6.6	7.1	8.0
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

(a) Motorcycle registration data provided by the Motorcycle Industry Council.

The Company faces unique competitive challenges in the international markets. The European heavyweight motorcycle market (as defined below) is roughly two-thirds of the size of the U.S. market; but unlike the domestic market, it is comprised of the unique tastes of many individual countries. In addition, the standard and performance segments represent approximately 80% of the European heavyweight (651+cc) motorcycle market. The Company continues to expand its product offerings to compete in these segments by including motorcycles like the VRSC family and the Buell XB. The Company's traditional Harley-Davidson products compete primarily in the custom and touring segments.

On a worldwide basis, the Company measures its market share using the heavyweight classification. Although definitive market share information does not exist for many of the smaller foreign markets, the Company estimates its worldwide competitive position, using data reasonably available to the Company, to be as follows:

Worldwide Heavyweight Motorcycle Registration Data

(Engine Displacement of 651+cc)

(Units in thousands)

	2004		2003		2002	
	Units	% Share	Units	% Share	Units	% Share
North America(a)						
Harley-Davidson new registrations	255.8	48.2 %	238.3	48.1 %	220.1	46.4 %
Buell new registrations	3.8	0.7	3.7	0.8	3.0	.6
Company registrations	259.6	48.9 %	242.0	48.9 %	223.1	47.0 %
Market new registrations	530.8		495.5		475.0	
Europe(b)						
Harley-Davidson new registrations	25.9	7.7 %	26.3	8.1 %	23.5	7.1 %
Buell new registrations	4.5	1.3	3.1	1.0	1.9	0.6
Company registrations	30.4	9.0 %	29.4	9.1 %	25.5	7.7 %
Market new registrations	336.2		323.1		331.8	
Japan/Australia(c)						
Harley-Davidson new registrations	15.6	25.3 %	15.2	25.8 %	13.6	21.3 %
Buell new registrations	1.0	1.5	1.0	1.7	.7	1.2
Company registrations	16.6	26.8 %	16.2	27.5 %	14.3	22.5 %
Market new registrations	61.9		58.9		63.9	
Total(d)						
Harley-Davidson new registrations	297.3	32.0 %	279.8	31.9 %	257.2	29.6 %
Buell new registrations	9.3	1.0	7.8	0.9	5.6	0.7
Company registrations	306.6	33.0 %	287.5	32.8 %	262.8	30.3 %
Market new registrations	928.9		877.5		870.7	

(a) Includes the United States and Canada. U.S. data provided by the Motorcycle Industry Council and Canada data provided by the Moped and Motorcycle Industry of Canada.

(b) Europe data, provided by Giral S.A., includes retail sales in Austria, Belgium, France, Germany, Italy, The Netherlands, Spain, Switzerland, United Kingdom, Denmark, Finland, Greece, Norway, Portugal and Sweden.

(c) Japan data provided by Japan Automobile Importers Association and Australia data provided by ERG, International.

(d) Includes the North American, European and Japan/Australia markets as defined above.

Motorcycle Manufacturing. The Motor Company's ongoing manufacturing strategy is designed to increase capacity, improve product quality, reduce costs and increase flexibility to respond to changes in the marketplace. The Motor Company incorporates manufacturing techniques focused on continuous improvement. These techniques, which include employee involvement, just-in-time inventory principles, partnering agreements with the local unions, high performance work organizations and statistical process control, are designed to improve product quality, productivity and asset utilization in the production of Harley-Davidson motorcycles.

The Motor Company's use of just-in-time inventory principles allows it to minimize its inventories of raw materials and work in process, and minimize scrap and rework costs. This system also allows quicker reaction to engineering design changes, quality improvements and market demands. The Motor Company continues to train the majority of its manufacturing employees in problem solving and statistical methods.

Raw Material and Purchased Components. The Company continues to proceed aggressively to establish and/or reinforce long-term, mutually beneficial relationships with its suppliers. Through these collaborative relationships, the Company gains access to technical and commercial resources for application directly to product design, development and manufacturing initiatives and gains commitment from suppliers to advance Company interests efficiently and effectively. This strategy has resulted in improved product quality, technical integrity, application of new features and innovations, reduced lead times for product development, and smoother/faster manufacturing ramp-up of new vehicle introductions. The Company's 2003 initiative to improve supplier productivity and component cost was fully implemented during 2004 and was instrumental in delivering improvement in cost and in offsetting raw material commodity price pressures throughout the sourcing value stream. The Company anticipates that its focus on collaboration and strong supplier relationships will be beneficial to achieving cost improvement over the long-term.

The Company purchases all of its raw materials, principally steel and aluminum castings, forgings, sheets and bars, and certain motorcycle components, including carburetors, batteries, tires, seats, electrical components and instruments. Given current economic conditions in certain raw material commodity markets, the Company is closely monitoring supply, availability and pricing for both its suppliers and in-house operations. However, at this time, the Company does not anticipate any significant difficulties in obtaining raw materials or components.

Research and Development. The Company believes research and development are significant factors in its ability to lead the custom and touring motorcycling market and to develop products for the performance segment. The Company's Product Development Center (PDC) brings employees from styling, purchasing and manufacturing together with regulatory professionals and supplier representatives to create a concurrent product and process development team. The Company incurred research and development expenses of $170.7 million, $150.3 million and $139.7 million during 2004, 2003 and 2002, respectively.

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

and standards.

The Company's motorcycles are subject to certification by the U.S. Environmental Protection Agency (EPA) for compliance with applicable emissions and noise standards and by the State of California Air Resources Board (CARB) with respect to CARB's more stringent emissions standards. Company motorcycles sold in California are also subject to certain tailpipe and evaporative emissions standards that are unique to California. The Company's motorcycle products have been certified to comply fully with all such applicable standards. CARB's motorcycle emissions standards will become more stringent with model year 2008. The EPA has finalized new tail pipe emission standards for 2006 and 2010, respectively, which are harmonized with the California emissions standards. Harley-Davidson expects its motorcycle products will comply with the new requirements when they go into effect. Additionally, the European Union, Japan and certain emerging markets are considering making motorcycle emissions and noise standards more stringent, which in the European Union are already more stringent than those of the EPA. Consequently, the Company will continue to incur some level of research and development and production costs related to motorcycle emissions and noise for the foreseeable future. The Company does not anticipate that any of these standards will have a materially adverse impact on its capital expenditures, earnings or competitive position.

The Company, as a manufacturer of motorcycle products, is subject to the National Traffic and Motor Vehicle Safety Act, which is administered by the National Highway Traffic Safety Administration (NHTSA). The Company has certified to NHTSA that its motorcycle products comply fully with all applicable federal motor vehicle safety standards and related regulations. The Company has from time to time initiated certain voluntary recalls. During the last three years, the Company has initiated 18 voluntary recalls at a total cost of $7.9 million. The Company reserves for all estimated costs associated with recalls in the period that the recalls are announced.

Employees. As of December 31, 2004, the Motorcycles segment had approximately 8,900 employees. Unionized employees at the motorcycle manufacturing facilities in Wauwatosa and Menomonee Falls, Wisconsin and Kansas City, Missouri are represented by the Paper Allied-Industrial Chemical and Energy Workers International Union (PACE) of the AFL-CIO, as well as the International Association of Machinist and Aerospace Workers (IAM). Unionized employees at the distribution and manufacturing facilities in Franklin and Tomahawk, Wisconsin are represented by the Paper Allied-Industrial Chemical and Energy Workers International Union (PACE) of the AFL-CIO. Production workers at the motorcycle manufacturing facility in York, Pennsylvania, are represented principally by the IAM. The collective bargaining agreement with the Pennsylvania-IAM will expire on February 2, 2007, the collective bargaining agreement with the Kansas City-PACE and IAM will expire on August 1, 2007, and the collective bargaining agreement with the Wisconsin-PACE and IAM will expire on March 31, 2008.

Internet Access. The Company's Internet address is www.harley-davidson.com. The Company makes available free of charge (other than an investor's own Internet access charges) through its Internet website the Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after it electronically files such material with, or furnishes such material to, the Securities and Exchange Commission. In addition, the Company makes available, through its website, the following corporate governance materials: (a) the Harley-Davidson, Inc. Corporate Governance Policy, (b) Committee Charters approved by the Harley-Davidson, Inc. Board of Directors for the Audit Committee, Human Resources Committee and Nominating and Corporate Governance Committee, (c) the Company's Financial Code of Ethics, (d) the Company's Code

of Business Conduct (the "Code of Conduct") and (e) the Conflict of Interest Process for Directors and Executive Officers of Harley-Davidson, Inc. (the "Conflict Process"). This information is also available from the Company upon request. The Company intends to satisfy the disclosure requirements under the Code of Conduct, the Conflict Process and applicable New York Stock Exchange listing requirements regarding waivers of the Code of Conduct or the Conflict Process for executive officers and directors by posting such information on its website at www.harley-davidson.com or disclosing the information in the Company's proxy statement for its annual meeting of shareholders. The Company is not including the information contained on or available through its website as a part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

Financial Services

HDFS is engaged in the business of financing and servicing wholesale inventory receivables and consumer retail loans (primarily for the purchase of motorcycles). HDFS conducts business in the United States, Canada and Europe.

Harley-Davidson and Buell. HDFS, operating under the trade name Harley-Davidson Credit, provides wholesale financial services to Harley-Davidson and Buell dealers and retail financing to consumers. HDFS, operating under the trade name Harley-Davidson Insurance, provides the brokerage of a range of motorcycle insurance policies and extended service warranty agreements.

Wholesale financial services include floorplan and open account financing of motorcycles and motorcycle parts and accessories, real estate loans, computer loans and showroom remodeling loans. HDFS offers wholesale financial services to Harley-Davidson dealers in the U.S. and Canada, and during 2004, approximately 95% of such dealers utilized those services. Prior to August 2002, HDFS offered wholesale financing to some of the Company's European motorcycle dealers through a joint venture with Transamerica Distribution Finance. In August 2002, HDFS terminated this joint venture relationship and began directly serving the wholesale financing needs of some European dealers. The wholesale finance operations of HDFS are located in Plano, Texas and Oxford, England.

Retail financial services include installment lending for new and used Harley-Davidson and Buell motorcycles. HDFS' retail financial services are available through most Harley-Davidson and Buell dealers in the United States and Canada. HDFS' retail finance operations are located in Carson City, Nevada, Reno, Nevada, and Plano, Texas.

Other Manufacturers. HDFS' retail aircraft financial service programs are similar to programs for Harley-Davidson and Buell consumers described above. HDFS' aircraft business is a small portion of its total business and made up less than 5% of total managed loans as of the end of 2004.

Funding. HDFS is financed by operating cash flow, asset-backed securitizations, the issuance of commercial paper, revolving credit facilities, medium term notes, senior subordinated debt and advances and loans from the Company.

Competition. The ability to offer a package of wholesale and retail financial services is a significant competitive advantage for HDFS. Competitors compete for business based largely on price and, to a lesser extent, service. HDFS competes based on convenience, service, brand association, strong dealer relations, industry experience, terms, and price.

During 2004, HDFS financed 40% of the new Harley-Davidson motorcycles retailed by independent dealers in the United States, as compared to 38% in 2003. HDFS

faces competition for the Company's retail motorcycle finance business. Competitors are primarily banks and other financial institutions providing retail financing to local or regional markets. Credit unions, banks, other financial institutions and insurance agencies also compete for retail financial services business in selected markets.

HDFS faces little national competition for the Company's wholesale motorcycle finance business. Competitors are primarily regional and local banks and other financial institutions providing wholesale financing to Harley-Davidson and Buell dealers in their local markets.

Trademarks. HDFS utilizes various trademarks and trade names licensed from H-D Michigan, Inc., including: "HARLEY-DAVIDSON, H-D and the Bar & Shield logo.

Seasonality. In the northern United States and Canada, motorcycles are primarily used during warmer months. Accordingly, HDFS experiences seasonal variations. From mid-March through August, retail financing volume increases and wholesale financing volume decreases as dealers deplete their inventories. From September through mid-March, there is a decrease in retail financing volume while dealer inventories build and turn over more slowly, substantially increasing wholesale financing volume.

Regulation. The operations of HDFS are subject, in certain instances, to supervision and regulation by state, federal, and various foreign governmental authorities. Operations may be subject to various laws and judicial and administrative decisions imposing requirements and restrictions, which among other things, (1) regulate credit granting activities, including establishing licensing requirements, in applicable jurisdictions, (2) establish maximum interest rates, finance charges and other charges, (3) regulate customers' insurance coverages, (4) require disclosure to customers, (5) govern secured transactions, (6) set collection, foreclosure, repossession and claims handling procedures and other trade practices, (7) prohibit discrimination in the extension of credit and administration of loans, and (8) regulate the use and reporting of information related to a borrower.

Depending on the provisions of the applicable laws and regulations and the specific facts and circumstances involved, violations of these laws may limit the ability of HDFS to collect all or part of the principal or interest on applicable loans, may entitle the borrower to rescind the loan or to obtain a refund of amounts previously paid, and in addition, could subject HDFS to damages and administrative sanctions.

The above regulation and supervision could limit the discretion of HDFS in operating its business. Noncompliance with applicable statutes or regulations could result in the suspension or revocation of any license or registration at issue, as well as the imposition of civil fines and criminal penalties. The Company cannot assure that the applicable laws or regulations will not be amended or construed differently, that new laws and regulations will not be adopted or that interest rates charged by HDFS will not rise to maximum levels permitted by law, the effect of any of which could be to adversely affect the business of HDFS or its results of operations.

A subsidiary of HDFS, Eaglemark Savings Bank (ESB), is a Nevada state thrift. As such, the activities of this subsidiary are governed by federal and State of Nevada banking laws and are subject to examination by federal and state examiners. ESB is also required to maintain minimum capital reserves. During 2002, ESB began to originate retail motorcycle and aircraft loans and sell the loans to a non-banking subsidiary of HDFS. This process allows HDFS to offer retail products with common characteristics across the United States and uniformly manage all domestic retail customers.

Employees. As of December 31, 2004, the Financial Services segment had approximately 680 employees. No employees of HDFS are represented by labor unions.

Item 2. Properties

The following is a summary of the principal operating properties of the Company as of December 31, 2004.

Motorcycles and Related Products Segment

Type of Facility	Location	Approximate Square Feet	Status
Corporate Office	Milwaukee, WI	515,000	Owned
Warehouse	Milwaukee, WI	24,000	Lease expiring 2006
Airplane Hangar	Milwaukee, WI	14,600	Owned
Product Development Center	Wauwatosa, WI	409,000	Owned
Manufacturing	Wauwatosa, WI	422,000	Owned
Manufacturing	Menomonee Falls, WI	479,000	Owned
Manufacturing	Tomahawk, WI	211,000	Owned
Manufacturing	York, PA	1,331,000	Owned
Materials Velocity Center	Manchester, PA	212,000	Owned
Manufacturing and Materials Velocity Center	Kansas City, MO	450,000	Owned
Manufacturing	East Troy, WI	40,000	Lease expiring 2008
Product Development and Office	East Troy, WI	54,000	Lease expiring 2008
Distribution Center	Franklin, WI	250,000	Owned
Office	Cleveland, OH	23,000	Lease expiring 2014
Motorcycle Testing	Talladega, AL	24,000	Leases expiring 2007
Motorcycle Testing	Mesa, AZ	12,000	Lease expiring 2005
Motorcycle Testing	Naples, FL	82,000	Owned
Office	Ann Arbor, MI	3,000	Lease expiring 2009
Office	Morfelden-Waldorf, Germany	22,000	Lease expiring 2008
Office and Warehouse	Oxford, England	27,000	Lease expiring 2017
Office	Liederdorp, The Netherlands	8,000	Lease expiring 2006
Office	Paris, France	7,000	Lease expiring 2005
Office and Warehouse	Arese, Italy	17,000	Lease expiring 2009
Office	Zurich, Switzerland	2,000	Lease expiring 2009
Office	Barcelona, Spain	2,000	Lease expiring 2010
Office	Tokyo, Japan	14,000	Lease expiring 2006
Warehouse	Yokohama, Japan	15,000	Lease expiring 2006
Manufacturing and Office	Manaus, Brazil	30,000	Lease expiring 2005

The Company has seven facilities that perform manufacturing operations: Wauwatosa and Menomonee Falls, Wisconsin (motorcycle powertrain production); Tomahawk, Wisconsin (fiberglass parts production and painting); York, Pennsylvania (motorcycle parts fabrication, painting and Softail(R) and touring model assembly); Kansas City, Missouri (motorcycle parts fabrication, painting and Dyna Glide, Sportster(R) and VRSC assembly); East Troy, Wisconsin (Buell(R) motorcycle assembly); Manaus, Brazil (assembly of select models for Brazilian market).

Financial Services Segment

Type of Facility	Location	Approximate Square Feet	Status
Office	Chicago, IL	35,000	Lease expiring 2007
Office	Carson City, NV	100,000	Owned
Office	Reno, NV	14,000	Lease expiring 2005
Office	Plano, TX	61,500	Lease expiring 2014
Office	Oxford, England	6,000	Lease expiring 2017

The Financial Services segment has five office facilities: Chicago, Illinois (corporate headquarters); Carson City, Nevada and Reno, Nevada (retail and insurance operations); Plano, Texas (wholesale, insurance and retail operations) and Oxford, England (European wholesale operations).

Item 3. Legal Proceedings

In January 2001, the Company, on its own initiative, notified each owner of 1999 and early-2000 model year Harley-Davidson(R) motorcycles equipped with Twin Cam 88 and Twin Cam 88B engines that the Company was extending the warranty for a rear cam bearing to 5 years or 50,000 miles. Subsequently, on June 28, 2001, a putative nationwide class action was filed against the Company in state court in Milwaukee County, Wisconsin, which was amended by a complaint filed September 28, 2001. The complaint alleged that this cam bearing is defective and asserted various legal theories. This complaint and a second lawsuit filed on April 12, 2002 in state court in Milwaukee County, Wisconsin were dismissed as reported in more detail in Note 6 - Commitments and Contingencies (Note 6), to the Consolidated Financial Statements. On April 12, 2004, the same attorneys filed a third action in state court in Milwaukee County on behalf of the same plaintiffs from the action dismissed by the Wisconsin Supreme Court. This third action was dismissed by the court on July 26, 2004. In addition, the plaintiffs in the original case moved to reopen that matter and amend the complaint to add new causes of action, which motion was denied on August 23, 2004. A notice of appeal to the Wisconsin Court of Appeals from the latter dismissal has now been filed. The Company intends to continue to vigorously defend this matter. The Company believes that the 5 year/50,000 mile warranty extension it announced in January 2001 adequately addresses the condition for affected owners.

The Company is involved with government agencies and groups of potentially responsible parties in various environmental matters, including a matter involving the clean up 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 since 1986 in undertaking environmental investigation and remediation activities, including an on-going site-wide remedial investigation/feasibility study (RI/FS). Note 6 includes a discussion of the history of this matter in more detail.

Although the RI/FS is still underway and substantial uncertainty exists concerning the nature and scope of the additional environmental investigation and remediation that will ultimately be required at the York facility, the Company estimates that its share of the future costs associated with environmental investigation and remediation activities at the York facility (Response Costs) will be approximately $6.7 million. The Company has established reserves for this amount, which are included in Accrued Expenses and Other Liabilities in the Company's Consolidated Balance Sheets.

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. Response Costs related to the remediation of soil are expected to be incurred over a period of several years ending in 2010. Response Costs related to ground water remediation may continue for some time beyond 2010. However these Response Costs are expected to be much lower than those related to the remediation of soil.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of shareholders of the Company in the fourth quarter of 2004.

Executive Officers of the Registrant

The following sets forth, as of December 31, 2004, the name, age and business experience for the last five years for each of the executive officers of Harley-Davidson, Inc. Executive officers are defined by the Company as Corporate Officers of Harley-Davidson, Inc. plus all members of the Leadership and Strategy Council (LSC). The LSC, which is comprised of selected members of senior management from various areas within the Company, makes high-level resource decisions, develops policies, and acts as an advisory group to the Chief Executive Officer.

Executive Officers

Name	Age
Jeffrey L. Bleustein Chairman and Chief Executive Officer	65
James M. Brostowitz Vice President and Treasurer	52
William B. Dannehl Vice President, North American Sales and Dealer Services - Harley-Davidson Motor Company	46
Jon R. Flickinger Vice President - Harley-Davidson Motor Company and President and Chief Operating Officer - Buell Motorcycle Company	47
John A. Hevey Vice President, Strategic Planning and New Business Development - Harley-Davidson Motor Company	47
Ronald M. Hutchinson Vice President, Parts and Accessories - Harley-Davidson Motor Company	57
Gail A. Lione Vice President, General Counsel and Secretary Chief Compliance Officer	55
James A. McCaslin President and Chief Operating Officer - Harley-Davidson Motor Company	56
W. Kenneth Sutton, Jr. Vice President, Engineering - Harley-Davidson Motor Company	56
Donna F. Zarcone President and Chief Operating Officer - Harley-Davidson Financial Services	47
James L. Ziemer Vice President and Chief Financial Officer and Director	54

Except for the following persons, all such executive officers have been employed by the Company in an executive officer capacity, as defined above, for more than five years: William B. Dannehl, Jon R. Flickinger and Kenneth Sutton. The following is additional biographical information relating to these three executive officers:

Mr. Dannehl became the Vice President, North American Sales and Dealer Serivces for Harley-Davidson Motor Company in August 2004. Prior to his current position, Mr. Dannehl served as the Vice President, Strategic Planning and New Business Development for Harley-Davidson Motor Company since August 2002. From September 1997 to July 2002, Mr. Dannehl served as Vice President and General Manager of York Vehicle Operations.

Mr. Flickinger became the President and Chief Operating Officer of Buell Motorcycle Company in August 2004. Prior to his current position, Mr. Flickinger served as Vice President, North American Sales and Dealer Services for Harley-Davidson Motor Company from March 1999 to July 2004.

Mr. Sutton became the Vice President, Engineering for the Motor Company in 2002. From 2000 to 2002, Mr. Sutton served as Vice President, Continuous Improvement for the Motor Company.

PART II

Item 5. Market for Harley-Davidson, Inc. Common Stock and Related Shareholder Matters

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

2004	Low	High
First quarter	$ 45.20	$ 54.42
Second quarter	52.30	62.31
Third quarter	56.42	63.75
Fourth quarter	55.01	61.24
2003		
First quarter	$ 35.01	$ 49.65
Second quarter	37.25	46.81
Third quarter	38.06	50.25
Fourth quarter	44.57	52.51

The Company paid the following dividends per share:

	2004	2003	2002
First quarter	$ .080	$ .035	$ .030
Second quarter	.100	.040	.035
Third quarter	.100	.040	.035
Fourth quarter	.125	.080	.035
Total year	$ .405	$ .195	$ .135

As of March 4, 2005 there were 86,789 shareholders of record of Harley-Davidson, Inc. common stock.

The following table contains detail related to the Company's authority to repurchase common stock during the quarter ended December 31, 2004.

2004 Fiscal Month	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Be Purchased Under the Plans or Programs
Sep. 27 to Oct. 31	--	--	--	23,086,117
Nov. 1 to Nov. 28	--	--	--	23,476,523
Nov. 28 to Dec. 31	--	--	--	23,615,879
Total	--	--	--	

The Company has continuing authorization from its Board of Directors to repurchase shares of its outstanding common stock under which the cumulative number of shares repurchased, at the time of any repurchase, shall not exceed the sum of (1) the number of shares issued in connection with the exercise of stock options occurring on or after January 1, 2004 plus (2) one percent of the issued and outstanding common stock of the Company on January 1 of the current year, adjusted for any stock split.

The Company's Board of Directors has also separately authorized the Company to buy back 20 million shares of its common stock with no dollar limit or expiration date. No repurchases have been made under this authorization as of the end of 2004.

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

Item 6. Selected Financial Data

	2004	2003	2002	2001	2000
Income statement data:					
Net revenue	$ 5,015,190	$ 4,624,274	$ 4,090,970	$ 3,406,786	$ 2,943,346
Cost of goods sold	3,115,655	2,958,708	2,673,129	2,253,815	1,979,572
Gross profit	1,899,535	1,665,566	1,417,841	1,152,971	963,774
Financial services income	305,262	279,459	211,500	181,545	140,135
Financial services expense	116,662	111,586	107,273	120,272	102,957
Operating income from financial services	188,600	167,873	104,227	61,273	37,178
Selling, administrative and engineering expense	726,644	684,175	639,366	551,743	485,980
Income from operations	1,361,491	1,149,264	882,702	662,501	514,972
Gain on sale of credit card business		--	--	--	18,915
Investment income, net	23,101	23,088	16,541	17,478	17,583
Other, net	(5,106)	(6,317)	(13,416)	(6,524)	(2,914)
Income before provision for income taxes	1,379,486	1,166,035	885,827	673,455	548,556
Provision for income taxes	489,720	405,107	305,610	235,709	200,843
Net income	$ 889,766	$ 760,928	$ 580,217	$ 437,746	$ 347,713
Weighted-average common shares:					
Basic	295,008	302,271	302,297	302,506	302,691
Diluted	296,852	304,470	305,158	306,248	307,470
Earnings per common share:					
Basic	$ 3.02	$ 2.52	$ 1.92	$ 1.45	$ 1.15
Diluted	$ 3.00	$ 2.50	$ 1.90	$ 1.43	$ 1.13
Dividends paid	$ .405	$ .195	$ .135	$ .115	$ .098
Balance sheet data:					
Working capital	$ 2,093,576	$ 1,773,354	$ 1,076,534	$ 949,154	$ 799,521
Current finance receivables, net	1,207,124	1,001,990	855,771	656,421	530,859
Long-term finance receivables, net	905,176	735,859	589,809	379,335	234,091
Total assets	5,483,293	4,923,088	3,861,217	3,118,495	2,436,404
Current finance debt	495,441	324,305	382,579	217,051	89,509
Long-term finance debt	800,000	670,000	380,000	380,000	355,000
Total finance debt	1,295,441	994,305	762,579	597,051	444,509
Shareholders' equity	$ 3,218,471	$ 2,957,692	$ 2,232,915	$ 1,756,283	$ 1,405,655

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

Harley-Davidson, Inc. is the parent company for the group of companies doing business as Harley-Davidson Motor Company (HDMC), Buell Motorcycle Company and Harley-Davidson Financial Services (HDFS). HDMC produces heavyweight motorcycles and offers a complete line of motorcycle parts, accessories, apparel and general merchandise. HDMC manufactures five families of motorcycles: Touring, Dyna Glide, Softail(R), VRSC and Sportster(R). Buell Motorcycle Company produces sport motorcycles, including five v-twin XB models and the single-cylinder Buell(R) Blast(R). Buell also offers a line of motorcycle parts, accessories, apparel and general merchandise. HDFS provides wholesale and retail financing and insurance programs primarily to Harley-Davidson/Buell dealers and customers. The Company operates in two principal business segments: Motorcycles and Related Products (Motorcycles) and Financial Services (Financial Services).

Overview(1)

The Company's 19 years of record revenues and earnings since its initial public stock offering in 1986 are the result of a combination of factors. These include the ability to deliver new products to market, attract new customers, retain existing customers and expand capacity in a responsible way. Unique marketplace events have also created special growth opportunities for Harley-Davidson.

The Company believes that demand for Harley-Davidson(R)motorcycles grows at an average core rate of 7% to 9% per year. However, in many of the 19 years since 1986, the Company's growth has exceeded this core rate driven by a rapidly growing heavyweight motorcycle market, the stock market bubble of the mid-and late-1990s including its associated wealth effect, and more recently, the Company's 100th Anniversary. The Company's growth since 1986 required several factory expansions, which provided it with the opportunity to thoroughly modernize its facilities, resulting in improved productivity, quality and manufacturing margins.

In 2004, the Company shipped 317,289 Harley-Davidson motorcycle units or 9% more than in 2003. The Company expects unit shipments to grow approximately 7% in 2005 with an annual shipment target of 339,000 Harley-Davidson units. The Company believes that these growth rates are consistent with the core growth rate for Harley-Davidson motorcycles and support its longer term goal to satisfy demand for 400,000 Harley-Davidson units in 2007. The Company also expects that by continuing to offer innovative products and services and by driving productivity gains in all facets of its business, it will achieve earnings growth rates in the mid-teens for the foreseeable future.

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

Results of Operations 2004 Compared to 2003

Overall

Net revenue for 2004 totaled $5.02 billion, a $390.9 million or 8.5% increase over 2003. Net income for 2004 was $889.8 million compared to $760.9 million in 2003, an increase of 16.9%. Diluted earnings per share for 2004 was $3.00 on 296.9 million weighted-average shares outstanding, compared to $2.50 on 304.5 million weighted-average shares outstanding in 2003, an increase in earnings per share of 20.0%.

The Company paid dividends in 2004 of $.08 per share in March, $.10 per share in June and September and $.125 per share in December. The aggregate annual dividend paid in 2004 was $.405 per share, representing a 108% increase over the aggregate annual dividend of $.195 per share in 2003.

Motorcycle Unit Shipments & Net Revenue

The following table includes wholesale motorcycle unit shipments and net revenue for the Motorcycles segment for 2004 and 2003 (dollars in millions):

	2004	2003	Increase (Decrease)	% Change
Motorcycle Unit Shipments				
Touring motorcycle units	93,305	82,577	10,728	13.0 %
Custom motorcycle units*	154,163	151,405	2,758	1.8
Sportster motorcycle units	69,821	57,165	12,656	22.1
Harley-Davidson motorcycle units	317,289	291,147	26,142	9.0
Buell motorcycle units	9,857	9,974	(117)	(1.2)
Total motorcycle units	327,146	301,121	26,025	8.6 %
Net Revenue				
Harley-Davidson motorcycles	$ 3,928.2	$ 3,621.5	$ 306.7	8.5 %
Buell motorcycles	79.0	76.1	2.9	3.9
Total motorcycles	4,007.2	3,697.6	309.6	8.4
Parts & Accessories	781.6	712.8	68.8	9.7
General Merchandise	223.7	211.4	12.3	5.8
Other	2.7	2.5	0.2	8.0
Net revenue	$ 5,015.2	$ 4,624.3	$ 390.9	8.5 %

*Custom motorcycle units, as used in this table, includes Softail, Dyna Glide, VRSC and other custom models.

The increase in net revenue for the Motorcycles segment during 2004 was driven by the $306.7 million or 8.5% increase in Harley-Davidson motorcycle net revenue. Harley-Davidson motorcycle revenue was higher primarily as a result of the 9.0% increase in units shipped. Harley-Davidson motorcycle revenue also benefited from changes in foreign currency exchange rates, which resulted in $46.4 million of higher revenue during 2004. However, the benefit from exchange rates was offset by lower revenue due to changes in product mix and lower average wholesale prices, as discussed below.

During 2004, Harley-Davidson motorcycle revenue was impacted by changes in product mix related primarily to an increase in the percentage of shipments consisting of lower-priced Sportster motorcycles and a decrease in the percentage of shipments consisting of more expensive Custom motorcycles. Sportsters are an important part of the Company's strategy to attract new customers to the Harley-Davidson family. The Company introduced a completely redesigned family of Sportster models in September 2003, and demand for the redesigned models has continued to drive increases in Sportster shipments throughout 2004. The percentage of shipments consisting of Sportster motorcycles was 22.0% in 2004, up from 19.6% in 2003. As a result, the percentage of shipments consisting of Custom motorcycles has also been impacted during 2004. The Company expects that the mix of Sportster motorcycles will continue to be in the range of 20% to 25% of total units shipped over the longer term.(1)

Harley-Davidson motorcycle revenue was also impacted by changes in average

wholesale prices. Wholesale prices on the 2004 models reflected the elimination of 100thAnniversary special edition features and, as a result, were slightly lower than the wholesale prices for the 100th Anniversary models sold during 2003. Wholesale prices on 2005 model year motorcycles were approximately 0.5% higher than model year 2004 prices. However, the positive revenue impact from the 2005 model year price increase only partially offset the impact of the lower 2004 model year pricing.

During 2004, net revenue from Parts and Accessories (P&A) totaled $781.6 million, a 9.7% increase over 2003. P&A revenue growth in 2004 was driven by the increase in Harley-Davidson motorcycle shipments and also benefited from favorable changes in foreign currency exchange rates. On a long-term basis, the Company expects the growth rate for P&A revenue to be slightly higher than the growth rate for Harley-Davidson motorcycle units.(1)

General Merchandise revenue during 2004 was $223.7 million, up 5.8% over 2003. The Company expects that the long-term growth rate for General Merchandise revenue will be lower than the growth rate for Harley-Davidson motorcycle units. (1)

Harley-Davidson Retail Motorcycle Sales

The Company's wholesale motorcycle unit shipments are retailed through an independent worldwide dealer network. Retail sales of the Company's Harley-Davidson motorcycles in 2004 were up 7.1% in the United States. Retail sales of Harley-Davidson motorcycles also grew in most of the Company's major international markets. However, overall retail sales in Europe during 2004 decreased 1.7% when compared to 2003.

In response to current market conditions and the strength of European currencies, the Company reduced its wholesale and suggested retail prices on select motorcycle families across Europe in early 2005.

Retail sales data for the heavyweight motorcycle industry in the U.S., Canada, Europe and Japan are provided in the following table (units in thousands):

Heavyweight (651+cc) Motorcycle Retail Registrations

	2004	2003	% Change
United States(a)			
Harley-Davidson models only	244.5	228.4	7.1 %
Industry	494.0	461.2	7.1 %
Canada(b)			
Harley-Davidson models only	11.3	9.9	14.3 %
Industry	36.7	34.3	7.1 %
Europe(c)			
Harley-Davidson models only	25.9	26.3	(1.7)%
Industry	336.2	323.1	4.1 %
Japan(d)			
Harley-Davidson models only	11.9	11.8	1.0 %
Industry	44.0	44.3	(0.6)%

(a) U.S. data provided by the Motorcycle Industry Council.

(b) Canada data provided by the Moped and Motorcycle Industry of Canada.

(c) Europe data provided by Giral S.A., includes retail sales in Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and The United Kingdom.

(d) Japan data provided by Japan Automobile Importers Association.

Gross Profit

Gross profit for 2004 totaled $1.90 billion, an increase of $234.0 million or 14.0% over 2003. Gross margin was 37.9% in 2004, up from 36.0% for 2003. During 2004, gross margin was positively impacted by lower production costs and changes in foreign currency exchange rates, which more than offset the impact of product mix changes discussed under "Net Revenue." In 2004, production costs were lower due to manufacturing efficiencies, but also benefited from a new and fully integrated Softail(R) factory in York, Pennsylvania. During the second half of 2003, the Company experienced higher costs and inefficiencies associated with the rampup of the new Softail factory. Finally, during 2004, changes in foreign currency exchange rates resulted in $38.5 million of higher gross profit when compared to 2003.

Price increases in the metal markets during 2004 did not have a significant impact on the Company's gross profit. The majority of the metal market price increases were managed by the Company's suppliers. During 2004, the Company incurred metal surcharges from some of its suppliers of approximately $9 million. . The majority of the surcharge in 2004 was incurred during the fourth quarter and if similar surcharges continue in 2005 the Company's gross profit in 2005 could be impacted.(1) The Company will continue to closely monitor metal market prices in 2005.

Financial Services

The following table includes the condensed statements of operations for the Financial Services segment (which consists of HDFS) for 2004 and 2003 (in millions):

	2004	2003	Increase	% Change
Interest income	$ 102.2	$ 87.1	$ 15.1	17.4 %
Income from securitizations	115.1	114.4	0.7	0.6
Other income	88.0	78.0	10.0	12.8
Financial services income	305.3	279.5	25.8	9.2
Interest expense	22.7	17.6	5.1	28.9
Operating expenses	94.0	94.0	0.0	--
Financial services expense	116.7	111.6	5.1	4.5
Operating income from financial services	$ 188.6	$ 167.9	$ 20.7	12.3 %

The increase in operating income from Financial Services in 2004 was driven by continued strong marketplace acceptance of HDFS' finance and insurance products. During 2004, income from securitizations was up only slightly over 2003 as the increase in income on investment in retained securitization interests was mostly offset by lower gains on current year securitization transactions.

During 2004, income on investment in retained securitization interests was $56.8 million, an increase of $24.6 million over 2003, due primarily to better than anticipated performance on prior years' securitization transactions. During 2004, HDFS sold $1.9 billion of retail motorcycle loans through securitization transactions resulting in gains of $58.3 million. During 2003, HDFS sold approximately $1.7 billion of retail motorcycle loans resulting in gains of $82.2 million. The gain as a percentage of the amount of loans securitized was lower when compared with the prior year's gain due to rising market interest rates during 2004 and the cost of an enhanced dealer participation program that was introduced during the second quarter of 2004.

Under HDFS' dealer participation program, HDFS pays Harley-Davidson dealers cash incentives for originating retail motorcycle loans.

Over the long term, the Company expects the HDFS operating income growth rate to be slightly higher than the Company's motorcycle unit growth rate.(1)

Changes in HDFS' allowance for credit losses during 2004 and 2003 were as follows (in millions):

	2004	2003
Balance, beginning of period	$ 31.3	$ 31.0
Provision for credit losses	3.1	4.1
Charge-offs, net of recoveries	(4.1)	(3.8)
Balance, end of period	$ 30.3	$ 31.3

HDFS' periodic evaluation of the adequacy of the allowance for credit losses is generally based on HDFS' past loan loss experience, known and inherent risks in the portfolio, and current economic conditions. HDFS believes the allowance is adequate to cover the losses of principal and accrued interest in the existing portfolio.

Included in charge-offs, net of recoveries are $3.7 million and $1.3 million of recoveries in 2004 and 2003, respectively, received by HDFS from HDMC. These recoveries relate to guarantees provided by HDMC on wholesale loans to independent European Harley-Davidson dealers.

Operating Expenses

The following table includes operating expenses for the Motorcycles segment and Corporate for 2004 and 2003 (in millions):

	2004	2003	Increase	% Change
Motorcycles	$ 710.0	$ 668.7	$ 41.3	6.2 %
Corporate	16.6	15.5	1.1	7.3
Total operating expenses	$ 726.6	$ 684.2	$ 42.4	6.2 %

The increase in operating expenses in 2004 was driven by overall growth in the Motorcycles business combined with the Company's ongoing investment in specific initiatives designed to support its growth objectives. Operating expenses, which include selling, administrative and engineering expenses, were 14.5% and 14.8% of net revenue for 2004 and 2003, respectively.

Other, net

Other net expense was $5.1 million and $6.3 million in 2004 and 2003, respectively. Other, net expense consists primarily of charitable contributions in 2004 and 2003.

Investment Income, net

Net investment income (excluding Financial Services interest income) in 2004 was $23.1 million, even with $23.1 million in 2003. In connection with the

Company's capacity expansion efforts, $3.9 million of interest cost was capitalized during 2003; no amounts were capitalized during 2004.

Consolidated Income Taxes

The Company's effective income tax rate was 35.5% and 34.7.% during 2004 and 2003, respectively. The Company's effective income tax rate increased as pretax income grew faster than certain permanent tax differences. The Company expects that the income tax rate will be 35.5% during 2005.(1)

Results of Operations 2003 Compared to 2002

Overall

The Company's net revenue for 2003 totaled $4.62 billion, a $533.3 million, or 13.0%, increase over 2002. Net income for 2003 was $760.9 million compared to $580.2 million in 2002, an increase of 31.1%. Diluted earnings per share for 2003 was $2.50 on 304.5 million weighted-average shares outstanding compared to $1.90 on 305.2 million weighted-average shares outstanding in 2002, an increase of 31.6% in earnings per share.

The Company paid dividends in 2003 of $.035 per share in March, $.04 per share in June and September and $.08 per share in December. The aggregate annual dividend paid in 2003 was $.195 per share, representing a 44% increase over the aggregate annual dividend of $.135 per share in 2002.

Motorcycle Unit Shipments & Net Revenue

The following table includes wholesale motorcycle unit shipments and net revenue for the Motorcycles segment for 2003 and 2002 (dollars in millions):

	2003	2002	Increase (Decrease)	% Change
Motorcycle Unit Shipments				
Touring motorcycle units	82,577	70,713	11,864	16.8 %
Custom motorcycle units*	151,405	141,769	9,636	8.5
Sportster motorcycle units	57,165	51,171	5,994	11.7
Harley-Davidson motorcycle units	291,147	263,653	27,494	10.4
Buell motorcycle units	9,974	10,943	(969)	(8.9)
Total motorcycle units	301,121	274,596	26,525	9.7 %
Net Revenue				
Harley-Davidson motorcycles	$ 3,621.5	$ 3,161.0	$ 460.5	14.6 %
Buell motorcycles	76.1	66.9	9.2	13.6
Total motorcycles	3,697.6	3,227.9	469.7	14.6
Parts & Accessories	712.8	629.2	83.6	13.3
General Merchandise	211.4	231.5	(20.1)	(8.7)
Other	2.5	2.4	0.1	n.m.
Net revenue	$ 4,624.3	$ 4,091.0	$ 533.3	13.0 %

*Custom motorcycle units, as used in this table, includes Softail, Dyna Glide, VRSC and other custom models.

The 13.0% increase in net revenue for the Motorcycles segment during 2003 was led by a $460.5 million, or 14.6%, increase in Harley-Davidson motorcycle net revenue. Harley-Davidson motorcycle revenue was driven by the 10.4% increase in Harley-Davidson motorcycle unit shipments, but also benefited from wholesale

price increases, a slightly favorable product mix and favorable foreign currency exchange rates during 2003.

Wholesale motorcycle shipments during the first eight months of 2003 consisted of the Company's 100thAnniversary models as the Company completed its 14 month 100thAnniversary model year. Wholesale price increases for the 100th Anniversary models provided for higher average selling prices on units sold during the first half of 2003 when compared to the 2002 model year units sold in the first half of 2002. However, as a result of the extended 100thAnniversary model year, wholesale shipments of 100th Anniversary models, carrying the same pricing, occurred in the third quarters of both 2003 and 2002. Revenue in the fourth quarter of 2003 was only slightly impacted by the lower wholesale prices associated with the 2004 model year motorcycles.

During 2003, the Company experienced product mix changes both within and between its motorcycle families. Changes in product mix within the Company's motorcycle families generally resulted in higher revenue during 2003 when compared to 2002. The net result of mix changes between motorcycle families did not have a significant net impact on Harley-Davidson motorcycle revenue in 2003.

Foreign currency exchange rates had a favorable effect on Harley-Davidson motorcycle revenue of approximately $60 million in 2003, primarily as a result of stronger foreign currencies in Europe and Japan, when compared to 2002.

During 2003, net revenue from Parts and Accessories (P&A) totaled $712.8 million, a 13.3% increase over 2002. The 2003 increase in P&A revenue was driven primarily by higher motorcycle shipments. P&A revenue was positively impacted in 2003 and 2002 by sales of 100thAnniversary P&A products. Total P&A revenue for 2003 included $32.1 million from sales of 100th Anniversary P&A products compared to $34.0 million in 2002. Excluding the impact of 100thAnniversary revenue from both 2003 and 2002 the P&A revenue growth rate for 2003 is 14.4%.

General Merchandise revenue during 2003 was $211.4 million, down 8.7% from 2003. Sales from 100th Anniversary General Merchandise products accounted for $9.3 million of total General Merchandise revenue during 2003 compared to $52.2 million during 2002. Sales of 100th Anniversary General Merchandise were more heavily concentrated in 2002 in order to prepare the Company's independent dealers for the 14 month-long 100th Anniversary celebration. Excluding the revenue from the sale of 100thAnniversary products from both 2003 and 2002, the General Merchandise revenue growth rate for 2003 is 12.7%.

Harley-Davidson Retail Motorcycle Sales

The Company's wholesale motorcycle unit shipments are distributed through an independent worldwide dealer network. During 2003, growth in retail sales of the Company's Harley-Davidson motorcycles outpaced the heavyweight motorcycle (651+cc) industry in the U.S., Europe and Japan. Retail sales of the Company's Harley-Davidson motorcycles were up 8.8% in the United States for 2003. In Europe and Japan, retail sales of the Company's Harley-Davidson motorcycles were up 11.8% and 8.3%, respectively, during 2003. Retail sales information for the United States, Canada, Europe and Japan is as follows (units in thousands):

Heavyweight (651+ cc) Motorcycle Retail Registrations

	2003	2002	% Change
United States(a)			
Harley-Davidson models only	228.4	209.9	8.8 %
Industry	461.2	442.3	4.3 %
Canada(b)			
Harley-Davidson models only	9.9	10.2	(3.4)%
Industry	34.3	32.6	2.5 %
Europe(c)			
Harley-Davidson models only	26.3	23.5	11.8 %
Industry	323.1	331.8	(2.6)%
Japan(d)			
Harley- Davidson models only	11.8	10.9	8.3 %
Industry	44.3	47.9	(7.4)%

(a) U.S. data provided by the Motorcycle Industry Council.

(b) Canada data provided by the Moped and Motorcycle Industry of Canada.

(c) Europe data, provided by Giral S.A., includes retail sales in Austria, Belgium, Denmark, Finland, France, Greece, Germany, Italy, The Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and United Kingdom.

(d) Japan data provided by industry sources.

Gross Profit

Gross profit in 2003 of $1.7 billion was $247.7 million or 17.5% higher than gross profit in 2002. The increase in gross profit is primarily related to the increase in net revenue. The gross profit margin was 36.0% in 2003 compared to 34.7% in 2002. The increase in gross margin in 2003 was driven by wholesale price increases on 2003 models, favorable motorcycle product mix and foreign currency exchange rates. Gross profit was higher in 2003 when compared to 2002 by approximately $38 million from foreign currency exchange rate changes to both revenue and costs.

Financial Services

The following table includes the condensed statements of operations for the Financial Services segment for 2003 and 2002 (in millions):

	2003	2002	Increase	% Change
Interest income	$ 87.1	$ 76.1	$ 11.0	14.4 %
Income from securitizations	114.4	74.9	39.5	52.7
Other income	78.0	60.5	17.5	28.9
Financial services income	279.5	211.5	68.0	32.1
Interest expense	17.6	15.1	2.5	16.4
Operating expenses	94.0	92.2	1.8	2.0
Financial services expense	111.6	107.3	4.3	4.0
Operating income from financial services	$ 167.9	$ 104.2	$ 63.7	61.1 %

The increase in Financial Services operating income in 2003 was driven by

continued strong marketplace acceptance of HDFS' finance and insurance products and higher income from securitizations. The increase in income from securitizations was driven by increases in income on investment in retained securitization interests and higher gains on current year securitization transactions.

During 2003, income on investment in retained securitization interests was $32.2 million, an increase of $13.4 million over 2002, due primarily to better than anticipated performance on prior years' securtization transactions. During 2003, HDFS sold $1.7 billion of retail motorcycle loans through securitization transactions, resulting in gains of $82.2 million. During 2002, HDFS sold approximately $1.3 billion of retail motorcycle loans, resulting in gains of $56.1 million. The net gain as a percentage of the amount of loans securitized increased from 4.39% in 2002 to 4.70% in 2003 as HDFS continued to benefit from a favorable interest rate environment.

Changes in HDFS' allowance for credit losses during 2003 and 2002 were as follows (in millions):

	2003	2002
Balance, beginning of period	$ 31.0	$ 28.7
Provision for credit losses	4.1	6.2
Charge-offs, net of recoveries	(3.8)	(3.9)
Balance, end of period	$ 31.3	$ 31.0

HDFS' periodic evaluation of the adequacy of the allowance for credit losses is generally based on HDFS' past loan loss experience, known and inherent risks in the portfolio, and current economic conditions.

In 2003, charge-offs, net of recoveries included $1.3 million of recoveries received by HDFS from HDMC. These recoveries relate to guarantees provided by HDMC on wholesale loans to independent European Harley-Davidson dealers.

Operating Expenses

The following table includes operating expenses for the Motorcycles segment and Corporate for 2003 and 2002 (in millions):

	2003	2002	Increase	% Change
Motorcycles	$ 668.7	$ 626.7	$ 42.0	6.7 %
Corporate	15.5	12.6	2.9	22.6
Total operating expenses	$ 684.2	$ 639.3	$ 44.9	7.0 %

Operating expenses, which include selling, administrative and engineering expenses, increased in connection with the Company's ongoing investment in initiatives designed to support its current and future growth objectives. However, the increase in 2003 was partially offset by lower net expenditures related to the Company's 100th Anniversary celebration as compared to 2002. The Company began its 14 month-long 100thAnniversary celebration during the third quarter of 2002 and net expenses associated with the celebration were most heavily concentrated in 2002. Comparatively, costs incurred during 2003 for the 100th Anniversary celebration were mostly offset by event proceeds and

sponsorships. Operating expenses as a percent of net revenue were 14.8% and 15.6% for 2003 and 2002, respectively.

Other, net

Other net expense was $6.3 million and $13.4 million in 2003 and 2002, respectively. The most significant component of other, net expense in 2003 was $4.5 million in charitable contributions. During 2002, the most significant components of other net expense were $7.1 million in losses on the disposal of fixed assets, $5.5 million in charitable contributions and $4.8 million in costs associated with environmental matters.

Investment Income, net

Net investment income (excluding Financial Services interest income) in 2003 was $23.1 million compared to $16.5 million in 2002. The increase in net investment income resulted from higher average balances of cash and marketable securities during 2003 when compared to 2002. In connection with the Company's capacity expansion efforts, $3.9 million of interest cost was capitalized during 2003 compared to $2.7 million during 2002.

Consolidated Income Taxes

The Company's effective income tax rate was 34.7% and 34.5% during 2003 and 2002, respectively. The Company's effective income tax rate increased during 2003 as pre tax income grew faster than certain tax deductions. The Company's effective income tax rate increased as pre tax income grew faster than certain permanent tax differences.

Other Matters

Accounting Changes

As discussed in Note 1 to the Consolidated Financial Statements, the Company began expensing the cost of stock options on January 1, 2005, when it adopted Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004) "Share-Based Payment." The Company expects that total stock compensation expense, including all types of share based payments, will be similar to the 2004 pro-forma stock compensation expense of $22.5 million, or $13.9 million, after taxes, included in Note 1 to the Consolidated Financial Statements.

Critical Accounting Policies

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

Finance Receivable Securitizations - The Company sells retail motorcycle loans through securitization transactions utilizing qualifying special purpose entities (QSPEs). Upon sale of retail loans in a securitization transaction, HDFS receives cash and retains an interest in excess cash flows, servicing rights and cash reserve account deposits, all of which are collectively referred to as retained interests in the securitized receivables. Retained interests are carried at fair value and periodically reviewed for impairment. Market value quotes are generally not available for retained interests; therefore HDFS estimates fair value based on the present value of future expected cash flows using management's best estimates of the key assumptions for credit losses, prepayment speeds and discount rates. The impact of changes

to key assumptions is shown in Note 4 to the Consolidated Financial Statements.

Gains on current year securitizations from the sale of retail loans are recorded as a component of financial services income and are based in part on certain assumptions including expected credit losses, prepayment speed, and discount rates. Gains on sales of retail loans also depend on the original carrying amount of the retail loans, which is allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer.

Finance Receivable Credit Losses - The allowance for uncollectible accounts is maintained at a level management believes is adequate to cover the losses of principal and accrued interest in the existing finance receivables portfolio. Management's periodic evaluation of the adequacy of the allowance is generally based on HDFS' past loan loss experience, known and inherent risks in the portfolio, current economic conditions, specific borrower's ability to repay and the estimated value of any underlying collateral.

Pensions and Other Postretirement Benefits- Retirement Plan (Pension, SERPA and Postretirement health care) obligations and costs are developed from actuarial valuations. The valuation of projected benefit obligations and net periodic benefit costs relies on key assumptions including discount rates, long-term expected return on plan assets, future compensation and medical trend rates. The Company evaluates and updates all of its assumptions annually in conjunction with its September 30 actuarial measurement date. As of its most recent measurement date the Company lowered its discount rate assumption from 6.50% to 6.25%, while the assumption for medical trend rates was not changed from prior year. The lower discount rate resulted in an immediate increase to the projected benefit obligation and will be amortized into net periodic benefits costs over future periods, resulting in an increase in future service and interest costs.

The discount rate and medical trend rate assumptions are impacted by short-term changes in external economic factors and as result, can be volatile. The Company's 2005 Retirement Plan costs have already been determined in connection with the September 30, 2004 measurement process. However, a change in either of these two assumptions could have an impact on the valuation of costs as of the Company's next measurement date, September 30, 2005. The following information is provided to illustrate the sensitivity of these obligations and costs to changes in these major assumptions (in thousands).

	Amounts based on Current Assumptions	Impact of a 1% decrease in the Discount Rate	Impact of a 1% increase in the Medical Trend Rate
2004 Net periodic benefit costs			
Pension and SERPA	$ 40,748	$ 17,554	n/a
Postretirement healthcare	$ 31,027	$ 2,766	$ 1,518
2004 Projected benefit obligations			
Pension and SERPA	$ 816,998	$ 133,805	n/a
Postretirement healthcare	$ 241,345	$ 27,248	$ 11,418

This information is provided to illustrate the sensitivity of these amounts to certain assumptions and not as a means to predict future amounts. The calculation of Retirement Plan obligations and costs is based on many factors in addition to those discussed here. This information should be considered in combination with the information provided in Note 7 to the Consolidated Financial Statements.

Contractual Obligations

A summary of the Company's expected payments for significant contractual obligations as of December 31, 2004 is as follows (in thousands):

	2005	2006-2007	2008-2009	Thereafter	Total
Finance Debt	$ 495,441	$ 405,015	$ 394,985	$ --	$ 1,295,441
Operating Leases	5,971	5,524	4,373	7,669	23,537
	$ 501,412	$ 410,539	$ 399,358	$ 7,669	$ 1,318,978

As of December 31, 2004, the Company had no material purchase obligations other than those created in the ordinary course of business related to inventory and property, plant and equipment which generally have terms of less than 90 days. The Company also has long-term obligations related to its pension and postretirement plans which are discussed in detail in Note 7 to the Consolidated Financial Statements.

Off-Balance Sheet Arrangements

As part of its securitization program, HDFS transfers retail motorcycle loans to a special purpose bankruptcy-remote wholly-owned subsidiary. The subsidiary sells the retail loans to a securitization trust in exchange for the proceeds from asset-backed securities issued by the securitization trust. The asset-backed securities, usually notes with various maturities and interest rates, are secured by future collections of the purchased retail installment loans. Activities of the securitization trust are limited to acquiring retail loans, issuing asset-backed securities and making payments on securities to investors. Due to the nature of the assets held by the securitization trust and the limited nature of its activities, the securitization trusts are considered QSPEs as defined by SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." In accordance with SFAS No. 140, assets and liabilities of the QSPEs are not consolidated in the financial statements of the Company.

HDFS does not guarantee securities issued by the securitization trusts or projected cash flows from the related loans purchased from HDFS. Recourse against HDFS related to each securitization transaction is limited to the respective investment in retained securitization interests, excluding servicing rights. Total investment in retained securitization interests at December 31, 2004 is $282.2 million. The securitization trusts have a limited life and generally terminate upon final distribution of amounts owed to the investors in the asset-backed securities. See Note 4 to the Consolidated Financial Statements for further discussion of HDFS' securitization program.

Commitments and Contingencies

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining required reserves 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. The required reserves are monitored on an ongoing basis and are updated based on new developments or new information in each matter.

In January 2001, the Company, on its own initiative, notified each owner of 1999 and early-2000 model year Harley-Davidson(R) motorcycles equipped with Twin Cam 88 and Twin Cam 88B engines that the Company was extending the

warranty for a rear cam bearing to 5 years or 50,000 miles. Subsequently, on June 28, 2001, a putative nationwide class action was filed against the Company in state court in Milwaukee County, Wisconsin, which was amended by a complaint filed September 28, 2001. The complaint alleged that this cam bearing is defective and asserted various legal theories. This complaint and a second lawsuit filed on April 12, 2002 in state court in Milwaukee County, Wisconsin were dismissed as reported in more detail in Note 6 to the Consolidated Financial Statements included in this report (Note 6). On April 12, 2004, the same attorneys filed a third action in state court in Milwaukee County on behalf of the same plaintiffs from the action dismissed by the Wisconsin Supreme Court. This third action was dismissed by the court on July 26, 2004. In addition, the plaintiffs in the original case moved to reopen that matter and amend the complaint to add new causes of action, which was denied on August 23, 2004. A notice of appeal to the Wisconsin Court of Appeals from the latter dismissal was filed by the plaintiffs and the appeal is currently pending. The Company intends to continue to vigorously defend this matter. The Company believes that the 5-year/50,000-mile warranty extension it announced in January 2001 adequately addresses the condition for affected owners.

The Company is involved with government agencies and groups of potentially responsible parties in various environmental matters, including 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 since 1986 in undertaking environmental investigation and remediation activities, including an ongoing site-wide remedial investigation/feasibility study (RI/FS). Note 6 includes a discussion of the history of this matter in more detail.

Although the RI/FS is still under way and substantial uncertainty exists concerning the nature and scope of the additional environmental investigation and remediation that will ultimately be required at the York facility, the Company estimates that its share of the future costs associated with environmental investigation and remediation activities at the York facility (Response Costs) will be approximately $6.7 million. The Company has established reserves for this amount, which are included in Accrued Expenses and Other Liabilities in the Consolidated Balance Sheets.

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. Response Costs related to the remediation of soil are expected to be incurred over a period of several years ending in 2010. Response Costs related to ground water remediation may continue for some time beyond 2010. However, these Response Costs are expected to be much lower than those related to the remediation of soil.

Additionally, the Company is involved in product liability suits related to the operation of its business. The Company accrues for claim exposures which 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 will not have a material adverse effect on the Company's consolidated financial statements.

Liquidity and Capital Resources as of December 31, 2004

Operating Activities

The Company's main source of liquidity is cash from operating activities which consists of net income adjusted for noncash items and other operating cash flows.

The Company has concluded that certain prior year balances in the Consolidated Statements of Cash Flows should be reclassified to appropriately present net cash provided by operating activities and net cash used in investing activities.

The Company's previous policy was to classify all the cash flow effects of providing wholesale loans to its independent motorcycle dealers by its Financial Services segment as an investing activity in its Consolidated Statements of Cash Flows. This policy, when applied to the financing of inventory sales, had the effect of presenting an investing cash outflow and an operating cash inflow even though there was no cash inflow or outflow on a consolidated basis. The Company has changed its policy to eliminate this intersegment activity from its Consolidated Statements of Cash Flows and, as a result of this change, all cash flow effects related to wholesale loans are reflected in the operating activities section of the Consolidated Statement of Cash Flows for 2004. All prior years' amounts have been reclassified to conform to this presentation.

In addition, the Company previously classified collections of retained securitization interests as operating cash flows. Since these retained securitization interests have many of the characteristics of, and are accounted for like, investments available for sale, the Company has concluded that the cash inflow from these collections should be classified as investing cash flows and has reflected this reclassification in its 2004 Consolidated Statement of Cash Flows. All prior years' amounts have been reclassified to conform to this presentation.

The effect of the reclassification of both of these changes on prior year net cash provided by operating activities and net cash used in investing activities is summarized in Note 1 to the Consolidated Financial Statements.

The Company generated $969.7 million of cash from operating activities during 2004 compared to $662.7 million in 2003. The increase in cash from operations in 2004 was driven by higher net income. In addition, cash from operations in 2003 included a $192 million cash outflow for pension plan contributions; no amounts were contributed to the pension plans in 2004. As discussed in Note 7 to the Consolidated Financial Statements the Company expects to begin pre-funding its postretirement healthcare plans in 2005 and is currently planning to contribute approximately $100 million to the plans during the first half of 2005.(1) The Company is also currently planning to contribute a minimum of $20 million to its pension plans during 2005. (1)

Net changes in current assets and liabilities included in net cash provided by operating activities during 2004 and 2003 consisted of the following (in millions):

	2004	2003
Accounts receivable, net	$ (8.9)	$ (3.7)
Inventories	(19.2)	10.4
Finance receivables - accrued interest and other	(27.4)	(54.8)
Accounts payable/Accrued expenses	39.5	15.6
Other	(8.9)	13.9
	$ (24.9)	$ (18.6)

A net increase in accounts receivable during 2004 resulted in an $8.9 million negative adjustment to operating cash flow. The change in accounts receivable relates primarily to an increase in the Company's international accounts

receivable balances in Europe and Japan.

The increase in Company inventory resulted in a negative adjustment of $19.2 million to operating cash flow during 2004. Net increases in inventory were due primarily to higher finished goods inventory, partially offset by lower raw materials and work-in-process inventory. Finished goods increases were driven by an increase in motorcycle units on hand.

During 2004, the increase in finance receivables - accrued interest and other resulted in a $27.4 million reduction to operating cash flow. The change in this balance was due primarily to the increase in total finance receivables.

Accounts payable and accrued expenses increased $39.5 million during 2004, resulting in a positive adjustment to operating cash flow. The net increase was driven by higher accounts payable in connection with higher motorcycle production volumes.

Investing Activities

The Company's investing activities consist primarily of capital expenditures, finance receivables activity and net changes in marketable securities. Net cash used in investing activities was $707.8 million and $606.4 million during 2004 and 2003, respectively.

Capital expenditures were $213.6 million and $227.2 million during 2004 and 2003, respectively. The Company estimates that total capital expenditures required in 2005 will be in the range of $225 to $275 million.(1) The Company anticipates it will have the ability to fund all capital expenditures in 2005 with internally generated funds.(1)

Investing activity related to finance receivables resulted in a cash outflow of $272.1 million during 2004 compared to a cash outflow of $113.4 million during 2003. The change in net investing cash flow related to finance receivables was due primarily to the fact that HDFS did not complete a securitization transaction during the fourth quarter of 2004. During the fourth quarter of 2003 HDFS completed a $300 million securitization transaction. The Company plans to complete a $730 million securitization transaction in the first quarter of 2005. This compares to a $625 million transaction completed in the first quarter of 2004.

The Company increased its investment in marketable securities by $349.0 million in 2004 and $393.5 million in 2003.

Financing Activities

The Company's financing activities consist primarily of stock transactions, dividend payments and finance debt activity. Net cash (used in)/provided by financing activities during 2004 and 2003 was $(316.1) million and $80.6 million, respectively.

During 2004 the Company repurchased 10.6 million shares of its common stock at a total cost of $564.1 million. The Company repurchased 7.8 million shares under a general authorization from the Company's Board of Directors. The remaining 2.8 million shares were repurchased under an authorization from the Company's Board of Directors that is designed to provide the Company with continuing authority to repurchase shares to offset dilution caused by the exercise of stock options.

During 2004, the Company's Board of Directors declared four cash dividends totaling $.405 per share or $119.2 million, compared to a total of $.195 per share or $59.0 million, during 2003.

In addition to operating cash flow and asset-backed securitizations, HDFS is financed by the issuance of commercial paper, borrowings under the revolving credit facility, medium-term notes, senior subordinated debt and borrowings from the Company. HDFS' outstanding debt consisted of the following as of December 31 (in millions):

	2004	2003
Commercial paper	$ 702.1	$ 406.9
Borrowings under credit facilities	168.3	158.5
Medium-term notes	395.0	398.9
Senior subordinated debt	30.0	30.0
Total finance debt	$ 1,295.4	$ 994.3

Credit Facilities -During September 2004, HDFS entered into a $1.1 billion revolving credit facility (Global Credit Facility) due September 2009. This facility replaced $750 million in domestic credit facilities and a $200 million European credit facility. The primary use of the Global Credit Facility is to provide liquidity to the unsecured commercial paper program and to fund domestic and foreign operations. Subject to certain limitations, HDFS has the option to borrow in various currencies. Interest is based on London interbank offered rates (LIBOR), European interbank offered rates or other short-term indices, depending on the type of advance. The Global Credit Facility is a committed facility and HDFS pays a fee for its availability.

Commercial Paper - Subject to limitations, HDFS may issue up to $1.1 billion of short-term commercial paper with maturities up to 270 days. Outstanding commercial paper may not exceed the unused portion of the Global Credit Facility. As a result, the combined total of commercial paper and borrowings under the Global Credit Facility was limited to $1.1 billion as of December 31, 2004.

Medium-Term Notes - During November 2003, HDFS issued $400 million of 3.63% medium-term notes (Notes) due in December 2008. The Notes provide for semi-annual interest payments and principal due at maturity. At December 31, 2004, the Notes included a fair value adjustment reducing the balance by $5.0 million due to interest rate swap agreements designated as fair value hedges. The effect of the interest rate swap agreements is to convert the interest rate on the Notes from a fixed to a floating rate, which is based on 3-month LIBOR.

Senior Subordinated Debt - HDFS has $30 million of 10 year senior subordinated notes, due in 2007. Intercompany Borrowing - HDFS has a revolving credit line with the Company whereby HDFS may borrow up to $210 million from the Company at a market interest rate. As of December 31, 2004 and December 31, 2003, HDFS had no outstanding borrowings owed to the Company under this agreement.

The Company has a support agreement with HDFS whereby, if required, the Company agrees to provide HDFS with financial support in order to maintain certain financial covenants. 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.

In connection with its debt agreements, HDFS has various operating and financial covenants and remains in compliance at December 31, 2004.

The Company expects that future activities of HDFS will be financed from funds internally generated by HDFS, the sale of loans through securitization

programs, issuance of commercial paper and medium term notes, borrowings under revolving credit facilities, advances or loans from the Company and subordinated debt. (1)

Risk Factors

The Company's ability to meet the targets and expectations noted in this Form 10-K depends upon, among other factors, the Company's ability to (1) continue to realize production efficiencies at its production facilities through the implementation of innovative manufacturing techniques and other means, (2) successfully implement production capacity increases in its facilities, (3) successfully introduce new products and services, (4) avoid unexpected supply chain issues, (5) sell all of the Harley-Davidson motorcycles it plans to produce, (6) continue to develop the capacity of its distributor and dealer network, (7) avoid unexpected changes in the regulatory environment for its products, (8) successfully adjust to foreign currency exchange rate fluctuations, interest rate fluctuations, and commodity prices, (9) adjust to worldwide economic and political conditions, and (10) successfully manage changes in the credit quality of HDFS's loan portfolio. In addition, the Company could experience delays in the operation of manufacturing facilities as a result of work stoppages, difficulty with suppliers, natural causes, terrorism or other factors. These risks, potential delays and uncertainties regarding the costs could also adversely impact the Company's capital expenditure estimates (see "Liquidity and Capital Resources" section).

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

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

A discussion of the Company's accounting policies for derivative financial instruments is included in the Summary of Significant Accounting Policies in Note 1 to the Consolidated Financial Statements and further disclosure relating to the fair value of derivative financial instruments is included in Note 11 to the Consolidated Financial Statements.

The Company sells its products internationally and in most markets those sales are made in the foreign country's local currency. As a result, the Company's earnings can be affected by fluctuations in the value of the U.S. dollar relative to foreign currency. The Company utilizes foreign currency contracts to mitigate the effect of these fluctuations on earnings. The foreign currency contracts are entered into with banks and allow the Company to exchange a specified amount of foreign currency for U.S. dollars at a future date, based on a fixed exchange rate. At December 31, 2004 these contracts represented a combined U.S. dollar equivalent of approximately $284.7 million. The Company estimates that a uniform 10% weakening in the value of the dollar relative to the currency underlying these contracts would result in a decrease in the fair value of the contracts of approximately $31.9 million.

The Company's exposure to the Japanese yen is substantially offset by the existence of a natural hedge, which is sustained through offsetting yen cash inflows from sales with yen cash outflows for motorcycle component purchases and other operating expenses.

HDFS' earnings are affected by changes in interest rates. HDFS utilizes interest rate swaps to reduce the impact of fluctuations in interest rates on its securitization transactions and debt. As of December 31, 2004, HDFS had

interest rate swaps outstanding with a notional value of $923.0 million. HDFS estimates that a 10% increase in interest rates would result in a $1.5 million decrease in the fair value of the agreements.

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(1) Note regarding forward-looking statements

The Company intends that certain matters discussed are "forward-looking statements" intended to qualify for the safe harbors 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," "targets" or "estimates" or words of similar meaning. Similarly, statements that describe the Company's future plans, objectives, outlooks, targets 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. 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 herein are only made as of the date of this report, and the Company undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Item 8. Consolidated Financial Statements and Supplementary Data

Management's Report on Internal Control Over Financial Reporting
Management Certifications
Report of the Audit Committee
Reports of Independent Registered Public Accounting Firm
Consolidated statements of income
Consolidated balance sheets
Consolidated statements of cash flows
Consolidated statements of shareholders' equity
Notes to consolidated financial statements
Supplementary data
Quarterly financial data (unaudited)

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control - Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2004. Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2004 has been audited by Ernst & Young

LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Jeffrey L. Bleustein
Chairman and Chief Executive Officer

James L. Ziemer
Vice President and Chief Financial Officer

MANAGEMENT CERTIFICATIONS

The Company has filed as exhibits to its Annual Report on Form 10-K for the fiscal year ended 2004, filed with the Securities and Exchange Commission, the certifications of the Chief Executive Officer and the Chief Financial Officer of the Company required by Section 302 of the Sarbanes-Oxley Act.

The Company has submitted to the New York Stock Exchange the Annual CEO Certification required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors reviews the Company's financial reporting process, the audit process and the process for monitoring compliance with the laws and regulations. All of the Audit Committee members are independent in accordance with the Audit Committee requirements of the New York Stock Exchange, Inc.

The Audit Committee of the Board of Directors has reviewed and discussed with Management its assessment of the effectiveness of the Company's internal control system over financial reporting as of December 31, 2004. Management has concluded that the internal control system was effective. This assessment was also audited by Ernst & Young LLP, the Company's independent auditors for the 2004 fiscal year. The audited financial statements of the Company for the 2004 fiscal year were also reviewed and discussed with Management as well as with representatives of Ernst & Young LLP. The Audit Committee has also discussed with Ernst & Young LLP, the matters required to be discussed by Statement of Auditing Standards No. 61, other professional standards and regulatory requirements currently in effect. The Audit Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, as currently in effect, and has discussed with representatives of Ernst & Young LLP the independence of Ernst & Young LLP. Based on the review and discussions referred to above, the Audit Committee has recommended to the Board of Directors that the audited financial statements for the 2004 fiscal year be included in the Company's Annual Report.

Audit Committee of the Board of Directors

Richard I. Beattie
George L. Miles, Jr.
Judson C. Green
James A. Norling, Chairman

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

We have audited management's assessment, included in the accompanying Management's Report on Internal Controls over Financial Reporting, that Harley-Davidson, Inc. maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Frameworkissued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Harley-Davidson, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, management's assessment that Harley-Davidson, Inc. maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Harley-Davidson, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Harley-Davidson, Inc. as of December 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2004 of Harley-Davidson, Inc. and our report dated February 10, 2005 expressed an unqualified opinion thereon.

Ernst & Young LLP

Milwaukee, Wisconsin

February 10, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Harley-Davidson, Inc. as of December 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2004. Our audits also included the financial statement schedule listed in the index at item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Harley-Davidson, Inc. at December 31, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Harley-Davidson, Inc.'s internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 10, 2005 expressed an unqualified opinion thereon.

Ernst & Young LLP

Milwaukee, Wisconsin

February 10, 2005

HARLEY-DAVIDSON, INC.

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2004, 2003 and 2002

(In thousands, except per share amounts)

	2004	2003	2002
Net revenue	$ 5,015,190	$ 4,624,274	$ 4,090,970
Cost of goods sold	3,115,655	2,958,708	2,673,129
Gross profit	1,899,535	1,665,566	1,417,841
Financial services income	305,262	279,459	211,500
Financial services expense	116,662	111,586	107,273
Operating income from financial services	188,600	167,873	104,227
Selling, administrative and engineering expense	726,644	684,175	639,366
Income from operations	1,361,491	1,149,264	882,702
Investment income, net	23,101	23,088	16,541
Other, net	(5,106)	(6,317)	(13,416)
Income before provision for income taxes	1,379,486	1,166,035	885,827
Provision for income taxes	489,720	405,107	305,610
Net income	$ 889,766	$ 760,928	$ 580,217
Basic earnings per common share	$ 3.02	$ 2.52	$ 1.92
Diluted earnings per common share	$ 3.00	$ 2.50	$ 1.90
Cash dividends per common share	$ .405	$ .195	$ .135

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

HARLEY-DAVIDSON, INC.

CONSOLIDATED BALANCE SHEETS

December 31, 2004 and 2003

(In thousands, except share amounts)

	2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 275,159	$ 329,329
Marketable securities	1,336,909	993,331
Accounts receivable, net	121,333	112,406
Current portion of finance receivables, net	1,207,124	1,001,990
Inventories	226,893	207,726
Deferred income taxes	60,517	51,156
Prepaid expenses and other current assets	38,337	33,189
Total current assets	3,266,272	2,729,127
Finance receivables, net	905,176	735,859
Property, plant and equipment, net	1,024,665	1,046,310
Goodwill	59,456	53,678
Other assets	227,724	358,114
	$ 5,483,293	$ 4,923,088
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 244,202	$ 223,902
Accrued expenses and other liabilities	433,053	407,566
Current portion of finance debt	495,441	324,305
Total current liabilities	1,172,696	955,773
Finance debt	800,000	670,000
Other long-term liabilities	90,846	86,337
Postretirement healthcare benefits	149,848	127,444
Deferred income taxes	51,432	125,842
Commitments and contingencies (Note 6)		
Shareholders' equity:		
Series A Junior participating preferred stock, none issued	--	--
Common stock, 329,908,165 and 326,489,291 shares issued in 2004 and 2003, respectively	3,300	3,266
Additional paid-in capital	533,068	419,455

Retained earnings	3,844,571	3,074,037
Accumulated other comprehensive (loss) income	(12,096)	47,174
	4,368,843	3,543,932
Less:		
Treasury stock (35,597,360 and 24,978,798 shares in 2004 and 2003, respectively), at cost	(1,150,372)	(586,240)
Total shareholders' equity	3,218,471	2,957,692
	$ 5,483,293	$ 4,923,088

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

HARLEY-DAVIDSON, INC. .
HARLEY-DAVIDSON, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2004, 2003 and 2002

(In thousands)

	2004	2003	2002
Cash flows from operating activities:			
Net income	$ 889,766	$ 760,928	$ 580,217
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	214,112	196,918	175,778
Provision for long-term employee benefits	62,806	76,422	57,124
Provision for finance credit losses	3,070	4,076	6,167
Gain on current year securitizations	(58,302)	(82,221)	(56,139)
Net change in wholesale finance receivables	(154,124)	(154,788)	(140,107)
Contributions to pension plans	--	(192,000)	(153,636)
Tax benefit from the exercise of stock options	51,476	13,805	14,452
Deferred income taxes	(41,513)	42,105	38,560
Other	27,301	16,051	7,057
Net changes in current assets and current liabilities	(24,866)	(18,644)	16,089
Total adjustments	79,960	(98,276)	(34,655)
Net cash provided by operating activities	969,726	662,652	545,562
Cash flows from investing activities:			
Capital expenditures	(213,550)	(227,230)	(323,866)
Finance receivables acquired or originated	(2,394,644)	(2,090,201)	(1,731,169)
Finance receivables collected	274,670	252,705	230,153
Proceeds from securitizations	1,847,895	1,724,060	1,246,262
Collection of retained securitization	125,732	118,113	89,970

interests			
Purchase of marketable securities	(1,091,326)	(1,538,548)	(1,508,285)
Sales and redemptions of marketable securities	742,284	1,145,000	1,253,719
Purchase of remaining interest in joint venture	(9,500)	--	--
Other, net	10,689	9,690	22,813
Net cash used in investing activities	(707,750)	(606,411)	(720,403)

Cash flows from financing activities:			
Proceeds from issuance of medium term notes	--	399,953	--
Net increase (decrease) finance credit facilities and commercial paper	305,047	(175,835)	165,528
Dividends paid	(119,232)	(58,986)	(41,457)
Purchase of common stock for treasury	(564,132)	(103,880)	(56,814)
Issuance of common stock under employee stock option plans	62,171	19,378	12,679
Net cash (used) provided by financing activities	(316,146)	80,630	79,936
Net increase (decrease) in cash and cash equivalents	(54,170)	136,871	(94,905)
Cash and cash equivalents:			
At beginning of year	329,329	192,458	287,363
At end of year	$ 275,159	$ 329,329	$ 192,458

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

INC. . HARLEY-DAVIDSON, INC. . HARLEY-DAVIDSON,

HARLEY-DAVIDSON, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 2004, 2003 and 2002

(In thousands, except share amounts)

	Common Stock Issued Shares	Balance	Additional paid-in capital	Retained Earnings	Other comprehensive income(loss)	Treasury Balance	Unearned compensation	Total
Balance December 31, 2001	324,340,432	$ 3,242	$ 359,165	$ 1,833,335	$ (13,728)	$ (425,546)	$ (185)	$ 1,756,283
Comprehensive income:								
Net income	--	--	--	580,217	--	--	--	580,217
Other comprehensive income (loss):								
Foreign currency translation adjustment	--	--	--	--	14,545	--	--	14,545
Minimum pension liability adjustment, net of tax benefit of $29,896	--	--	--	--	(48,985)	--	--	(48,985)
Change in net unrealized gains (losses):								
Investment in retained securitizationinterests, net of taxes of $(6,113)	--	--	--	--	11,108	--	--	11,108
Derivative financial instruments, net of tax benefit of $5,929	--	--	--	--	(9,824)	--	--	(9,824)
Marketable securities, net of taxes of $(377)	--	--	--	--	618	--	--	618
Comprehensive income								547,679
Dividends	--	--	--	(41,457)	--	--	--	(41,457)
Repurchase of common stock	--	--	--	--	(56,814)	--	--	(56,814)
Amortization of unearned compensation	--	--	--	--	93	--	--	93
Exercise of stock options	957,972	12	12,667	--	--	--	--	12,679
Tax benefit of stock options	--	--	14,452	--	--	--	--	14,452
Balance December 31, 2002	325,298,404	$ 3,254	$ 386,284	$ 2,372,095	$ (46,266)	$ (482,360)	$ (92)	$ 2,232,915
Comprehensive income:								
Net income	--	--	--	760,928	--	--	--	760,928

Other comprehensive income (loss):					
Foreign currency translation adjustment	--	--	--	--	19,609
	--	19,609			
Minimum pension liability adjustment, net of taxes of $(45,383)	--	--	--	--	74,361
	--	74,361			

Change in net unrealized gains (losses):								
Investment in retained securitizationinterests, net of taxes of $(3,266)	--	--	--	--	6,220	--	--	6,220
Derivative financial instruments,net of tax benefit of $3,057	--	--	--	--	(4,596)	--	--	(4,596)
Marketable securities, net of tax benefit of $1,333	--	--	--	--	(2,154)	--	--	(2,154)
Comprehensive income 854,368								
Dividends	--	--	--	--	(58,986)	--	--	--
Repurchase of common stock	(103,880)	--	--	(103,880)	--	--	--	--
Amortization of unearned compensation	--	92	--	92	--	--	--	--
Exercise of stock options	1,190,887	12	19,366	19,378	--	--	--	--
Tax benefit of stock options	--	--	13,805	13,805	--	--	--	--
Balance December 31, 2003	326,489,291	$ 3,266	$ 419,455	$ 2,957,692	$ 3,074,037	$ 47,174	$ (586,240)	$
Comprehensive income:								
Net income	--	--	--	889,766	--	--	--	--
Other comprehensive income (loss):								
Foreign currency translation adjustment	--	--	--	9,399	--	--	--	9,399
Minimum pension liability adjustment, net of tax benefit of $38,230	--	--	--	(62,110)	--	--	--	(62,110)
Change in net unrealized gains (losses):								
Investment in retained securitizationinterests, net of tax benefit of $367	--	--	--	(691)	--	--	--	(691)
Derivative financial instruments,net of tax benefit of $1,766	--	--	--	(2,479)	--	--	--	(2,479)
Marketable securities, net of tax benefit of $2,075	--	--	--	(3,389)	--	--	--	(3,389)
Comprehensive income 830,496								
Dividends	--	--	--	(119,232)	--	--	--	--
Repurchase of common stock	(564,132)	--	--	(564,132)	--	--	--	--

Exercise of stock options	3,418,874	34	62,137	--	--	--	62,171
Tax benefit of stock options	--	--	51,476	--	--	--	51,476
Balance December 31, 2004	329,908,165	$ 3,300	$ 533,068	$ 3,844,571	$ (12,096)	$ (1,150,372)	$ 3,218,471

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Principles of consolidation and basis of presentation- The consolidated financial statements include the accounts of Harley-Davidson, Inc. and all of its subsidiaries (the Company), including the accounts of the groups of companies doing business as Harley-Davidson Motor Company (HDMC), Buell Motorcycle Company (BMC) and Harley-Davidson Financial Services (HDFS).

All of the Company's subsidiaries are wholly owned and are included in the consolidated financial statements. Prior to January 2004, the Company participated in a joint venture with Porsche AG, of which the Company owned a 51% share. The accounts of the joint venture with Porsche AG were included in the Company's 2003 and 2002 consolidated financial statements, adjusted to reflect Porsche AG's interest in operating results and net assets. In January 2004, the Company increased its ownership share to 100% by purchasing Porsche AG's 49% interest in the joint venture. See Note 3 for additional detail.

Prior to August 2002, HDFS participated in a joint venture with Transamerica Distribution Finance to provide inventory financing to the Company's European

dealers. While HDFS owned 67% of the venture, the joint venture partner managed the business and had equal representation on the board of directors. Accordingly, HDFS recorded its interest using the equity method of accounting. In August 2002, following the termination of its joint venture relationship with Transamerica Distribution Finance, HDFS began servicing the wholesale needs of many of the Company's European dealers directly.

In connection with securitization transactions, HDFS utilizes Qualifying Special Purpose Entities (QSPEs) as defined by Statement of Financial Accounting Standards (SFAS) No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Assets and liabilities of the QSPEs are not consolidated in the financial statements of the Company. For further discussion of QSPEs and securitization transactions see "Finance receivable securitizations," which follows.

The Company operates in two principal business segments: Motorcycles and Related Products (Motorcycles) and Financial Services (Financial Services). All intercompany accounts and material transactions are eliminated, except for amounts related primarily to: (1) interest paid by HDMC to HDFS on behalf of HDMC's independent dealers as an incentive to purchase inventory during winter months; and (2) reimbursements paid by HDMC to HDFS for certain European wholesale finance receivables credit losses. See Note 4 for additional detail related to these items.

Statements of Cash Flows Reclassifications - After considering the concerns raised by the staff of the Securities and Exchange Commission, the Company has concluded that certain prior year balances in the Consolidated Statements of Cash Flows should be reclassified to appropriately present net cash provided by operating activities and net cash used in investing activities.

The Company's previous policy was to classify all the cash flow effects of providing wholesale loans to its independent motorcycle dealers by its Financial Services segment as an investing activity in its Consolidated Statements of Cash Flows. This policy, when applied to the financing of inventory sales, had the effect of presenting an investing cash outflow and an operating cash inflow even though there was no cash inflow or outflow on a consolidated basis. The Company has changed its policy to eliminate this intersegment activity from its Consolidated Statements of Cash Flows and, as a result of this change, all cash flow effects related to wholesale loans are reflected in the operating activities section of the Consolidated Statement of Cash Flows for 2004. All prior years' amounts have been reclassified to conform to this presentation.

In addition, the Company previously classified collections of retained securitization interests as operating cash flows. Since these retained securitization interests have many of the characteristics of, and are accounted for like, investments available for sale, the Company has concluded that the cash inflow from these collections should be classified as investing cash flows and has reflected this reclassification in its 2004 Consolidated Statement of Cash Flows. All prior years' amounts have been reclassified to conform to this presentation.

The effect of the reclassification of both of these changes, as well as the effect of a reclassification of certain marketable securities, on prior year net cash provided by operating activities and net cash used in investing activities is summarized below (in millions):

	2003	2002
Net cash provided by operating activities, previous presentation	$ 935.6	$ 775.6
Reclassifications:		
Wholesale loan activity	(154.8)	(140.1)
Collection of retained securitization interests	(118.1)	(90.0)
Net cash provided by operating activities, revised presentation	$ 662.7	$ 545.5
Net cash used in investing activities, previous presentation	$ (484.7)	$ (1,014.1)
Reclassifications:		
Wholesale loan activity	154.8	140.1
Collection of retained securitization interests	118.1	90.0
Marketable securities	(394.6)	63.6
Net cash used in investing activities, revised presentation	$ (606.4)	$ (720.4)

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

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

Marketable securities - The Company has investments in marketable securities consisting primarily of investment-grade debt instruments such as corporate bonds and government backed securities of $522.8 million and $510.2 million at December 31, 2004 and 2003, respectively, with contractual maturities of approximately 3 years. Marketable securities also include auction rate securities of $814.1 million and $483.1 million at December 31, 2004 and 2003, respectively, with contractual maturities of up to 30 years. The auction rate securities have interest re-set dates that occur every 90 days or less and can be actively marketed at ongoing auctions that occur every 90 days or less. The Company classifies its investments in marketable securities as available for sale, thus requiring the Company to carry them at their fair value with any unrealized gains or losses reported in other comprehensive income.

Finance receivables credit losses - The provision for credit losses on finance receivables is charged to earnings in amounts sufficient to maintain the allowance for uncollectible accounts at a level HDFS believes is adequate to cover the losses of principal and accrued interest in the existing portfolio. HDFS' periodic evaluation of the adequacy of the allowance is generally based on HDFS' past loan loss experience, known and inherent risks in the portfolio, and current economic conditions. HDFS' wholesale and other large loan charge-off policy is based on a loan-by-loan review which considers the specific borrower's ability to repay and the estimated value of any collateral.

Retail loans are generally charged-off at 120 days contractually past due. All finance receivables accrue interest until either collected or charged-off. Accordingly, as of December 31, 2004 and 2003, all finance receivables were accounted for as interest-earning receivables.

Finance receivable securitizations - HDFS sells retail motorcycle loans through securitization transactions. Under the terms of securitization transactions, HDFS sells retail loans to a securitization trust. The securitization trust issues notes to investors, with various maturities and interest rates, secured by future collections of purchased retail loans. The proceeds from the issuance of the asset-backed securities are utilized by the securitization trust to purchase retail loans from HDFS.

Upon sale of the retail loans to the securitization trust, HDFS receives cash and also retains an interest in excess cash flows, servicing rights, and the right to receive cash reserve account deposits in the future, collectively referred to as "investment in retained securitization interests." The investment in retained securitization interests is included with finance receivables in the consolidated balance sheets.

The interest in excess cash flows equals the present value of projected cash flows arising from retail loans sold to the securitization trust less contracted payment obligations due to securitization trust investors. Key assumptions in determining the present value of projected cash flows are prepayments, credit losses and discount rate. Servicing rights entitle HDFS to service retail loans sold to the securitization trust for a fee. The servicing fee is considered adequate compensation for the services provided and is therefore recorded as earned and is included in financial services income.

Reserve account deposits held by the securitization trust represent interest-earning cash deposits collateralizing trust securities. The funds are not available for use by HDFS until the reserve account balances exceed thresholds specified in the securitization agreement. Accordingly, they are carried at the present value of the amounts expected to be received in the future.

Gains on current year securitizations on the sale of the retail loans are recognized in the period in which the sale occurs and depend on the proceeds received and the original carrying amount of the transferred retail loans, allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer.

Investments in retained securitization interests are recorded at fair value and are periodically reviewed for impairment. Market quotes of fair value are generally not available for retained interests; therefore HDFS estimates fair value based on the present value of future expected cash flows using HDFS' best estimates of key assumptions for credit losses, prepayments and discount rate commensurate with the risks involved. Unrealized gains and losses on investments in retained securitization interests are recorded in other comprehensive income, and as of December 31, 2004 and 2003 were $58.1 million and $59.1 million, or $37.6 million and $38.3 million net of taxes, respectively.

HDFS does not guarantee securities issued by the securitization trusts or projected cash flows from the retail loans purchased from HDFS. Recourse against HDFS related to securitization transactions is limited to the investment in retained securitization interests excluding servicing rights.

HDFS utilizes a two-step process to transfer retail loans to a securitization trust. Loans are initially transferred to a special purpose, bankruptcy remote, wholly owned subsidiary which in turn sells the retail loans to the securitization trust. HDFS has surrendered control of retail loans sold to the securitization trust. Securitization transactions have been structured such that: (1) transferred assets have been isolated from HDFS by being put presumptively beyond the reach of HDFS and its creditors, even in bankruptcy or other receivership, (2) each holder of a beneficial interest in the securitization trust has the right to pledge or exchange their interest; and (3) HDFS does not maintain effective control over the transferred assets through either (a) an agreement that both entitles and obligates HDFS to repurchase or redeem the transferred assets before their maturity other than for breaches of representations and warranties relating to the transferred assets or (b) the ability to unilaterally cause the holder to return specific assets, other than through a customary cleanup call.

Activities of the securitization trust are limited to acquiring retail loans, issuing asset-backed securities and making payments on securities to investors. Securitization trusts have a limited life and generally terminate upon final distribution of amounts owed to the investors in the asset-backed securities. Historically, the life of securitization trusts purchasing retail loans from HDFS has approximated four years.

Due to the overall structure of the securitization transaction, the nature of the assets held by the securitization trust and the limited nature of its activities, the securitization trusts are considered QSPEs. Accordingly, gain on sale is recognized upon transfer of retail loans to a QSPE and assets and liabilities of the QSPEs are not consolidated in the financial statements of HDFS. See Note 4 to the consolidated financial statements for further discussion of HDFS' securitization program.

Inventories- Inventories are valued at the lower of cost or market. Substantially all inventories located in the United States are valued using the last-in, first-out (LIFO) method. Other inventories totaling $79.2 million in 2004 and $74.9 million in 2003 are valued at the lower of cost or market using the first-in, first-out (FIFO) method.

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

Internal-use software- The Company's policy is to capitalize costs incurred in connection with developing or obtaining software for internal use. The Company's policy explicitly excludes certain types of costs from capitalization, such as costs incurred for enhancements, maintenance, project definition, data conversion, research and development, and training. Costs capitalized by the Company include amounts paid to outside consulting firms for materials or services used in developing or obtaining computer software for internal use, wages and benefits paid to employees who are directly associated with and who devote time to developing or obtaining computer software for internal use, and interest costs incurred during the period of development of software for internal use. During 2004, 2003 and 2002 the Company capitalized $15.0 million, $16.5 million and $16.0 million, respectively, of costs incurred in connection with developing or obtaining software for internal use. The Company depreciates costs capitalized in connection with developing or obtaining software for internal use on a straight-line basis over three years.

Goodwill -Goodwill represents the excess of acquisition cost over the fair value of the net assets purchased. Goodwill is tested for impairment at least annually. During 2004 and 2003, the Company tested its goodwill balances for impairment and no adjustments were recorded to goodwill as a result of those reviews.

Long-lived assets - The Company periodically evaluates the carrying value of long-lived assets to be held and used and long-lived assets held for sale, when events and circumstances warrant such review. If the carrying value of a long-lived asset is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset for assets to be held and used, or the amount by which the carrying value exceeds the fair market value less cost to sell for assets held for sale. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Product warranty - The Company provides a standard limited warranty on all new

motorcycles sold. The warranty coverage includes parts and labor, and begins when the motorcycle is sold to a retail customer. Beginning with shipments of 2004 model year motorcycles (in September 2003), the Company extended its warranty coverage from one year to two years in all of its markets except Europe, where the term had already been extended to two years in 2002 to comply with European regulations. The Company maintains reserves for future warranty claims using an estimated cost per unit sold, which is based on historical Company claim information. Changes in the Company's warranty liability were as follows (in thousands):

	2004	2003	2002
Balance, beginning of period	$ 30,475	$ 28,890	$ 21,608
Warranties issued during the period	41,434	35,324	30,250
Settlements made during the period	(33,842)	(32,701)	(27,568)
Changes to the liability for pre-existingwarranties during the period	1,931	(1,038)	4,600
Balance, end of period	$ 39,998	$ 30,475	$ 28,890

Derivative financial instruments - The Company uses derivative financial instruments to manage foreign currency exchange rate and interest rate risk. The Company's policy specifically prohibits the use of derivatives for speculative purposes. The fair values of the Company's derivative financial instruments are discussed in Note 11 to the Consolidated Financial Statements.

All derivative instruments are recognized on the balance sheet at fair value. 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 and subsequently reclassified into earnings when the hedged transaction affects income. 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.

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 contracts to mitigate the effect of these fluctuations on earnings. The foreign currency contracts are entered into with banks and allow the Company to exchange a specified amount of foreign currency for U.S. dollars at a future date, based on a fixed exchange rate. The Company's foreign currency contracts, which generally have maturities of less than one year, are designated as cash flow hedges. The effectiveness of these hedges is measured based on changes in the fair value of the contract attributable to changes in the forward exchange rate and are highly effective.

HDFS enters into interest rate swap agreements to reduce the impact of fluctuations in interest rates on its securitization transactions. HDFS originates fixed-rate retail loans on an ongoing basis. Eligible loans are pooled and sold through securitization transactions on a periodic basis. HDFS utilizes interest rate swap agreements to hedge anticipated cash flows from the securitization of retail motorcycle loans.

In addition, HDFS enters into interest rate swap agreements to reduce the impact of fluctuations in interest rates on its fixed and floating rate debt.

At inception, HDFS designates each interest rate swap as a hedge of the fair value of a recognized asset or liability (fair value hedge) or a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge).

Revenue recognition - Sales are generally recorded when products are shipped to customers (independent dealers and distributors) and ownership is transferred. The Company offers sales incentive programs to its dealers and distributors. The total costs of these programs are recognized as revenue reductions and are accrued at the later of the date the related sales are recorded or the date the incentive program is both approved and communicated.

Financial services income recognition - Interest income on finance receivables is recorded as earned and is based on the average outstanding daily balance for wholesale and retail receivables. Accrued interest is classified with finance receivables. Loan origination payments made to dealers for certain retail loans are deferred and amortized over the estimated life of the contract.

Research and development expenses - Research and development expenses were $170.7 million, $150.3 million and $139.7 million for 2004, 2003 and 2002, respectively.

Advertising costs - The Company expenses the production cost of advertising the first time the advertising takes place. During 2004, 2003 and 2002 the Company incurred $48.8 million, $50.8 million and $57.8 million in advertising costs, respectively.

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

Stock Options - The Company has stock option plans under which the Board of Directors may grant to employees nonqualified stock options with or without appreciation rights. The Company accounted for those plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. For purposes of pro forma disclosures under SFAS No. 123, "Accounting for Stock-Based Compensation," (SFAS No. 123) the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information for the years ended December 31 is as follows (in thousands, except per share amounts):

	2004	2003	2002
Net income, as reported	$ 889,766	$ 760,928	$ 580,217
Deduct: Total stock-based employee compensation expense determined under fair value based method for all option awards, net of related tax effects	(13,932)	(13,415)	(12,191)
Pro forma net income	$ 875,834	$ 747,513	$ 568,026
Earnings per share:			
Basic as reported	$ 3.02	$ 2.52	$ 1.92
Basic pro forma	$ 2.97	$ 2.47	$ 1.88
Diluted as reported	$ 3.00	$ 2.50	$ 1.90
Diluted pro forma	$ 2.96	$ 2.46	$ 1.86

In determining the effect of SFAS No. 123, the Black-Scholes option pricing

model was used with the following weighted-average assumptions for 2004, 2003 and 2002: risk-free interest rate of approximately 3%, 3% and 4% respectively; dividend yield of 0.6%, 0.3% and 0.3%, respectively; expected common stock market volatility factor of 0.3, 0.4 and 0.4, respectively; and a weighted-average expected life of the options of 4.9, 4.7 and 4.4 years, respectively. Forfeitures are recognized as they occur.

Reclassifications - Certain prior years' amounts have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements - In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (revised 2004) "Share-Based Payment," (SFAS No. 123(R)) which requires the cost of all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. SFAS No. 123(R) will require that the Company calculate the cost of stock option grants based on their grant date fair value, and recognize that cost in income over the vesting period. The new rules are effective for the Company beginning with the third quarter of 2005. The Company has elected to early adopt SFAS No. 123(R) under the Modified Prospective Transition (MPT) method, as of January 1, 2005. Under the MPT method, the cost for awards that were granted prior to, but not vested, as of January 1, 2005 will be recognized in income over their remaining vesting period on a straight-line basis. The cost of these awards will be based on the grant date fair value estimate used for SFAS No. 123 pro forma disclosure purposes (see "Stock Options" above). The Company intends to use a lattice model to value stock options granted after January 1, 2005.

The Company expects that total stock compensation expense in 2005, including all types of share based payments, will be similar to the 2004 pro-forma stock compensation expense (see "Stock Options" above). Statement 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current guidance. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While the Company cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options), the amount of operating cash flows recognized in prior periods for such excess tax deductions were $51.5 million, $13.2 million, and $14.5 million in 2004, 2003 and 2002, respectively.

2. Additional balance sheet and cash flow information

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

Balance sheet information:

Accounts receivable, net (in thousands):	2004	2003
Domestic	$ 16,485	$ 16,542
Foreign	104,848	95,864
	$ 121,333	$ 112,406

Motorcycle sales in the United States and Canada and a portion of the motorcycle sales in Europe are generally financed by the purchasing dealers through HDFS, and are included in finance receivables in the consolidated

balance sheets. The Company's remaining foreign motorcycle sales are sold on open account, letter of credit, draft and payment in advance or financed by the purchasing dealers. The allowance for doubtful accounts deducted from total accounts receivable was $10.3 million and $9.3 million as of December 31, 2004 and 2003, respectively.

Inventories, net (in thousands):

	2004	2003
Components at the lower of FIFO cost or market:		
Raw materials and work in process	$ 78,750	$ 89,823
Motorcycle finished goods	75,839	57,778
Parts and accessories and general merchandise	93,933	77,417
Inventory at lower of FIFO cost or market:	248,522	225,018
Excess of FIFO over LIFO cost	21,629	17,292
	$ 226,893	$ 207,726

Inventory obsolescence reserves deducted from FIFO cost were $14.5 million and $17.0 million as of December 31, 2004 and 2003, respectively.

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

	2004	2003
Land and related improvements	$ 40,867	$ 35,039
Buildings and related improvements	355,479	361,162
Machinery and equipment	1,628,667	1,661,554
Construction in progress	168,389	133,430
	2,193,402	2,191,185
Less accumulated depreciation	1,168,737	1,144,875
	$ 1,024,665	$ 1,046,310

Accrued expenses and other liabilities (in thousands):

	2004	2003
Payroll, performance incentives and related expenses	$ 151,833	$ 163,095
Warranty and recalls	45,285	34,069
Sales incentive programs	63,880	50,378
Income taxes	53,547	54,826
Fair value of derivative financial instruments	39,701	32,382
Other	78,807	72,816
	$ 433,053	$ 407,566

Components of accumulated other comprehensive income (loss), net of tax (in thousands):

	2004	2003
Cumulative foreign currency translation adjustment	$ 33,537	$ 24,138
Unrealized gain on investment in retained securitization interest	37,633	38,324
Unrealized net loss on derivative financial instruments	(16,231)	(13,752)
Unrealized net loss on marketable securities	(4,925)	(1,536)
Minimum pension liability adjustment	(62,110)	--
	$ (12,096)	$ 47,174

Cash flow information:

Net changes in current assets and current liabilities (in thousands):

	2004	2003	2002
Accounts receivable	$ (8,927)	$ (3,712)	$ 10,149
Inventories	(19,167)	10,430	(37,041)
Finance receivables -- accrued interest and other	(27,443)	(54,796)	(36,382)
Accounts payable and accrued liabilities	39,569	15,545	92,430
Other	(8,898)	13,889	(13,067)
	$ (24,866)	$ (18,644)	$ 16,089

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

	2004	2003	2002
Interest	$ 21,346	$ 17,024	$ 15,067
Income taxes	$ 469,658	$ 370,597	$ 241,392

Interest paid represents interest payments of HDFS which are included in financial services expense.

The Company capitalized approximately $3.9 million and $2.7 million of interest expense in 2003 and 2002, respectively, in connection with expansion projects.

3. Acquisition

On January 1, 2004 the Company acquired the remaining interest in its joint venture with Porsche AG, of which the Company previously owned a 51% share. The purchase price for the remaining interest in the joint venture was approximately $9.5 million. The acquisition was funded with cash on hand. Goodwill of $4.1 million has been recorded under the Motorcycles segment as a result of this transaction.

4. Financial Services

HDFS is engaged in the business of financing and servicing wholesale inventory receivables and retail loans, primarily for the purchase of motorcycles. HDFS is responsible for all credit and collection activities for the Motorcycles segment's domestic dealer receivables and many of its European dealer receivables. Prior to August 2002, HDFS offered wholesale financing to the Company's European motorcycle dealers through a joint venture with Transamerica

Distribution Finance. In August 2002, HDFS terminated the joint venture relationship and began directly servicing the wholesale financing needs of many of the Company's European dealers. HDFS conducts business in the United States, Canada and Europe.

The condensed statements of operations relating to the Financial Services segment, for the years ended December 31, were as follows (in thousands):

	2004	2003	2002
Interest income	$ 102,177	$ 87,048	$ 76,078
Income from securitizations	115,104	114,402	74,915
Other income	87,981	78,009	60,507
Financial services income	305,262	279,459	211,500
Interest expense	22,723	17,635	15,149
Operating expenses	93,939	93,951	92,124
Financial services expense	116,662	111,586	107,273
Operating income from financial services	$ 188,600	$ 167,873	$ 104,227

Interest income includes approximately $11.8 million, $9.2 million, and $8.4 million of interest on wholesale finance receivables paid by HDMC to HDFS in 2004, 2003 and 2002, respectively. This interest is paid on behalf of HDMC's independent dealers as an incentive to purchase inventory during winter months. These interest transactions between the Motorcycles and Financial Services segments are not eliminated; however, the net effect had no impact on consolidated net income.

Income from securitizations includes gains on current year securitization transactions of $58.3 million, $82.2 million and $56.1 million during 2004, 2003 and 2002, respectively, and income on investment in retained securitization interests of $56.8 million, $32.2 million and $18.8 million during 2004, 2003 and 2002, respectively.

Finance Receivables:

Finance receivables owned by HDFS at December 31 for the past five years were as follows (in thousands):

	2004	2003	2002	2001	2000
Wholesale					
United States	$ 870,640	$ 690,662	$ 574,489	$ 527,513	$ 414,713
Europe	73,231	91,987	91,137	--	--
Canada	51,945	59,171	42,236	40,793	42,213
Total Wholesale	995,816	841,820	707,862	568,306	456,926
Retail					
United States	744,357	580,191	509,094	291,796	168,960
Canada	120,217	92,740	60,921	52,241	49,574
Total Retail	864,574	672,931	570,015	344,037	218,534
	1,860,390	1,514,751	1,277,877	912,343	675,460
Allowance for credit losses	30,277	31,311	31,045	28,684	10,947
	1,830,113	1,483,440	1,246,832	883,659	664,513
Investment in retained securitization interests	282,187	254,409	198,748	152,097	100,437
	$ 2,112,300	$ 1,737,849	$ 1,445,580	$ 1,035,756	$ 764,950

HDFS provides wholesale financing to the Company's independent dealers and retail financing to end consumers of the Company's new and used products as well as products of other manufacturers. Wholesale loans to dealers are generally secured by financed inventory or property and are originated in the U.S., Canada, and Europe.

HDFS 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 HDFS and the retail customer, unrelated to the Company's sale of product to its dealers. Retail loans consist of secured promissory notes and installment loans. HDFS either holds titles or liens on titles to vehicles financed by promissory notes and installment loans. As of December 31, 2004 and 2003, approximately 10% of gross outstanding finance receivables were originated in California and 10% were originated in Canada, respectively.

At December 31, 2004 and 2003, unused lines of credit extended to HDFS' wholesale finance customers totaled $700 million and $588 million respectively. Approved but unfunded retail finance loans totaled $343 million and $289 million at December 31, 2004 and 2003, respectively.

Wholesale finance receivables are related primarily to motorcycles and related parts and accessories sales to independent dealers and are generally contractually due within one year. Retail finance receivables are primarily related to sales of motorcycles to the dealers' customers, the end consumers. On December 31, 2004, contractual maturities of finance receivables were as follows (in thousands):

	United States	Europe	Canada	Total
2005	$ 946,044	$ 73,231	$ 66,602	$ 1,085,877
2006	74,437	--	15,757	90,194
2007	82,604	--	17,581	100,185
2008	91,876	--	19,617	111,493
2009	102,198	--	21,890	124,088
Thereafter	317,838	--	30,715	348,553
Total	$ 1,614,997	$ 73,231	$ 172,162	$ 1,860,390

As of December 31, 2004, all finance receivables due after one year were at fixed interest rates.

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

	2004	2003	2002
Balance at beginning of year	$ 31,311	$ 31,045	$ 28,684
Provision for finance credit losses	3,070	4,076	6,167
Charge-offs, net of recoveries	(4,104)	(3,810)	(3,806)
Balance at end of year	$ 30,277	$ 31,311	$ 31,045

Included in charge-offs, net of recoveries are $3.7 million and $1.3 million of recoveries in 2004 and 2003, respectively, received by HDFS from HDMC. These recoveries relate to certain guarantees provided by HDMC on wholesale loans to European Harley-Davidson dealers. At December 31, 2004 and 2003, HDMC has $3.3 million and $3.5 million, respectively, included in their allowance for doubtful accounts related to outstanding guarantees.

At December 31, 2004, 2003 ,2002 and 2001, the carrying value of retail and wholesale finance receivables contractually past due 90 days or more is (in thousands):

	2004	2003	2002	2001
United States	$ 1,906	$ 2,012	$ 1,724	$ 2,262
Canada	994	639	523	365
Europe	3,688	4,126	5,307	--
Total	$ 6,588	$ 6,777	$ 7,554	$ 2,627

Securitization Transactions:

During 2004, 2003 and 2002, the Company sold $1.9 billion, $1.7 billion, and $1.3 billion, respectively, of retail motorcycle loans through securitization transactions utilizing QSPEs (see Note 1 to the Consolidated Financial Statements). The Company retains an interest in excess cash flows, servicing rights and cash reserve account deposits, collectively referred to as investment in retained securitization interests. In conjunction with these and prior sales, HDFS has assets of $282.2 million and $254.4 million representing retained securitization interests at December 31, 2004 and 2003, respectively. The Company receives annual servicing fees approximating 1% of the outstanding balance. HDFS serviced $3.1 billion and $2.6 billion of securitized retail loans as of December 31, 2004 and 2003, respectively.

The Company's retained securitization interests, excluding servicing rights, are subordinate to the interests of securitization trust investors. Investors and securitization trusts have no recourse to the Company's other assets. Recourse is limited to the Company's rights to future cash flow on retained securitization interests, excluding servicing rights. Key assumptions in the valuation of the investment in retained securitization interests and in calculating the gain on current year securitizations are credit losses, prepayments and discount rate.

At the date of the transaction, the following key assumptions were used to calculate the gain on securitizations completed in 2004, 2003 and 2002:

	2004	2003	2002
Prepayment speed (Single Monthly Mortality)	2.50 %	2.50 %	2.50 %
Weighted-average life (in years)	1.94	1.93	1.95
Expected cumulative net credit losses	2.60 %	2.60 %	2.38 %
Residual cash flows discount rate	12.00 %	12.00 %	12.00 %

As of December 31, 2004 and 2003, respectively, the following key assumptions were used to value the investment in retained securitization interests:

	2004	2003
Prepayment speed (Single Monthly Mortality)	2.50 %	2.50 %
Weighted-average life (in years)	2.00	1.97
Expected cumulative net credit losses	2.55 %	2.48 %
Residual cash flows discount rate	12.00 %	12.00 %

Expected cumulative net credit losses are a key assumption in the valuation of retained securitization interests. As of December 31, 2004, 2003 and 2002, respectively, weighted average expected net credit losses for all active securitizations were 2.55%, 2.48% and 2.24%. The table below summarizes, as of December 31, 2004, 2003 and 2002, respectively, expected cumulative net credit losses by year of securitization, expressed as a percentage of the original balance of loans securitized for all securitizations completed during the years noted.

Expected cumulative net Credit Losses (%) as of:	Loans Securitized in				
	2004	2003	2002	2001	2000
December 31, 2004	2.60 %	2.60 %	2.39 %	2.30 %	2.38 %
December 31, 2003	--	2.60 %	2.39 %	2.25 %	2.37 %
December 31, 2002	--	--	2.38 %	2.13 %	2.06 %

Detailed below at December 31, 2004 and 2003 is the sensitivity of the fair value to immediate 10% and 20% adverse changes in the weighted average key assumptions for all retained securitization interests (dollars in thousands):

	2004	2003
Carrying amount/fair value of retained interests	$ 282,187	$ 254,409
Weighted-average life (in years)	2.00	1.97
Prepayment speed assumption (monthly rate)	2.50 %	2.50 %
Impact on fair value of 10% adverse change	$ (7,800)	$ (7,300)
Impact on fair value of 20% adverse change	$ (15,100)	$ (14,200)
Expected cumulative net credit losses	2.55 %	2.48 %
Impact on fair value of 10% adverse change	$ (14,800)	$ (11,100)
Impact on fair value of 20% adverse change	$ (29,600)	$ (22,300)
Residual cash flows discount rate (annual)	12.00 %	12.00 %
Impact on fair value of 10% adverse change	$ (5,100)	$ (4,600)
Impact on fair value of 20% adverse change	$ (10,100)	$ (9,000)

These sensitivities are hypothetical and should not be considered to be predictive of future performance. Changes in fair value generally cannot be extrapolated because the relationship of change in assumption to change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated independently from any change in another assumption. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities. Furthermore, the estimated fair values as disclosed should not be considered indicative of future earnings on these assets.

The table below provides information regarding certain cash flows received from and paid to all motorcycle loan securitization trusts during the years ended December 31, 2004 and 2003 (in thousands):

	2004	2003
Proceeds from new securitizations	$ 1,847,895	$ 1,724,060
Servicing fees received	30,504	23,789
Other cash flows received on retained interests	178,181	144,343
10% Clean-up call repurchase option	(36,620)	(31,779)

Managed retail motorcycle loans consist of all retail motorcycle installment loans serviced by HDFS including, those held by securitization trusts and those held by HDFS. As of December 31, 2004 and 2003, managed retail motorcycle loans totaled $3.7 billion and $3.0 billion, respectively, of which $3.1 billion and $2.6 billion, respectively, are securitized. The principal amount of motorcycle managed loans 60 days or more past due was $40.0 million and $40.7 million at December 31, 2004 and 2003, respectively. Managed loans 60 days or more past due exclude loans reclassified as repossessed inventory. Credit losses, net of recoveries, of the motorcycle managed loans were $33.0 million and $27.0 million during 2004 and 2003, respectively.

Finance Debt:

HDFS' debt as of December 31 consisted of the following (in thousands):

	2004	2003
Commercial paper	$ 702,147	$ 406,907
Credit facilities	168,309	158,512
	870,456	565,419
Medium-term notes	394,985	398,886
Senior subordinated notes	30,000	30,000
	$ 1,295,441	$ 994,305

Credit Facilities - During September 2004, HDFS entered into a $1.1 billion revolving credit facility (Global Credit Facility) due September 2009. This facility replaced $750 million of domestic credit facilities (Domestic Credit Facilities) and the $200 million European credit facility, both described below. The primary use of the Global Credit Facility is to provide liquidity to the unsecured commercial paper program and to fund domestic and foreign operations. Subject to certain limitations, HDFS has the option to borrow in various currencies. Interest is based on London interbank offered rates (LIBOR), European interbank offered rates or other short-term indices, depending on the type of advance. The Global Credit Facility is a committed facility, and HDFS pays a fee for its availability.

Prior to September 2004, HDFS had agreements with financial institutions providing bank credit facilities totaling $750 million. The Domestic Credit Facilities consisted of a $350 million revolving term facility due in 2005 and a $400 million 364-day revolving credit facility due September 2004. The primary uses of the Domestic Credit Facilities were to provide liquidity to the unsecured commercial paper program and to fund HDFS' business operations.

Prior to September 2004, HDFS had a $200 million European revolving credit facility due July 2005. The primary purpose of the facility was to fund HDFS'

European business operations. Subject to certain limitations, HDFS could borrow in various currencies. Interest was based on LIBOR or European Interbank Offered Rates based on the currency of the borrowings.

Commercial Paper - Subject to limitations, HDFS may issue commercial paper of up to $1.1 billion. Maturities may range up to 270 days from the issuance date. Outstanding commercial paper may not exceed the unused portion of the Global Credit Facility. As a result, the combined total of commercial paper and borrowings under the Global Credit Facility was limited to $1.1 billion as of December 31, 2004. The weighted-average interest rate of outstanding commercial paper balances was 2.29% and 1.10% at December 31, 2004 and 2003, respectively. The December 31, 2004 and 2003 weighted-average interest rate includes the impact of interest rate swap agreements.

Medium-Term Notes - During November 2003, HDFS issued $400 million of 3.63% medium-term notes (Notes) due in December 2008. The Notes provide for semi-annual interest payments and principal due at maturity. HDFS entered into a swap agreement, the effect of which is to convert the interest rate on the Notes from a fixed rate to a floating rate, which is based on 3-month LIBOR. The weighted-average interest rate for the years ended December 31, 2004 and 2003 was 1.6% and 1.3%, respectively, which includes the impact of interest rate swap agreements. At December 31, 2004 and 2003, the Notes reflect a $5.0 million and a $1.1 million decrease, respectively, due to the fair value adjustment related to the impact of the interest rate swap agreements.

Senior Subordinated Debt - At December 31, 2004, and 2003, HDFS had $30 million of 6.79% senior subordinated notes outstanding due in 2007. The senior subordinated notes provide for semi-annual interest payments and principal at maturity.

Intercompany Borrowings - HDFS has a revolving credit line with the Company whereby HDFS may borrow up to $210 million at market rates of interest. As of December 31, 2004 and 2003, HDFS had no borrowings owed to the Company under the revolving credit agreement.

The Company has classified the $395.0 million of medium-term notes and the $30.0 million senior subordinated notes as long-term finance debt at December 31, 2004. Additionally, the Company has also classified $375.0 million related to its Commercial Paper and its Global Credit Facilities as long-term finance debt as of December 31, 2004. This amount has been excluded from current liabilities because it is supported by the Global Credit Facility and because the Company intends that at least this amount will remain outstanding for an uninterrupted period extending beyond one year from the balance sheet date.

The Company and HDFS have entered into a support agreement wherein, if required, the Company agrees to provide HDFS certain financial support to maintain certain financial covenants. Support may be provided either as capital contributions or loans at the Company's option. No amount has ever been provided to HDFS under the support agreement.

HDFS has met various operating and financial covenants and remains in compliance at December 31, 2004.

5. Income taxes

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

	2004	2003	2002
Current:			
Federal	$ 466,476	$ 324,960	$ 241,915
State	61,982	33,461	20,265
Foreign	2,775	4,581	4,870
	531,233	363,002	267,050
Deferred:			
Federal	(38,332)	39,902	34,048
State	(5,261)	5,040	5,079
Foreign	2,080	(2,837)	(567)
	(41,513)	42,105	38,560
Total	$ 489,720	$ 405,107	$ 305,610

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

	2004	2003	2002
Provision at statutory rate	35.0 %	35.0 %	35.0 %
Foreign income taxes	0.1	0.1	0.2
Foreign tax credits	(0.1)	(0.1)	(0.1)
State taxes, net of federal benefit	2.5	2.1	1.5
Foreign sales corporation	(0.7)	(0.5)	(0.5)
Research and development credit	(0.5)	(0.5)	(0.6)
Other	(0.8)	(1.4)	(1.0)
Provision for income taxes	35.5 %	34.7 %	34.5 %

Deferred income taxes result from temporary differences between the recognition of revenues and expenses for financial statements and income tax returns. The principal components of the Company's deferred tax assets and liabilities as of December 31 include the following (in thousands):

	2004	2003
Deferred tax assets:		
Accruals not yet tax deductible	$ 76,192	$ 69,802
Postretirement healthcare benefit obligation	58,455	49,161
Supplemental employee retirement plan agreements obligation	19,387	16,508
Minimum pension liability	38,230	--
Other, net	19,535	15,088
	211,799	150,559
Deferred tax liabilities:		
Depreciation, tax in excess of book	(76,385)	(82,959)
Prepaid pension costs	(96,163)	(109,969)
Unrealized gain on investment in retained securitization interests	(20,452)	(20,818)
Other, net	(9,714)	(11,499)
	(202,714)	(225,245)
Net deferred tax (liability) asset	$ 9,085	$ (74,686)

6. Commitments and contingencies

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining required reserves 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. The required reserves are monitored on an ongoing basis and are updated based on new developments or new information in each matter.

In January 2001, the Company, on its own initiative, notified each owner of 1999 and early-2000 model year Harley-Davidson motorcycles equipped with Twin Cam 88 and Twin Cam 88B engines that the Company was extending the warranty for a rear cam bearing to 5 years or 50,000 miles. Subsequently, on June 28, 2001, a putative nationwide class action was filed against the Company in state court in Milwaukee County, Wisconsin, which was amended by a complaint filed September 28, 2001. The complaint alleged that this cam bearing is defective and asserted various legal theories. The complaint sought unspecified compensatory and punitive damages for affected owners, an order compelling the Company to repair the engines, and other relief. On February 27, 2002, the Company's motion to dismiss the amended complaint was granted by the Court and the amended complaint was dismissed in its entirety. An appeal was filed with the Wisconsin Court of Appeals. On April 12, 2002, the same attorneys filed a second putative nationwide class action against the Company in state court in Milwaukee County, Wisconsin relating to this cam bearing issue and asserting different legal theories than in the first action. The complaint sought unspecified compensatory damages, an order compelling the Company to repair the engines and other relief. On September 23, 2002, the Company's motion to dismiss was granted by the Court, the complaint was dismissed in its entirety, and no appeal was taken. On January 14, 2003, the Wisconsin Court of Appeals reversed the trial court's February 27, 2002 dismissal of the complaint in the first action, and the Company petitioned the Wisconsin Supreme Court for review. On March 26, 2004, the Wisconsin Supreme Court reversed the Court of Appeals and dismissed the remaining claims in the action. On April 12, 2004, the same attorneys filed a third action in the state court in Milwaukee County, on behalf of the same plaintiffs from the action dismissed by the Wisconsin Supreme Court. This third action was dismissed by the court on July 26, 2004. In addition, the plaintiffs in the original case moved to reopen that matter and amend the complaint to add new causes of action, which motion was denied on August 23, 2004. A notice of appeal to the Wisconsin Court of Appeals from the latter dismissal was filed by the plaintiffs and the appeal is currently pending. The Company intends to continue to vigorously defend this matter. The Company believes that the 5-year/50,000-mile warranty extension it announced in January 2001 adequately addresses the condition for affected owners.

The Company is involved with government agencies and groups of potentially responsible parties in various environmental matters, including 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 since 1986 in undertaking environmental investigation and remediation activities, including an ongoing site-wide remedial investigation/feasibility study (RI/FS).

In January 1995, the Company entered into a settlement agreement (the Agreement) with the Navy. The Agreement calls for the Navy and the Company to contribute amounts into a trust equal to 53% and 47%, respectively, of future 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.

In February 2002, the Company was advised by the U.S. Environmental Protection Agency (EPA) that it considers some of the Company's remediation activities at the York facility to be subject to the EPA's corrective action program under the Resource Conservation and Recovery Act (RCRA) and offered the Company the option of addressing corrective action under a RCRA facility lead agreement. The objectives and procedures for facility lead corrective action under RCRA are consistent with the investigation and remediation already being conducted under the Agreement with the Navy, and the Company agreed to participate in EPA's corrective action program under a RCRA facility lead agreement.

Although the RI/FS is still under way and substantial uncertainty exists concerning the nature and scope of the additional environmental investigation and remediation that will ultimately be required at the York facility, the Company estimates that its share of the future Response Costs at the York facility will be approximately $6.7 million. The Company has established reserves for this amount, which are included in Accrued Expenses and Other Liabilities in the Consolidated Balance Sheets.

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. Response Costs related to the remediation of soil are expected to be incurred over a period of several years ending in 2010. Response Costs related to ground water remediation may continue for some time beyond 2010. However, these Response Costs are expected to be much lower than those related to the remediation of soil.

Under the terms of the sale of the Commercial Vehicles Division in 1996, the Company has agreed to indemnify Utilimaster Corporation, until 2008, for certain claims related to environmental contamination present at the date of sale, up to $20 million. Based on the environmental studies performed as part of the sale of the Transportation Vehicles segment, the Company does not expect to incur any material expenditures under this indemnification.

Additionally, the Company is involved in product liability suits related to the operation of its business. The Company accrues for claim exposures which 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 will not have a material adverse effect on the Company's consolidated financial statements.

7. Employee benefit plans and other postretirement benefits

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

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

Obligations and Funded Status

The information following provides detail of changes in the projected benefit obligations, changes in the fair value of plan assets and funded status as of the Company's September 30 measurement date (in thousands).

	Pension and SERPA		Postretirement Healthcare Benefits	
	2004	2003	2004	2003
Change in benefit obligation:				
Benefit obligation, October 1	$ 711,357	$ 567,216	$ 250,863	$ 184,996
Service cost	36,863	35,282	11,367	12,145
Interest cost	45,852	41,979	14,994	13,462
Plan amendments	--	--	(22,366)	--
Actuarial losses (gains)	39,024	77,153	(4,870)	48,217
Plan participant contributions	6,524	6,738	43	12
Benefits paid	(22,622)	(17,011)	(8,686)	(7,969)
Benefit obligation, September 30	816,998	711,357	241,345	250,863
Change in plan assets:				
Fair value of plan assets, October 1	650,428	309,469	--	--
Actual return on plan assets	76,141	59,116	--	--
Company contributions	1,712	292,116	8,643	7,957
Plan participant contributions	6,524	6,738	43	12
Benefits paid	(22,622)	(17,011)	(8,686)	(7,969)
Fair value of plan assets, September 30	712,183	650,428	--	--
Funded status of the plans:				
Projected benefit obligation over plan assets	(104,815)	(60,929)	(241,345)	(250,863)
Unrecognized prior service cost	54,959	62,040	(11,841)	9,500
Unrecognized net loss	257,227	246,759	101,042	111,603
Minimum pension liability:				
Intangible asset	(22,043)	--	--	--
Accumulated other comprehensive loss	(100,340)	--	--	--
Prepaid (accrued)	84,988	247,870	(152,144)	(129,760)

benefit cost, September 30				
Fourth quarter contributions	155	--	2,296	2,316
Prepaid (accrued) benefit cost, December 31	$ 85,143	$ 247,870	$ (149,848)	$ (127,444)
Amounts recognized in the Consolidated Balance Sheets, December 31:				
Accrued benefit liability (other long-term liabilities)	$ (48,179)	$ (37,311)	$ (149,848)	$ (127,444)
Prepaid benefit cost (other long-term assets)	133,322	285,181	--	--
Net amount recognized	$ 85,143	$ 247,870	$ (149,848)	$ (127,444)

Benefit Costs

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

	Pension and SERPA			Postretirement Health Care Benefits		
	2004	2003	2002	2004	2003	2002
Service cost	$ 36,863	$ 35,282	$ 22,158	$ 11,367	$ 12,145	$ 8,411
Interest cost	45,852	41,979	35,723	14,994	13,462	11,539
Expected return on plan assets	(59,193)	(39,500)	(29,323)	--	--	--
Amortization of unrecognized:						
Prior service cost	7,081	7,098	7,148	(1,025)	546	546
Net loss	10,145	9,609	6,320	5,691	4,296	1,766
Net periodic benefit cost	$ 40,748	$ 54,468	$ 42,026	$ 31,027	$ 30,449	$ 22,262

Assumptions

Weighted-average assumptions used to determine benefit obligations as of September 30 and weighted-average assumptions used to determine net periodic benefit cost for the years ended September 30 are as follows:

	Pension and SERPA			Postretirement Health Care Benefits		
	2004	2003	2002	2004	2003	2002
Assumptions for benefit obligations						
Discount rate	6.25 %	6.50 %	7.25 %	6.25 %	6.50 %	7.25 %
Rate of compensation	3.50 %	4.00 %	5.00 %	n/a	n/a	n/a
Assumptions for net periodic benefit cost						
Discount rate	6.50 %	6.50 %	8.00 %	6.50 %	6.50 %	8.00 %
Expected return on plan assets	8.50 %	8.50 %	8.50 %	n/a	n/a	n/a
Rate of compensation increase	4.00 %	5.00 %	5.00 %	n/a	n/a	n/a

Pension and SERPA Accumulated Benefit Obligation

Each of the Company's pension and SERPA plans has a separately determined accumulated benefit obligation (ABO) and plan asset value. The ABO is the actuarial present value of benefits based on service rendered and current and past compensation levels. This differs from the projected benefit obligation (PBO) in that it includes no assumption about future compensation levels. The total ABO for all the Company's pension and SERPA plans combined was $719.7 million and $605.6 million as of September 30, 2004 and 2003, respectively.

The following table summarizes information related to Company pension plans with an ABO or PBO in excess of the fair value of plan assets as of September 30 (in millions).

	2004	2003
Plans with ABOs in excess of fair value of plan assets:		
ABO	$ 270.2	--
Fair value of plan assets	268.2	--
Number of plans	1	0
Plans with PBOs in excess of fair value of plan assets:		
PBO	$ 510.3	$ 209.2
Fair value of plan assets	$ 458.9	$ 173.5
Number of plans	2	1

The Company's SERPA plans, which can only be funded as claims are paid, had projected and accumulated benefit obligations of $56.8 million and $44.8 million, respectively, as of September 30, 2004 and $49.8 and $32.6 million, respectively as of September 30, 2003.

Pension Plan Assets

The Company's pension plan weighted-average asset allocations at September 30, 2004 and 2003, by asset category are as follows (in thousands):

	2004		2003	
Equity securities (excluding Company stock)	$ 505,548	71 %	$ 364,117	56 %
Debt securities	100,984	14	86,117	13
Company stock	75,702	11	61,387	10
Cash	29,949	4	138,807	21
Total	$ 712,183	100 %	$ 650,428	100 %

The Company employs a total return investment approach whereby a mix of equities and fixed-income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by maximizing investment returns within that prudent level of risk. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S and non-U.S. stocks as well as growth, value, and small and large capitalizations. The Company's targeted asset allocation ranges as a percentage of total market value are as follows: equity securities, 45% to 75%; debt securities, 13% to 17%; and Company stock not to exceed 25%. Additionally, cash balances are maintained at levels adequate to meet near term plan expenses and benefit payments. The allocation of balances at September 30, 2003 was not reflective of the Company's targets as a result of a $180 million contribution which had not been completely allocated from cash. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews.

The fair value of plan assets were approximately $760 and $700 million as of December 31, 2004 and 2003, respectively. Included in the plan assets are 1,273,592 shares of the Company's common stock at December 31, 2004 and 2003. The market value of these shares at December 31, 2004 and 2003 was $77.4 million and $60.5 million, respectively. Company policy limits the value of its stock to 25% of the total value of plan assets.

The Company's overall expected long-term rate of return on assets is 8.50%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based on historical returns adjusted to reflect the current view of the long-term investment market.

Postretirement Healthcare Cost

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

	2004	2003
Healthcare cost trend rate for next year	12.0 %	15.0 %
Rate to which the cost trend rate is assumed to decline (the ultimate rate)	5.0 %	5.0 %
Year that the rate reaches the ultimate trend rate	2007	2007

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

	One Percent Increase	One Percent Decrease
Total of service and interest cost components in 2004	$ 1,015	$ 942
Postretirement benefit obligation as of September 30, 2004	$ 11,418	$ 10,611

Medicare Changes

On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act introduced a voluntary prescription drug benefit under Medicare as well as a federal subsidy to sponsors of retiree healthcare plans that provide prescription drug benefits that are at least actuarially equivalent to Medicare. The Company has determined that prescription drug benefits offered under its plans are at least actuarially equivalent to the benefits that will be provided under Medicare and expects to receive the federal subsidy provided under the A ct. The Company began recognizing the impact of the Act's provisions in the third quarter of 2004. As a result, postretirement benefit cost for 2004 was $2.0 million lower than it would have been, had the Company not recognized the impact of the provisions of the Act. The Company's recognition of the impact of these provisions also resulted in a decrease of $23.3 million in the accumulated postretirement benefit obligation, related to benefits attributed to past service.

Future Contributions and Benefit Payments

The Company intends to begin pre-funding its postretirement healthcare plans in 2005 and is currently planning to contribute approximately $100 million to the plans during the first half of 2005. The Company is also currently planning to contribute a minimum of $20 million to its pension plans during 2005. The expected benefit payments and Medicare subsidy receipts for the next five years and thereafter are as follows (in thousands):

	Pension and SERPA	Postretirement Healthcare Benefits	Medicare Subsidy Receipts
2005	$ 53,092	$ 11,099	$ 0
2006	27,380	12,561	630
2007	30,579	14,793	709
2008	33,425	18,383	790
2009	36,973	19,471	891
2010-2014	235,225	117,769	6,526

Defined Contribution Plans

The Company has various defined contribution benefit plans that in total cover substantially all full-time employees. Employees can make voluntary contributions in accordance with the provisions of their respective plan, which includes a 401(k) tax deferral option. The Company expensed $8.2 million, $7.8 million and $6.9 million for matching contributions during 2004, 2003 and 2002, respectively.

8. Capital stock

As of December 31, 2004 and 2003, the Company was authorized to issue 800,000,000 shares of common stock of $.01 par value and 2,000,000 shares of preferred stock of $1.00 par value.

During 2004 and 2003, the Company repurchased 10.6 million and 2.3 million shares of its common stock at weighted average prices of $53.11 and $44.28, respectively. These repurchases were made pursuant to the following authorizations:

During 2004 and 2003, 2.8 million and 2.3 million shares, respectively, were repurchased under a continuing authorization from its Board of Directors to repurchase shares of its outstanding common stock under which the cumulative number of shares repurchased, at the time of any repurchase, shall not exceed the sum of (1) the number of shares issued in connection with the exercise of stock options occurring on or after January 1, 2004, plus (2) 1% of the issued and outstanding common stock of the Company on January 1 of the current year, adjusted for any stock split.

The remaining 7.8 million shares repurchased during 2004 were completed under a separate authorization from the Company's Board of Directors originally approved in 1990. The original authorization provided for the repurchase of 16 million shares of common stock (adjusted for two 2-for-1 stock splits) and contained no dollar limit or expiration date. As of the completion of the 2004 repurchases there were no remaining shares available under this authorization.

On April 24, 2004, the Company's Board of Directors separately authorized the Company to buy back 20 million shares of its common stock with no dollar limit or expiration date. No repurchases have been made under this authorization as of December 31, 2004.

The Company has designated 500,000 of the 2,000,000 authorized shares of preferred stock as Series A Junior Participating preferred stock (Preferred Stock). The Preferred Stock has a par value of $1 per share. Each share of Preferred Stock, none of which is outstanding, is entitled to 10,000 votes per share (subject to adjustment) and other rights such that the value of a one ten-thousandth interest in a share of Preferred Stock should approximate the value of one share of common stock.

The Preferred Stock is reserved for issuance in connection with the Company's outstanding Preferred Stock purchase rights (Rights). On February 17, 2000, the Board of Directors of the Company declared a dividend of one Right for each outstanding share of common stock payable upon the close of business on August 20, 2000 to the shareholders of record on that date. Under certain conditions, each Right entitles the holder to purchase one ten-thousandth of a share of Preferred Stock at an exercise price of $175, subject to adjustment. The Rights are only exercisable if a person or group has: (1) acquired 15% or more of the outstanding common stock or; (2) has announced an intention to acquire 25% or more of the outstanding common stock (either (1) or (2) are a "Triggering Event"). If there is a 15% acquiring party, then each holder of a Right, other than the acquiring party, will be entitled to purchase, at the exercise price, Preferred Stock having a market value of two times the exercise price.

In addition, prior to the acquisition of 50% or more of the outstanding common stock by an acquiring party, the Board of Directors of the Company may exchange the Rights (other than the Rights of an acquiring party which have become void), in whole or in part, at an exchange ratio of one share of common stock or one ten-thousandth of a share of Preferred Stock (or a share of the Company's preferred stock having equivalent rights, privileges, and preferences) per Right, subject to adjustment. The Rights expire upon the close of business on August 20, 2010, subject to extension.

9. Stock options

The Company has stock option plans under which the Board of Directors may grant to employees nonqualified stock options with or without appreciation rights. The options have an exercise price equal to the fair market value of the underlying stock at the date of grant and vest ratably over a four-year period with the first 25% becoming exercisable one year after the date of grant. The options expire 10 years from the date of grant. The number of shares of common stock available for future option grants under such plans were 13.8 million and 3.1 million at December 31, 2004 and 2003, respectively.

The following table summarizes the transactions of the stock option plans for the years ended December 31:

	2004		2003		2002	
	Options	Price(a)	Options	Price(a)	Options	Price(a)
Options outstanding at January 1	9,029,429	$ 30.78	8,682,868	$ 27.05	8,528,028	$ 22.09
Options granted	1,419,192	$ 52.45	1,652,252	$ 40.72	1,180,862	$ 52.10
Options exercised	(3,418,874)	$ 18.23	(1,190,887)	$ 16.17	(957,972)	$ 13.08
Options forfeited	(134,663)	$ 46.75	(114,804)	$ 43.89	(68,050)	$ 36.93
Options outstanding at December 31	6,895,084	$ 41.15	9,029,429	$ 30.78	8,682,868	$ 27.05
Weighted-average fair value of options granted during the year	$ 17.30		$ 13.87		$ 19.27	
Number of options exercisable at end of year	3,481,920	$ 34.90	5,560,631	$ 22.92	5,438,862	$ 17.73

(a) Represents a weighted-average exercise price.

Options outstanding at December 31, 2004:

Price range	Weighted-Average Contractual life	Options	Weighted-Average Exercise Price
$6.74 to $10	0.9	100,351	$ 8.40
$10.01 to $20	2.8	466,435	13.20
$20.01 to $30	4.2	505,730	25.93
$30.01 to $40	5.3	906,905	34.71
$40.01 to $50	7.3	2,466,953	42.19
$50.01 to $60	8.2	2,448,710	52.30
		6,895,084	

10. Earnings per share

The following table sets forth the computation of basic and diluted earnings per share for the years ended December 31 (In thousands, except per share

amounts):

	2004	2003	2002
Numerator			
Net income used in computing basic and diluted earnings per share	$ 889,766	$ 760,928	$ 580,217
Denominator			
Denominator for basic earnings per share -- weighted-average common shares	295,008	302,271	302,297
Effect of dilutive securities -- employee stock option plan	1,844	2,199	2,861
Denominator for diluted earnings per share -- adjusted weighted-average shares outstanding	296,852	304,470	305,158
Basic earnings per share	$ 3.02	$ 2.52	$ 1.92
Diluted earnings per share	$ 3.00	$ 2.50	$ 1.90

11. Fair value of financial instruments

The Company's financial instruments consist primarily of cash and cash equivalents, marketable securities, trade receivables, finance receivables, trade payables, finance debt, foreign currency contracts and interest rate swaps. The book values of cash and cash equivalents, trade receivables and finance receivables are estimated to approximate their respective fair values.

Marketable Securities

The fair value of marketable securities is based primarily on quoted market prices. During 2004 and 2003 the Company recorded an after-tax loss of $3.4 million and $2.2 million, respectively, in other comprehensive income to adjust marketable securities to their fair value as of December 31.

Finance Debt

None of the Company's debt instruments have readily ascertainable market values; however, the carrying values are considered to approximate their respective fair values. See Note 4 to the consolidated financial statements for the terms and carrying values of the Company's various debt instruments.

Foreign Currency Contracts

During 2004 and 2003 the Company utilized foreign currency contracts to hedge its sales transactions denominated in the euro. The foreign currency contracts were designated as cash flow hedges and generally have lives less than one year. During 2004 and 2003, these hedges were highly effective throughout the year. The fair value of foreign currency contracts was based on quoted market prices. Information related to the Company's foreign currency contracts as of December 31 is as follows (in millions):

	2004	2003
Euro value	€ 235.0	€ 240.0
Notional U.S. dollar value	$ 284.7	$ 268.9
Fair value of contracts recorded as current liabilities	$ (34.7)	$ (31.0)
Unrealized loss recorded in accumulated other comprehensive income (loss), net of tax	$ (20.4)	$ (15.8)

Unrealized losses, net of taxes, as of December 31, 2003 of $15.8 million were reclassified to earnings during 2004 when the related sales transactions affected income. The Company expects that the unrealized losses, net of taxes, as of December 31, 2004, of $20.4 million will be reclassified to earnings within one year.

Interest Rate Swaps - Securitization Transactions

During 2004 and 2003, HDFS utilized interest rate swaps to reduce the impact of fluctuations in interest rates on its securitization transactions. These interest rate derivatives are designated as cash flow hedges and generally have a life of less than six months. During 2004 and 2003, the hedges were highly effective and, as a result, the amount of hedge ineffectiveness recognized during the year was insignificant. Information related to these swap agreements as of December 31 is as follows (in millions):

	2004	2003
Notional value	$ 323.0	$ 251.8
Fair value of swaps recorded as current assets (liabilities)	$ 0.9	$ (0.3)
Unrealized gain (loss) recorded in accumulated other comprehensive income (loss), net of tax	$ 0.5	$ (0.2)

Unrealized losses of $0.2 million, net of taxes, as of December 31, 2003, were reclassified to earnings during 2004 upon the sale of the respective motorcycle loans. HDFS expects to reclassify $0.5 million of the unrealized gains, net of taxes, as of December 31, 2004, to earnings within one year when HDFS completes a securitization of retail motorcycle loans.

Interest Rate Swaps - Commercial Paper

During 2004 and 2003, HDFS entered into interest rate swap agreements that effectively convert a portion of its floating-rate debt to a fixed-rate basis for a period of four years. The differential paid or received on these swaps is recognized on an accrual basis as an adjustment to interest expense. As of December 31, 2004 and 2003, the agreements were designated as cash flow hedges. During 2004 and 2003, the hedges were highly effective, and as a result, the amount of hedge ineffectiveness recognized during the year was insignificant. Information related to the swap agreements as of December 31 is as follows (in millions):

	2004	2003
Notional value	$ 200.0	$ 150.0
Fair value of swap recorded as current assets	$ 5.8	$ 3.3
Unrealized gain recorded in accumulated other comprehensive income(loss), net of tax	$ 3.7	$ 2.2

Unrealized losses of $0.8 million, net of taxes, as of December 31, 2003, were reclassified to earnings during 2004 upon payment of the related interest. HDFS expects to reclassify $0.8 million of the unrealized gains, net of taxes, as of December 31, 2004, to earnings within one year. The unrealized gains will be offset by the payment of variable interest associated with the floating rate debt.

Interest Rate Swaps - Medium-Term Notes

During 2003, HDFS also entered into an interest rate swap agreement that effectively converts a portion of its fixed-rate debt to a floating-rate basis for a period of five years. The differential paid or received on this swap is recognized on an accrual basis as an adjustment to interest expense. As of December 31, 2004 and 2003, the agreement was designated as a fair value hedge. During 2004 and 2003, the hedge was highly effective and, as a result, there was no ineffectiveness recognized on this hedge during the year. Information related to this swap agreement as of December 31 is as follows (in millions):

	2004	2003
Notional value	$ 400.0	$ 400.0
Fair value of swap recorded as current liabilities	$ (5.0)	$ (1.1)

No ready market exists for swaps utilized by HDFS. The interest rate swaps are valued using broker quotations.

12. Business segments and foreign operations

Business segments

The Company operates in two business segments: Motorcycles and Financial Services. The Company's reportable segments are strategic business units that offer different products and services. They are managed separately based on the fundamental differences in their operations.

The Motorcycles segment consists primarily of the group of companies doing business as Harley-Davidson Motor Company and Buell Motorcycle Company. The Motorcycles segment designs, manufactures and sells primarily heavyweight (engine displacement of 651+cc) touring, custom and sport motorcycles and a broad range of related products which include motorcycle parts and accessories and riding apparel.

The Financial Services segment consists of Harley-Davidson Financial Services, Inc. HDFS is engaged in the business of financing and servicing wholesale inventory receivables and consumer retail installment sales contracts primarily for the purchase of motorcycles. HDFS conducts business in the United States, Canada and Europe.

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

	2004	2003	2002
Motorcycles net revenue and Financial Services income:			
Motorcycles net revenue	$ 5,015,190	$ 4,624,274	$ 4,090,970
Financial Services income	305,262	279,459	211,500
	$ 5,320,452	$ 4,903,733	$ 4,302,470
Income from operations:			
Motorcycles	$ 1,189,519	$ 996,889	$ 791,121
Financial Services	188,600	167,873	104,227
General corporate expenses	(16,628)	(15,498)	(12,646)
	$ 1,361,491	$ 1,149,264	$ 882,702

Information by industry segment is set forth below as of December 31 (in

thousands):

	Motorcycles	Financial Services	Corporate	Consolidated
2004				
Identifiable assets	$ 1,646,251	$ 2,223,796	$ 1,613,246	$ 5,483,293
Depreciation	206,420	7,536	156	214,112
Net capital expenditures	188,122	25,171	257	213,550
2003				
Identifiable assets	$ 1,778,566	$ 1,821,142	$ 1,323,380	$ 4,923,088
Depreciation	191,118	5,555	245	196,918
Net capital expenditures	219,592	7,263	375	227,230
2002				
Identifiable assets	$ 1,541,110	$ 1,523,542	$ 796,565	$ 3,861,217
Depreciation	171,389	4,261	128	175,778
Net capital expenditures	318,048	5,728	90	323,866

Geographic information

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

	2004	2003	2002
Motorcycles net revenue(a):			
United States	$ 4,097,882	$ 3,807,707	$ 3,416,432
Europe	477,962	419,052	337,463
Japan	192,720	173,547	143,298
Canada	136,721	134,319	121,257
Other foreign countries	109,905	89,649	72,520
	$ 5,015,190	$ 4,624,274	$ 4,090,970
Financial Services income(a):			
United States	$ 283,837	$ 260,551	$ 199,380
Europe	9,538	8,834	4,524
Canada	11,887	10,074	7,596
	$ 305,262	$ 279,459	$ 211,500
Long-lived assets(b):			
United States	$ 1,246,808	$ 1,400,772	$ 1,151,702
Other foreign countries	44,300	41,804	36,138
	$ 1,291,108	$ 1,442,576	$ 1,187,840

(a) Net revenue and income is attributed to geographic regions based on location of customer.

(b) Long-lived assets include all long-term assets except those specifically excluded under SFAS No. 131, such as deferred income taxes and finance receivables.

13. Related party transactions

The Company has recorded the following material related party transactions. A director of the Company is Chairman and Chief Executive Officer and an equity owner of Fred Deeley Imports Ltd. (Deeley Imports), the exclusive distributor of the Company's motorcycles in Canada. During 2004, 2003 and 2002, the Company recorded revenue and financial services income from Deeley Imports of $137.6 million, $135.2 million and $120.3 million, respectively and had accounts receivables balances due from Deeley Imports of $13.1 million and $19.4 million at December 31, 2004 and 2003, respectively. All such products were provided in the ordinary course of business at prices and on terms and conditions determined through arm's-length negotiation.

SUPPLEMENTARY DATA

Quarterly financial data (unaudited)

(In millions, except per share data)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	Mar 28, 2004	Mar 30, 2003	June 27, 2004	June 29, 2003	Sep 26, 2004	Sep 28, 2003	Dec 31, 2004	Dec 31, 2003
Net revenue	$ 1,165.7	$ 1,113.7	$ 1,327.8	$ 1,218.9	$ 1,300.7	$ 1,133.6	$ 1,221.0	$ 1,158.1
Gross profit	440.1	403.0	503.4	443.2	494.6	403.3	461.4	416.0
Income before taxes	317.2	284.3	383.3	308.8	355.0	290.2	323.9	282.8
Net income	$ 204.6	$ 186.2	$ 247.2	$ 202.2	$ 229.0	$ 190.1	$ 209.0	$ 182.4
Earnings per common share:								
Basic	$ .69	$ .62	$ .84	$ .67	$ .78	$ .63	$ .71	$ .60
Diluted	$ .68	$ .61	$ .83	$ .66	$ .77	$ .62	$ .71	$ .60

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

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), as of the end of the period covered by this Annual Report on Form 10-K, the Company's management evaluated, with the participation of the Company's Chairman and Chief Executive Officer and 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 Chairman and Chief Executive Officer and the Vice President and Chief Financial Officer have concluded that the disclosure controls and procedures were effective as of the date of such evaluation to ensure that material information relating to the Company, including its consolidated subsidiaries, was made known to them by others within those entities, particularly during the period in which this Annual Report on Form 10-K was being prepared.

Management's Report on Internal Control over Financial Reporting

The report of management required under this Item 9A is contained in Item 8 of Part II of this Annual Report on Form 10-K under the heading "Management's Report on Internal Control over Financial Reporting"

Attestation Report of Independent Registered Public Accounting Firm

The attestation report required under this Item 9A is contained in Item 8 of Part II of this Annual Report on Form 10-K under the heading "Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting."

Changes in Internal Controls

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information included or to be included in the Company's definitive proxy statement for the 2005 annual meeting of shareholders, which will be filed on or about March 21, 2005 (the Proxy Statement) under the captions "Election of Directors", "Section 16(a) Beneficial Ownership Reporting Compliance" and "Audit Committee Report" is incorporated by reference herein.

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

Item 11. Executive Compensation

The information included or to be included in the Proxy Statement under the caption "Executive Compensation" up to, but not including the caption "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management

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

The following table provides information about the Company's equity compensation plans (including individual compensation arrangements) as of December 31, 2004.

Plan category	Number of securities to be issued upon the exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by shareholders:			
Management employees	6,662,455	$ 41.26	13,567,562
Equity compensation plans not submitted to shareholders:			
Union employees -			
Kansas City, MO	11,709	$ 21.19	24,634
York, PA	191,620	$ 38.88	50,875
Non employees -			
Board of Directors	29,300	$ 38.27	130,202
	232,629	$ 37.91	205,711
Total all plans	6,895,084	$ 41.15	13,773,273

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

The material features of the union employees' stock option awards are the same as those of the management employees' stock option awards. Under the Company's management and union plans, stock options have an exercise price equal to the fair market value of the underlying stock at the date of grant, expire ten years from the date of grant and vest ratably over a four-year period, with the first 25 percent becoming exercisable one year after the date of grant.

Effective December 31, 2002, non-employee directors of the Company's Board of Directors were no longer eligible to receive stock options. Prior to December 31, 2002, under the Board of Directors' plan, each non-employee director who served as a member of the Board immediately following the annual meeting of shareholders was automatically granted an immediately exercisable stock option for the purchase of such number of shares of Common Stock equal to three times the annual retainer fee for directors divided by the fair market value of a share of Common Stock on the day of grant (rounded up to the nearest multiple of 100). Board of Director stock options have an exercise price equal to the fair market value of the underlying stock at the date of grant and expire ten years from the date of grant.

In addition, a non-employee Director may elect to receive 50% or 100% of the annual fee to be paid in each calendar year in the form of Common Stock based upon the fair market value of the Common Stock at the time of the annual meeting of shareholders. Directors must receive a minimum of one-half of their annual retainer in Company Common Stock until the Director reaches the Director stock ownership guidelines, defined below.

In August 2002, the Board approved "Director and Senior Executive Stock Ownership Guidelines" (Ownership Guidelines) which were revised in August 2004. The Ownership Guidelines stipulate that all directors hold 5,000 shares of the Company's Common Stock and senior executives hold from 5,000 to 30,000 shares of the Company's Common Stock depending on their level. The directors and senior executives have five years from January 2003 or the date they are elected a director or promoted to a senior executive to accumulate the appropriate number of shares of the Company's Common Stock.

Item 13. Certain Relationships and Related Transactions

The information included or to be included in the Proxy Statement under the caption "Certain Transactions" is incorporated by reference herein.

Item 14. Principal Accounting Fees and Services

The information included or to be included in the Proxy Statement under the caption "Fees Paid to Ernst & Young LLP" is incorporated by reference herein.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial statements- The financial statements listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedules are filed as part of this annual report and such Index to Consolidated Financial Statements and Financial Statement Schedules is incorporated herein by reference.

2. Financial statement schedules - The financial statement schedule listed in the -accompanying Index to Consolidated Financial Statements and Financial Statement Schedules is filed as part of this annual report and such Index to Consolidated Financial Statements and Financial Statement Schedules is incorporated herein by reference.

3. Exhibits- The exhibits listed on the accompanying List of Exhibits are filed as part of this annual report and such List of Exhibits is incorporated herein by reference.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES

{Item 15(a) 1 and 2}

Consolidated statements of income for each of the three years in the period ended December 31, 2004
Consolidated balance sheets at December 31, 2004 and 2003
Consolidated statements of cash flows for each of the three years in the period ended December 31, 2004
Consolidated statements of shareholders' equity for each of the three years in the period ended December 31, 2004
Notes to consolidated financial statements
Consolidated financial statement schedules for each of the three years in the period ended December 31, 2004
II - Valuation and qualifying accounts

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

LIST OF EXHIBITS

{Items 15(a)(3) and 15(c)}

Exhibit No.	Description
3.1	Restated Articles of Incorporation
3.2	By-Laws as amended February 15, 2005
4.1	Form of Rights Agreement between the Registrant and Firstar Bank, N.A. dated February 17, 2000
4.2	Form of Rights Agent Agreement between the Registrant and Computershare Investor Services, LLC
4.3	Harley-Davidson Financial Services $1.1 Billion Five-Year Revolving Credit Facility (the Registrant has instruments that define the rights of holders of long-term debt that are not being filed with this Annual Report in reliance upon Item 601(b)(4)(iii) of Regulation S-K. The Registrant agrees to furnish to the Securities and Exchange Commission, upon request, copies of these instruments)
10.1*	Form of Employment Agreement between the Registrant and Mr. Bleustein
10.2*	Harley-Davidson, Inc. 1990 Stock Option Plan as amended through December 9, 1998
10.3*	Harley-Davidson, Inc 1995 Stock Option Plan as amended through December 8, 1999
10.4*	Harley-Davidson, Inc. Director Stock Plan
10.5*	Form of Transition Agreement between the Registrant and each of Messrs. Bleustein, Brostowitz, Flickinger, Dannehl, Hevey, Hutchinson, McCaslin, Sutton and Ziemer, Ms. Lione and Ms. Zarcone.
10.6*	Deferred Compensation Plan
10.7*	Form of Life Insurance Agreement between the Registrant and each of Messrs. Bleustein, Brostowitz, Hutchinson, McCaslin and Ziemer and Ms. Lione
10.8*	Harley-Davidson, Inc. Corporate Short Term Incentive Plan as amended April 24, 2004
10.9*	Form of Restricted Stock Agreement between the Registrant and Mr. McCaslin

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

Exhibit No. Description

10.10* Form of Severance Benefits Agreement between the Registrant and each of Messrs. Bleustein, Brostowitz, Flickinger, Dannehl, Hevey, Hutchinson, McCaslin, Sutton and Ziemer and Ms. Lione.
10.11* Form of Supplemental Executive Retirement Plan Agreement between the Registrant and each of Mssrs. Bleustein, Ziemer and McCaslin.
10.12* Harley-Davidson Pension Benefit Restoration Plan
10.13* Description of Post-Retirement Life Insurance Equivalent
10.14 Harley-Davidson, Inc. 1998 Non-Exempt Employee Stock Option Plan
10.15* Employment Agreement between the Registrant and Ms. Zarcone
10.16 2001 York Hourly- Paid Employees Stock Option Plan
10.17* Deferred Long-Term Incentive Plan approved May 4, 2002
10.18* Director Compensation Policy effective May 3, 2003
10.19* Deferred Compensation Plan for Nonemployee Directors initially effective May 1, 1995 amended and restated May 1, 2001 and amended May 3, 2003
10.20* Split Dollar Agreement between HDFS and the Donna Josephine Frett Zarcone Irrevocable Trust dated March 30, 1999
10.21* Amendment to Split Dollar Agreement between HDFS and the Donna Josephine Frett Zarcone Irrevocable Trust dated December 19, 2002
10.22* Harley-Davidson, Inc. 2004 Incentive Stock Plan
10.23* Form of Notice of Grant of Stock Options and Option Agreement of Harley-Davidson, Inc. under the Harley-Davidson Inc. 1995 Stock Option Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan
10.24* Form of Notice of Special Grant of Stock Options and Option Agreement of Harley-Davidson, Inc under the Harley-Davidson Inc. 1995 Stock Option Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan

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

Exhibit No. Description

10.25* Form of Notice of Award of Restricted Stock and Restricted Stock Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan
10.26* Form of Notice of Special Award of Restricted Stock and Restricted Stock Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan
21 List of Subsidiaries
23 Consent of Independent Registered Public Accounting Firm
31.1 Chief Executive Officer Certification pursuant to Rule 13a-14(a)
31.2 Chief Financial Officer Certification pursuant to Rule 13a-14(a)
32 Written Statement of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. (s)1350

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

Schedule II

HARLEY-DAVIDSON, INC.

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

Years ended December 31, 2004, 2003 and 2002

(In thousands)

Classification		Balance at Beginning of year	Additions charged to expense	Deductions(1)	Balance at end of year
Accounts receivable-Allowance for doubtful accounts:					
	2004	$ 9,368	$ 2,462	$ (1,535)	$ 10,295
	2003	4,259	6,485	(1,376)	9,368
	2002	2,619	1,782	(142)	4,259
Finance receivables-Allowance for doubtful accounts:					
	2004	$ 31,311	$ 3,070	$ (4,104)	$ 30,277
	2003	31,045	4,076	(3,810)	31,311
	2002	28,684	6,167	(3,806)	31,045
Inventories-Allowance for obsolescence(2):					
	2004	$ 16,956	$ 8,410	$ (10,915)	$ 14,451
	2003	17,150	8,311	(8,505)	16,956
	2002	13,037	7,283	(3,170)	17,150

(1) Deductions represent amounts written off to the reserve, net of recoveries. Included in the Finance receivables recoveries are $3.7 million and $1.3 million of recoveries in 2004 and 2003, respectively, received by HDFS from HDMC. These recoveries relate to certain guarantees provided by HDMC on wholesale loans to European Harley-Davidson dealers. At December 31, 2004 and 2003, HDMC has $3.3 million and $3.5 million, respectively, included in the accounts receivable allowance for doubtful accounts related to outstanding guarantees.

(2) Stated in last-in, first-out (LIFO) cost.

SIGNATURES

Pursuant to the requirements of Section 13, or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 11, 2005.

HARLEY-DAVIDSON, INC.

By: /S/ Jeffrey L. Bleustein
Jeffrey L. Bleustein
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 11, 2005.

Name	Title
/S/ Jeffrey L. Bleustein Jeffrey L. Bleustein	Chairman, Chief Executive Officer and Director (Principal executive officer)
/S/ James L. Ziemer James L. Ziemer	Vice-President and Chief Financial Officer and Director (Principal financial officer)
/S/ James M. Brostowitz James M. Brostowitz	Vice-President and Treasurer (Principal accounting officer)
/S/ Barry K. Allen Barry K. Allen	Director
/S/ Richard I. Beattie Richard I. Beattie	Director
/S/ George H. Conrades George H. Conrades	Director
/S/ Judson C. Green Judson C. Green	Director
/S/ Donald A. James Donald A. James	Director
/S/ Sara L. Levinson Sara L. Levinson	Director
/S/ George L. Miles George L. Miles	Director
/S/ James A. Norling James A. Norling	Director

INDEX TO EXHIBITS

{Items 15(a)(3) and 15(c)}

Exhibit No Description

3.1 Restated Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Registrant's Annual Report on form 10-K for the year ended December 31, 1999 (File No. 1-9183))

3.2 By-Laws as amended February 15, 2005 (incorporated herein by reference to Exhibit 99.5 to the Registrant's Current Report on form 8-K filed February 22, 2005 (File No. 1-9183))

4.1 Form of Rights Agreement between the Registrant and Firstar Bank, N.A. dated February 17, 2000 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-A dated February 18, 2000 (File No. 1-9183))

4.2 Form of Rights Agent Agreement between the Registrant and Computershare Investor Services, LLC (incorporated herein by reference to Exhibit 4.2 to the Registrant's Annual Report on form 10-K for the year ended December 31, 2000 (File No. 1-9183))

4.3 Harley-Davidson Financial Services $1.1 Billion Five-Year Revolving Credit Facility (the Registrant has instruments that define the rights of holders of long-term debt that are not being filed with this Annual Report in reliance upon Item 601(b)(4)(iii) of Regulation S-K. The Registrant agrees to furnish to the Securities and Exchange Commission, upon request, copies of these instruments)

10.1* Form of Employment Agreement between the Registrant and Mr. Bleustein (incorporated by reference from Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (File No. 33-5871))

10.2* Harley-Davidson, Inc. 1990 Stock Option Plan as amended through December 9, 1998 (incorporated herein by reference to Exhibit 10.3 to the Registrant's Annual Report on form 10-K for the year ended December 31, 2000 (File No. 1-9183))

10.3* Harley-Davidson, Inc. 1995 Stock Option Plan as amended through December 8, 1999 (incorporated herein by reference to Exhibit 10.4 to the Registrant's Annual Report on form 10-K for the year ended December 31, 2000 (File No. 1-9183))

10.4* Harley-Davidson, Inc. Director Stock Plan (incorporated by reference to Exhibit 10.1 to the Registrants' Quarterly Report on Form 10-Q for the quarter ended June 29, 2003 (File No. 1-9183))

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

Exhibit No. Description

10.5* Form of Transition Agreement between the Registrant and each of Messrs. Bleustein, Brostowitz, Flickinger, Dannehl, Hevey, Hutchinson, McCaslin, Sutton and Ziemer, Ms. Lione and Ms. Zarcone. (incorporated herein by reference to Exhibit 10.7 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-9183))

10.6* Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.7 to the Registrant's Annual Report on form 10-K for the year ended December 31, 2000 (File No. 1-9183))

10.7* Form of Life Insurance Agreement between the Registrant and each of Messrs. Bleustein, Brostowitz, Hutchinson, McCaslin and Ziemer and Ms. Lione (incorporated herein by reference from Exhibit 10.10 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 1-9183))

10.8* Harley-Davidson, Inc. Corporate Short Term Incentive Plan as amended April 24, 2004 (incorporated herein by reference from Exhibit 10.2 to the Registrants' Quarterly Report on Form 10-Q for the period ended March 28, 2004 (File No. 1-9183))

10.9* Form of Restricted Stock Agreement between the Registrant and Mr. McCaslin (incorporated herein by reference to Exhibit 10.11 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-9183))

10.10* Form of Severance Benefits Agreement between the Registrant and each of Messrs. Bleustein, Brostowitz, Flickinger, Dannehl, Hevey, Hutchinson, McCaslin, Sutton and Ziemer and Ms. Lione. (incorporated herein by reference to Exhibit 10.12 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-9183))

10.11* Form of Supplemental Executive Retirement Plan Agreement between the Registrant and each of Messrs. Bleustein, McCaslin and Ziemer (incorporated herein by reference from Exhibit 10.2 to the Registrants' Quarterly Report on Form 10-Q for the period ended March 31, 1996 (File No. 1-9183))

10.12* Harley-Davidson Pension Benefit Restoration Plan (incorporated herein by reference from Exhibit 10.1 to the Registrants' Quarterly Report on Form 10-Q for the period ended March 31, 1996 (File No. 1-9183))

10.13* Description of Post-Retirement Life Insurance Equivalent (incorporated herein by reference to Exhibit 10.15 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-9183))

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

Exhibit No.	Description
10.14	Harley-Davidson, Inc. 1998 Non-Exempt Employee Stock Option Plan (incorporated by reference to Exhibit 4.1 to the Registrants' Registration Statement on Form S-8 (File No. 333-75347))
10.15*	Employment Agreement between the Registrant and Ms. Zarcone (incorporated herein by reference to Exhibit 10.15 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 1-9183))
10.16	2001 York Hourly- Paid Employees Stock Option Plan (incorporated herein by reference to Exhibit 10.7 to the Registrant's Annual Report on form 10-K for the year ended December 31, 2000 (File No. 1-9183))
10.17*	Deferred Long-Term Incentive Plan approved May 4, 2002 (incorporated herein by reference from Exhibit 10.1 to the Registrants' Quarterly Report on Form 10-Q for the period ended June 30, 2002 (File No. 1-9183))
10.18*	Director Compensation Policy effective May 3, 2003
10.19*	Deferred Compensation Plan for Nonemployee Directors initially effective May 1, 1995 amended and restated May 1, 2001 and amended May 3, 2003 (incorporated herein by reference from Exhibit 10.2 to the Registrants' Quarterly Report on Form 10-Q for the period ended June 29, 2003 (File No. 1-9183))
10.20*	Split Dollar Agreement between HDFS and the Donna Josephine Frett Zarcone Irrevocable Trust dated March 30, 1999 (incorporated herein by reference from Exhibit 10.4 to the Registrants' Quarterly Report on Form 10-Q for the period ended June 30, 2002 (File No. 1-9183))
10.21*	Amendment to Split Dollar Agreement between HDFS and the Donna Josephine Frett Zarcone Irrevocable Trust dated December 19, 2002 (incorporated herein by reference to Exhibit 10.22 to the Registrant's Annual Report on form 10-K for the year ended December 31, 2002 (File No. 1-9183))
10.22*	Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference from Exhibit 10.1 to the Registrants' Quarterly Report on Form 10-Q for the period ended March 28, 2004 (File No. 1-9183))

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

Exhibit No.	Description
10.23*	Form of Notice of Grant of Stock Options and Option Agreement of Harley-Davidson, Inc. under the Harley-Davidson Inc. 1995 Stock Option Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 99.1 to the Registrant's Current Report on form 8-K filed February 22, 2005 (File No. 1-9183))
10.24*	Form of Notice of Special Grant of Stock Options and Option Agreement of Harley-Davidson, Inc under the Harley-Davidson Inc. 1995 Stock Option Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 99.2 to the Registrant's Current Report on form 8-K filed February 22, 2005 (File No. 1-9183))
10.25*	Form of Notice of Award of Restricted Stock and Restricted Stock Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 99.3 to the Registrant's Current Report on form 8-K filed February 22, 2005 (File No. 1-9183))
10.26*	Form of Notice of Special Award of Restricted Stock and Restricted Stock Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 99.4 to the Registrant's Current Report on form 8-K filed February 22, 2005 (File No. 1-9183))
21	List of Subsidiaries
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31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a)
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a)
32	Written Statement of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. (s)1350

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

EXHIBIT 4.3

EXECUTION COPY

CREDIT AGREEMENT

Dated as of September 16, 2004

among

HARLEY-DAVIDSON FUNDING CORP., as the U.S. Borrower,

HARLEY-DAVIDSON FINANCIAL SERVICES EUROPE LIMITED, as the U.K. Borrower,

and

THE TO BE DESIGNATED CANADIAN BORROWER, as the Canadian Borrower,

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.,

HARLEY-DAVIDSON FINANCIAL SERVICES INTERNATIONAL, INC. and

HARLEY-DAVIDSON CREDIT CORP.,
as Guarantors,

THE INSTITUTIONS FROM TIME TO TIME PARTY HERETO,
as Lenders,

JPMORGAN CHASE BANK,
as Global Administrative Agent and Global Swing Line Lender,

CITIBANK, N.A.,
as Syndication Agent and

BNP PARIBAS,
as Documentation Agent

J.P. MORGAN SECURITIES INC. AND CITIGROUP GLOBAL MARKETS, INC.,
as Co-Lead Arrangers and Joint Book Runners

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CREDIT AGREEMENT

This Credit Agreement dated as of September 16, 2004 is entered into among Harley-Davidson Funding Corp., a Nevada corporation, Harley-Davidson Financial Services Europe Limited, a company incorporated under the laws of England and Wales, the to be designated Canadian Borrower, if any, Harley-Davidson Financial Services, Inc., a Delaware corporation, Harley-Davidson Financial Services International, Inc., a Delaware corporation, Harley-Davidson Credit Corp., a Nevada corporation, the to be designated Canadian Guarantor, if any, the institutions from time to time a party hereto as Lenders, whether by execution of this Agreement or an assignment and acceptance pursuant to Section 13.3, JPMorgan Chase Bank, as the Global Administrative Agent and the Global Swing Line Lender, Citibank, N.A., in its capacity as Syndication Agent and BNP Paribas, in its capacity as Documentation Agent. The parties hereto agree as follows:

ARTICLE I DEFINITIONS

1.1 Certain Defined Terms. In addition to the terms defined in other sections

of this Agreement, the following terms used in this Agreement shall have the following meanings, applicable both to the singular and the plural forms of the terms defined:

As used in this Agreement:

"Absolute Rate Auction" has the meaning specified in Section 2.10(b)(i) hereof.

"Acquisition" means any transaction, or any series of related transactions, by which any Borrower or any of its Subsidiaries (a) acquires any going business or all or substantially all of the assets of any firm, corporation or division thereof which constitutes a going business, whether through purchase of assets, merger or otherwise or (b) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors (other than securities having such power only by reason of the happening of a contingency) or a majority (by percentage or voting power) of the outstanding partnership interests of a partnership or a majority (by percentage or voting power) of the outstanding ownership interests of a limited liability company.

"Advance" means a Bid Rate Advance, Syndicated Canadian Advance or Syndicated Global Advance.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. A Person shall be deemed to control another Person if the controlling Person is the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of greater than five percent (5%) or more of any class of voting securities (or other voting interests) of the controlled Person or possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of the controlled Person, whether through ownership of stock, membership, ownership or other equity interests, by contract or

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otherwise. In addition, each director of any of the Companies or any Subsidiary of any of the Companies shall be deemed to be an Affiliate of each Borrower.

"Agreed Currencies" means (i) Dollars, (ii) euro, (iii) so long as each such currency remains an Eligible Currency, Pounds Sterling, Canadian Dollars and Swiss Francs and (iv) any other Eligible Currency which any Global Borrower requests the Global Administrative Agent to include as an Agreed Currency hereunder and which is acceptable to each Syndicated Global Lender; provided that the Global Administrative Agent shall promptly notify each Syndicated Global Lender of each such request and each Syndicated Global Lender shall be deemed not to have agreed to each such request unless its written consent thereto has been received by the Global Administrative Agent within five (5) Business Days from the date of such notification by the Global Administrative Agent to such Syndicated Global Lender.

"Aggregate Commitment" means the aggregate of the Commitments of all the Syndicated Global Lenders, as reduced or increased from time to time pursuant to the terms hereof. The initial Aggregate Commitment is $1,100,000,000.00.

"Aggregate Outstanding Credit Exposure" is defined in Section 2.4(b)(ii) hereof.

"Agreement" means this Credit Agreement, as it may be amended, restated or otherwise modified and in effect from time to time.

"Agreement Accounting Principles" means generally accepted accounting principles as in effect as of the date of this Agreement in the United States, applied in a manner consistent with that used by Harley, when applied to Harley and otherwise HDFS in its preparation of its audited financial statements for

the year ended December 31, 2003.

"Alternate Base Rate" means, for any day, a fluctuating interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) as shall be in effect from time to time, which rate per annum shall at all times be equal to the greatest of (a) the Prime Rate in effect on such day; and (b) the sum of one-half of one percent (0.50%) and the Federal Funds Effective Rate in effect on such day. For purposes hereof, "Prime Rate" shall mean the rate of interest per annum announced from time to time by JPMorgan Chase Bank or its parent as its prime rate (which is not necessarily the lowest rate charged to any customers) in effect at its principal office in New York City, changing when and as said prime rate changes; provided that, with respect to Base Rate Loans and Base Rate Advances made by the Syndicated Canadian Banks to the Canadian Borrower, "Prime Rate" shall mean the rate of interest per annum announced from time to time by JPMorgan Chase Bank as its prime rate (which is not necessarily the lowest rate charged to any customers) in effect at its principal office in Toronto, Ontario for loans in Dollars in Canada, changing when and as said prime rate changes. Each change in the Prime Rate shall be effective on the date such change is announced as being effective. "Federal Funds Effective Rate" shall mean, for any day, a fluctuating interest rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with

members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Global Administrative Agent from three Federal funds brokers of recognized standing selected by the Global Administrative Agent. If for any reason the Global Administrative Agent shall have determined (which determination shall be conclusive absent manifest error) that it is unable to ascertain the Federal Funds Effective Rate for any reason, including the inability of the Global Administrative Agent to obtain sufficient quotations in accordance with the terms hereof, the Alternate Base Rate shall be determined without regard to clause (b) of the first sentence of this definition until the circumstances giving rise to such inability no longer exist. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective on the effective date of such change.

"Applicable Agreed Currency" means (i) Dollars, euro and, so long as such currency remains an Eligible Currency, Canadian Dollars, Pounds Sterling and Swiss Francs in the case of Syndicated Global Loans to the U.S. Borrower, (ii) Dollars, euro and so long as such currency remains an Eligible Currency, Pounds Sterling and Swiss Francs in the case of Syndicated Global Loans to the U.K. Borrower and (iii) any other Agreed Currency described in clause (iv) of the definition of Agreed Currency.

"Applicable Facility Fee" as at any date of determination, shall be the rate per annum then applicable in the determination of the amount payable under Section 2.14(C) with respect to the Aggregate Commitment, determined in accordance with the provisions of Section 2.6(b).

"Applicable Margin" is defined in Section 2.6(b)hereof.

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Arranger" means J.P. Morgan Securities Inc. or Citigroup Global Markets, Inc. and "Arrangers" means, collectively, J.P. Morgan Securities Inc. and Citigroup

Global Markets, Inc.

"Assumption Letter" means a letter of the Canadian Borrower or the Canadian Guarantor addressed to the Lenders in substantially the applicable form of Exhibit H hereto pursuant to which the Canadian Borrower or Canadian Guarantor, as applicable, agrees to become a Borrower or Guarantor (as applicable) and agrees to be bound by the terms and conditions hereof as if originally a party hereto.

"Authorized Officer" means any of the chief executive officer, chief financial officer, any vice president, controller, treasurer or any other officer of the relevant

Borrower from time to time designated by an Authorized Officer in writing to the Global Administrative Agent as an Authorized Officer, acting singly.

"Bankers' Acceptance Advance" is defined in the Syndicated Canadian Addendum.

"Bankers' Acceptance Loan" is defined in the Syndicated Canadian Addendum.

"Bankruptcy Code" is defined in Article XIIhereof.

"Base Rate Advance" means a Syndicated Global Advance or Syndicated Canadian Advance which bears interest at the Alternate Base Rate.

"Base Rate Loan" means a Syndicated Global Loan or Syndicated Canadian Loan, or portion thereof which bears interest at the Alternate Base Rate.

"Benefit Plan" means a defined benefit plan as defined in Section 3(35) of ERISA (other than a Multiemployer Plan) that is subject to Title IV of ERISA in respect of which any of the Companies or any other member of the Controlled Group is, or within the immediately preceding six (6) years was, an "employer" as defined in Section 3(5) of ERISA.

"Bid Rate Advance" means a borrowing consisting of simultaneous Bid Rate Loans to a Global Borrower in the same currency from each of the Syndicated Global Lenders whose offer to make a Bid Rate Loan as part of such borrowing has been accepted by such Global Borrower under the applicable auction bidding procedure described in Section 2.10.

"Bid Rate Advance Borrowing Notice" is defined in Section 2.10(b)(i) hereof.

"Bid Rate Loan" means a loan by a Syndicated Global Lender to a Global Borrower as part of a Bid Rate Advance resulting from the applicable auction bidding procedure described in Section 2.10.

"Bid Rate Note" means a promissory note of a Global Borrower payable to the order of any Syndicated Global Lender, in substantially the form of Exhibit B-2 hereto, evidencing the indebtedness of such Global Borrower to such Syndicated Global Lender resulting from the Bid Rate Loans made by such Syndicated Global Lender to such Global Borrower.

"Bid Rate Reduction" means the reduction in availability under the Aggregate Commitment as a result of outstanding Bid Rate Loans.

"Borrower" means the U.S. Borrower, the U.K. Borrower or the Canadian Borrower, if any, and "Borrowers" means, collectively, the U.S. Borrower, the U.K. Borrower and the Canadian Borrower, if any.

"Borrowing Date" means a date on which an Advance or a Loan is made hereunder.

"Borrowing Notice" means a Syndicated Global Advance Borrowing Notice, a Syndicated Canadian Borrowing Notice, a Bid Rate Advance Borrowing Notice, a Canadian Swing Line Borrowing Notice, a U.K. Swing Line Borrowing Notice or a USD Swing Line Borrowing Notice.

"Business Day" means (i) with respect to any borrowing, payment or rate selection of Loans bearing interest at the Eurocurrency Rate, a day (other than a Saturday or Sunday) on which banks are generally open for commercial banking business in New York, New York and on which dealings in United States Dollars and the other Agreed Currencies are carried on in the London interbank market; (ii) with respect to any borrowing or payment of any Canadian Dollar denominated Loan (or any other Loan made by a Syndicated Canadian Bank to the Canadian Borrower), a day (other than a Saturday or Sunday) on which banks are generally open for commercial banking business in Toronto, Ontario; (iii) with respect to any borrowing or payment of any euro denominated Loan, a Target Settlement Day, (iv) with respect to any borrowing or payment of any Loan denominated in a currency other than Dollars, Canadian Dollars and Pounds Sterling, a day on which the applicable Eurocurrency Payment Office related to such currency is open for the transaction of domestic and foreign exchange business and (v) for all other purposes a day (other than a Saturday or Sunday) on which banks are generally open for commercial banking business in New York, New York.

"Buying Lender" is defined in Section 2.4(b)(ii)hereof.

"Calculation Date" means (i) with respect to any Loan in any currency other than Dollars, the Business Day of the making of such Loan with respect to the Agreed Currency in which such Loan is being made and (ii) with respect to Loans, any other Business Day selected at the option of the Global Administrative Agent or at the direction of the Required Lenders.

"Canadian Borrower" means a direct or indirect Subsidiary of HDFS, and its successors and permitted assigns, which is organized under the laws of a jurisdiction located in Canada and which is designated as the Canadian Borrower pursuant to and in accordance with Section 2.21.

"Canadian Dollars" and "Cdn. $" means the lawful currency of Canada.

"Canadian Guarantor" means, if the Canadian Borrower is a Subsidiary of a parent company organized under the laws of a jurisdiction located in Canada, such parent company and its successors and permitted assigns.

"Canadian Dollar Sublimit" means $400,000,000.

"Canadian Prime Rate" means, as of any day, the higher of (i) the rate of interest per annum publicly announced from time to time by the Global Administrative Agent at is principal office in Toronto, Ontario, as its "prime rate" for loans in Canadian

Dollars in Canada, as in effect on such day, which rate may not be the lowest rate charged by the Global Administrative Agent to any of its customers and which Canadian Prime Rate shall change simultaneously with any change in such announced rate and (ii) the sum of one percent (1%) plus one-month CDOR in effect on such day.

"Canadian Prime Rate Advance" means an Advance which bears interest at the Canadian Prime Rate.

"Canadian Prime Rate Loan" means a Loan which bears interest at the Canadian

Prime Rate.

"Canadian Swing Line Borrowing Notice" is defined in Section 2.9.2 hereof.

"Canadian Swing Line Commitment" means the obligation of the Global Swing Line Lender to make Canadian Swing Line Loans to the Canadian Borrower and the U.S. Borrower, as requested by the Canadian Borrower or the U.S. Borrower pursuant to Section 2.9, up to a maximum principal amount of Cdn. $20,000,000 in the aggregate and on a cumulative basis at any one time outstanding.

"Canadian Swing Line Loan" means a Canadian Dollar denominated loan or Bankers' Acceptance Loan made available to the Canadian Borrower or the U.S. Borrower by the Global Swing Line Lender pursuant to Section 2.9.2.

"Capitalized Lease" of a Person means any lease of Property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Capitalized Lease Obligations" of a Person means the amount of the obligations of such Person under Capitalized Leases which would be capitalized on a balance sheet of such Person prepared in accordance with Agreement Accounting Principles.

"Cash Equivalents" means (i) marketable direct obligations issued or unconditionally guaranteed by the government of the United States or an instrumentality or agency thereof; (ii) domestic and Eurocurrency certificates of deposit and time deposits, bankers' acceptances and base rate certificates of deposit issued by any commercial bank (a) organized under the laws of the United States, any state thereof or the District of Columbia, or any of such entities' respective branches or agencies and having capital and surplus in an aggregate amount not less than $200,000,000 (fully protected against currency fluctuations for any such deposits with a term of more than ten (10) days) or (b) organized under the laws of Canada, Japan, or any country which is a member of the European Economic Community, or its branches or agencies, and having capital and surplus in an aggregate amount not less than $200,000,000 (fully protected against currency fluctuations for any such deposits with a term of more than ten (10) days) provided the items under this clause (b) shall constitute "Cash Equivalents" only to the extent the Dollar Amount thereof does not exceed $10,000,000 in the aggregate; (iii) shares of money market, mutual or similar funds having net assets in excess of $500,000,000 maturing or being due or payable in full not more than one hundred eighty

(180) days after a Borrower's acquisition thereof and the investments of which are limited to investment grade securities (i.e., securities rated at least Baa by Moody's Investors Service, Inc. or at least BBB by Standard & Poor's Ratings Group) and (iv) commercial paper rated A-1 (or better) by Standard & Poor's Ratings Group or P-1 (or better) by Moody's Investors Services, Inc.; provided that the maturities of such Cash Equivalents shall not exceed 365 days.

"CDOR" means the "CDOR Rate" (as such term is defined in the Syndicated Canadian Addendum).

"CDOR Advance" means a Canadian Dollar denominated Syndicated Canadian Advance which is a Bankers' Acceptance Advance.

"CDOR Loan" means a Canadian Dollar denominated Syndicated Canadian Loan or Canadian Swing Line Loan (which is in each case a Bankers' Acceptance Loan) to the Canadian Borrower, or a portion thereof.

"Change" is defined in Section 3.2hereof.

"Change of Control" means any transaction or event as a result of which: (i) Harley shall cease to own of record and beneficially, with sole voting and dispositive power, in the aggregate, at least fifty-one percent (51%) of the issued and outstanding class or classes of Capital Stock of HDFS pursuant to which the holders thereof have, at the time of determination, the general voting power under ordinary circumstances to elect the board of directors (or similar governing body) (such percentage measured by voting power rather than number of shares), (ii) HDFS shall cease to own of record and beneficially, with sole voting and dispositive power, all of the issued and outstanding Capital Stock of HDCC, (iii) HDFS and HDCC shall cease to own of record and beneficially, with sole voting and dispositive power, all of the issued and outstanding Capital Stock of the U.S. Borrower or (iv) HDFS, directly or through one or more Subsidiaries, shall cease to own of record and beneficially, with sole voting and dispositive power, all of the issues and outstanding Capital Stock of any Foreign Borrower.

"Closing Date" means September 16, 2004.

"Code" means the Internal Revenue Code of 1986, as amended, reformed or otherwise modified from time to time.

"Commission" means the Securities and Exchange Commission and any Person succeeding to the functions thereof.

"Commitment" means, for each Syndicated Global Lender, the obligation of such Syndicated Global Lender to make Syndicated Global Loans and to purchase participations in Swing Line Loans and Syndicated Canadian Loans in an amount not exceeding the Dollar Amount set forth on Exhibit A to this Agreement opposite its name thereon under the heading "Commitment" or contained in the Assignment and Acceptance by which it became a Lender, as such amount may be modified from time to

time pursuant to the terms of this Agreement or to give effect to any applicable Assignment and Acceptance.

"Commitment Increase Notice" is defined in Section 2.4(b)(i) hereof.

"Company" means any Borrower or Guarantor, individually, and "Companies" means each of the Borrowers and Guarantors, collectively.

"Compliance Certificate" means a certificate substantially in the form of Exhibit F delivered to the Global Administrative Agent and each Lender by the U.S. Borrower pursuant to the provisions of this Agreement and covering, among other things, its compliance with the financial covenants contained in Section 6.4and certain other provisions of this Agreement.

"Consolidated Debt" is defined in Section 6.4(A)hereof.

"Consolidated Equity" is defined in Section 6.4(A)hereof.

"Consolidated Net Income" of any Person for any period means the net income (or loss) of such Person for such period, as shall be determined in accordance with Agreement Accounting Principles.

"Consolidated Net Worth" of any Person means such Person's consolidated shareholder's equity, as shall be determined in accordance with Agreement Accounting Principles.

"Consolidated Tangible Net Worth" is defined in Section 6.4(A) hereof.

"Contaminant"means any waste, pollutant, hazardous substance, toxic substance,

hazardous waste, special waste, petroleum or petroleum-derived substance or waste, asbestos, polychlorinated biphenyls ("PCBs"), or any constituent of any such substance or waste, and includes but is not limited to these terms as defined in Environmental, Health or Safety Requirements of Law.

"Contingent Obligation", as applied to any Person, means any Contractual Obligation, contingent or otherwise, of that Person with respect to any Indebtedness of another or other obligation or liability of another, including, without limitation, any such Indebtedness, obligation or liability of another directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business), co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable, including Contractual Obligations (contingent or otherwise) arising through any agreement to purchase, repurchase, or otherwise acquire such Indebtedness, obligation or liability or any security therefor, or to provide funds for the payment or discharge thereof (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain solvency, assets, level of income, or other financial condition, or to make payment other than for value received.

"Contractual Obligation", as applied to any Person, means any provision of any equity or debt securities issued by that Person or any indenture, mortgage, deed of trust, security agreement, pledge agreement, guaranty, contract, undertaking, agreement or instrument, in any case in writing, to which that Person is a party or by which it or any of its properties is bound, or to which it or any of its properties is subject.

"Controlled Group" means the group consisting of (i) any corporation which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as any of the Companies and (ii) a partnership or other trade or business (whether or not incorporated) which is under common control (within the meaning of Section 414(c) of the Code) with any of the Companies.

"Conversion/Continuation Notice" is defined in Section 2.8(D) hereof.

"Cure Loan" is defined in Section 8.2hereof.

"Customary Permitted Contingent Obligations" means (i) recourse obligations resulting from endorsement of negotiable instruments for collection in the ordinary course of business; (ii) obligations, warranties, and indemnities, not relating to Indebtedness of any Person, which have been or are undertaken or made in the ordinary course of business; (iii) Contingent Obligations of the Companies or any of their Subsidiaries with respect to any Indebtedness permitted by this Agreement; (iv) Contingent Obligations with respect to surety, appeal and performance bonds obtained by any of the Companies or any of their Subsidiaries in the ordinary course of business; (v) Permitted Securitization Recourse Obligations and (vi) Contingent Obligations under credit, loan and other financing agreements which by their express terms continue after the repayment in full of the financing provided pursuant thereto, including without limitation all such Contingent Obligations under the Existing Credit Agreements.

"Customary Permitted Liens" means:

(i) 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 by appropriate proceedings and with respect to which adequate reserves or other appropriate provisions are being maintained to the extent required by Agreement Accounting Principles;

(ii) statutory or common law 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 (having regard to the custom in the relevant jurisdiction for settlement of such amounts) or which are being contested in good faith by appropriate proceedings and with respect to which adequate reserves or other appropriate provisions are being maintained to the extent required by Agreement Accounting Principles;

(iii) 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; provided that (A) all such Liens do not in the aggregate materially detract from the value of assets or Property of the Companies and their Subsidiaries taken as a whole or materially impair the use thereof in the operation of their businesses taken as a whole, and (B) all Liens securing bonds to stay judgments or in connection with appeals that do not secure at any time an aggregate amount exceeding $30,000,000;

(iv) Permitted Real Property Encumbrances;

(v) Liens of attachment or judgment with respect to judgments, writs or warrants of attachment, or similar process against any of the Companies or any of their Subsidiaries which do not constitute a Default under Section 7.1(h);

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

(vii) any interest or title of the lessor in the Property subject to any operating lease entered into by any of the Companies or any of their Subsidiaries in the ordinary course of business.

(viii) Liens in respect of an agreement to dispose of any asset, to the extent such disposal is permitted by this Agreement;

(ix) Liens arising under any retention of title arrangements entered into in the ordinary course of business or over goods or documents of title to good arising in the ordinary course of documentary credit transactions;

(x) Liens arising due to any cash pooling, netting or composite accounting arrangements between any one or more of the Borrowers and any of their Subsidiaries or between any one or more of such entities and one or more banks or other financial institutions where any such entity maintains deposits;

(xi) customary rights of set off, revocation, refund or chargeback or similar rights under deposit disbursement, concentration account agreements or under the UCC (or comparable foreign law) or arising by operation of law of banks or other financial institutions where any Borrower or any of its Subsidiaries maintains deposit, disbursement or concentration accounts in the ordinary course of business; and

(xii) Liens securing obligations not constituting Indebtedness so long as the amount of such obligations secured thereby do not exceed $10,000,000 at any time.

"Default" means an event described in Article VII hereof.

"DOL" means the United States Department of Labor and any Person succeeding to the functions thereof.

"Dollar" and "$" means dollars in the lawful currency of the United States of America.

"Dollar Amount" of any currency at any date shall mean (i) the amount of such currency if such currency is Dollars or (ii) the Equivalent Amount of Dollars if such currency is any currency other than Dollars.

"Effective Commitment Amount" is defined in Section 2.4(b)(i) hereof.

"Eligible Currency" means any currency other than Dollars or euro that is readily available, freely traded, in which deposits are customarily offered to banks in the London interbank market, convertible into Dollars in the international interbank market and as to which an Equivalent Amount may be readily calculated. If, after the designation by the Lenders of any currency as an Agreed Currency, currency control or other exchange regulations are imposed in the country in which such currency is issued with the result that different types of such currency are introduced, such country's currency is, in the determination of the Global Administrative Agent, no longer readily available or freely traded or as to which, in the determination of the Global Administrative Agent, an Equivalent Amount is not readily calculable, then the Global Administrative Agent shall promptly notify the Syndicated Global Lenders and each Global Borrower, and such country's currency shall no longer be an Agreed Currency until such time as all of the Lenders (in the case of an Agreed Currency) agree to reinstate such country's currency as an Agreed Currency and promptly, but in any event within five (5) Business Days of receipt of such notice from the Global Administrative Agent, the applicable Borrower shall repay all Loans in such affected currency or convert such Loans into Loans in Dollars or another Agreed Currency, subject to the other terms contained in Article II.

"Environmental, Health or Safety Requirements of Law" means all Requirements of Law derived from or relating to federal, state, provincial and local laws and relevant foreign laws or regulations relating to or addressing pollution or protection of the environment, or protection of worker health or safety, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. (s) 9601 et seq., the Occupational Safety and Health Act of 1970, 29 U.S.C. (s) 651 et seq., and the Resource Conservation and Recovery Act of 1976, 42 U.S.C. (s) 6901 etseq., in each case including any amendments thereto, any successor statutes, and any regulations or guidance promulgated thereunder, and any state or local equivalent thereof.

"Equivalent Amount" of any currency at any date shall mean the equivalent in Dollars of such currency, calculated on the basis of the arithmetic mean of the buy and sell spot rates of exchange of the Global Administrative Agent or an Affiliate of the Global Administrative Agent, as applicable, in the London interbank market (or other market where the Global Administrative Agent's foreign exchange operations in respect of such currency are then being conducted) for such other currency at or about 11:00 a.m. (local time applicable to the transaction in question) on the date on which such amount is to be determined, rounded up to the nearest amount of such currency as determined by the Global Administrative Agent from time to time; provided, however, that if at the time

of any such determination, for any reason, no such spot rate is being quoted, the Global Administrative Agent or an Affiliate of the Global Administrative

Agent, may use any reasonable method it reasonably deems appropriate to determine such amount, and such determination shall be conclusive absent manifest error.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time including (unless the context otherwise requires) any rules or regulations promulgated thereunder.

"ERISA Default Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Benefit Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Benefit Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the incurrence by any member of the Controlled Group of any liability under Title IV of ERISA with respect to the termination of any Benefit Plan; (d) the receipt by any member of the Controlled Group from the PBGC or a plan administrator of any notice relating to an intention to terminate any Benefit Plan or to appoint a trustee to administer any Benefit Plan; (e) the incurrence by the any member of the Controlled Group of any liability with respect to the complete withdrawal or partial withdrawal from any Benefit Plan or Multiemployer Plan; or (f) the receipt by any member of the Controlled Group of any notice, or the receipt by any Multiemployer Plan from the any member of the Controlled Group of any notice, concerning a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"EURIBOR" means the applicable interest rate per annum determined by the Banking Federation of the European Union for deposits in euro appearing on the applicable EURIBOR Reference Page on such day (or if such day is not a Business Day, on the immediately preceding Business Day) as of the applicable EURIBOR Fixing Time, in the approximate amount of the pro rata share of the Global Administrative Agent (or any of its Affiliates) of such Eurocurrency Rate Advance or Swing Line Loan, and, in each case, having a maturity approximately equal to the requested Interest Period, providedthat, (i) if the applicable EURIBOR Reference Page is not available to the Global Administrative Agent at or about the EURIBOR Fixing Time for any reason, the applicable EURIBOR for the relevant Interest Period shall instead be the applicable rate for deposits in euro offered to leading banks in the euro-zone interbank market as reported by any other generally recognized financial information service specified by the Global Administrative Agent as of the applicable EURIBOR Fixing Time, and having a maturity approximately equal to such Interest Period, and (ii) if no such rate is available, the applicable EURIBOR for the relevant Interest Period shall instead be the interest rate per annum equal to the arithmetic mean determined by the Global Administrative Agent (rounded upwards to the nearest .001%) of the rates per annum at which deposits in euro are offered by three (3) leading banks in the euro-zone interbank market at the applicable EURIBOR Fixing Time to other leading banks in the euro-zone interbank market in the approximate amount of JPMorgan Chase Bank's (or any of its Affiliates) relevant

Eurocurrency Rate Loan, Swing Line Loan or Syndicated Canadian Loan having a maturity approximately equal to such Interest Period.

"EURIBOR Fixing Time" means the relevant currency fixing date and/or time described in Schedule I and Schedule II.

"EURIBOR Reference Page" means the relevant page on the relevant screen described in Schedule I and Schedule II, including in each case any successor or substitute screen, as applicable, providing rate quotations comparable to those currently provided on such screen, as determined by the Global Administrative Agent from time to time for purposes of providing quotations of interest rates at which deposits in euro are offered to leading banks in the

euro-zone interbank market.

"euro" means the single currency of the participating member states of the European Union.

"Eurocurrency Base Rate" means, with respect to any Eurocurrency Rate Advance or any Swing Line Loan for any specified Interest Period, or a Bid Rate Advance pursuant to an Indexed Rate Auction for an Interest Period designated by the relevant Borrower, in each case with respect to an applicable Agreed Currency, (i) LIBOR with respect to any such currency other than euro and (ii) EURIBOR solely with respect to euro.

"Eurocurrency Payment Office" of the Global Administrative Agent shall mean, for each of the Agreed Currencies, the office, branch or affiliate of the Global Administrative Agent, as it may from time to time specify to the U.S. Borrower and each Syndicated Global Lender as its Eurocurrency Payment Office.

"Eurocurrency Rate" means, with respect to a Swing Line Loan, a Eurocurrency Rate Loan and a Eurocurrency Rate Advance for the relevant Interest Period, the sum of (i) the quotient of (a) the Eurocurrency Base Rate applicable to such Interest Period, divided by (b) one minus the Reserve Requirement (expressed as a decimal) applicable to such Interest Period, plus (ii) the Applicable Margin, plus (iii) in the case of Loans and Advances by a Lender from its office or branch in England, the Mandatory Cost. The Eurocurrency Rate shall be rounded to the next higher multiple of 1/16 of 1% if the rate is not such a multiple.

"Eurocurrency Rate Advance" means a Syndicated Global Advance or Syndicated Canadian Advance which bears interest at the Eurocurrency Rate.

"Eurocurrency Rate Loan" means a Swing Line Loan, Syndicated Global Loan or Syndicated Canadian Loan, or portion thereof, which bears interest at the Eurocurrency Rate.

"Exchange Rate" means with respect to any Eligible Currency on a particular date, the rate at which such Eligible Currency may be exchanged into Dollars, calculated on the basis of the arithmetical mean of the buy and sell spot rates of exchange of the Global Administrative Agent in the London interbank market (or other market where the

Global Administrative Agent's foreign currency exchange operations in respect of such Eligible Currency are then being conducted) for such Eligible Currency at or about 1:00 p.m. local time, on such date for the purchase of Dollars with such Eligible Currency; provided, however, that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Global Administrative Agent may use any reasonable method it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

"Excluded Taxes" means, in the case of each Lender or applicable Lending Installation and the Global Administrative Agent, taxes imposed on its overall net income, and franchise taxes imposed on it, by (i) the jurisdiction under the laws of which such Lender or the Global Administrative Agent is incorporated or organized or (ii) the jurisdiction in which the Global Administrative Agent's or such Lender's principal executive office or such Lender's applicable Lending Installation is located.

"Existing Credit Agreements" means (i) that certain Amended and Restated Long Term Credit Agreement dated as of September 27, 2000 among the U.S. Borrower, HDFS, HDCC, the lenders party thereto and Bank One, NA as administrative agent, as such agreement has been amended or otherwise modified prior to the Closing Date, (ii) that certain Short Term Credit Agreement dated as of September 27,

2000 among the U.S. Borrower, HDFS, HDCC, the lenders party thereto and Bank One, NA as administrative agent, as such agreement has been amended or otherwise modified prior to the Closing Date and (iii) the Credit Facility for Harley-Davidson Financial Services Europe Limited dated July 2002 between U.K. Borrower, HDFS, HDFSI, BNP Paribas and Salomon Brothers International Limited, as "Mandated Lead Arrangers", the financial institutions party thereto as "Original Lenders" and Citibank International PLC, as "Facility Agent", as such agreement has been amended or otherwise modified prior to the Closing Date.

"Federal Funds Effective Rate" shall have the meaning assigned to that term in the definition of Alternate Base Rate above.

"Finance Receivables" means dealer wholesale receivables, retail installment contracts, retail leases, charge accounts or other receivables or chattel paper originated, acquired or serviced in the ordinary course of business by any of the Companies or their Subsidiaries and shall include all related collateral and assets and any retained assets in respect of any of the foregoing.

"Finance Receivables Subsidiary" means a special purpose, bankruptcy remote corporation, partnership or limited liability company which is wholly-owned, directly or indirectly, by the Companies, and which is formed for the sole and exclusive purpose of (i) purchasing or otherwise acquiring Finance Receivables from one or more of the Companies or their respective Subsidiaries, (ii) financing such purchases or otherwise facilitating a Permitted Finance Receivables Securitization and (iii) activities related thereto.

"Fixed Rate Advance" means a Eurocurrency Rate Advance or a CDOR Advance.

"Fixed Rate Loan" means a Eurocurrency Rate Loan or a CDOR Loan, as applicable.

"Fixed Rate Swing Line Loan" means a U.K. Swing Line Loan which bears interest at the Eurocurrency Rate or a Canadian Swing Line Loan which bears interest at CDOR.

"Floating Rate Advance" means a Canadian Prime Rate Advance or Base Rate Advance, as applicable.

"Floating Rate Loan" means a Syndicated Global Loan or Syndicated Canadian Loan, or portion thereof, or a Swing Line Loan, in each case which bears interest at the Alternate Base Rate, the Canadian Prime Rate or any other floating rate, as applicable.

"Foreign Borrower" means the Canadian Borrower, if any, or the U.K. Borrower and "Foreign Borrowers" means, collectively, the Canadian Borrower, if any, and the U.K. Borrower.

"Foreign Employee Benefit Plan" means any employee benefit plan as defined in Section 3(3) of ERISA which is maintained or contributed to for the benefit of the employees of any of the Companies or any other member of the Controlled Group and is not covered by ERISA pursuant to ERISA Section 4(b)(4).

"Foreign Pension Plan" means any Foreign Employee Benefit Plan that, under applicable local law, is required to be funded through a trust or other funding vehicle.

"Global Administrative Agent" means JPMorgan Chase Bank (including any office, branch or affiliate of JPMorgan Chase Bank) in its capacity as contractual representative for itself and the Lenders pursuant to Article X hereof and any successor Global Administrative Agent appointed pursuant to Article X hereof.

"Global Borrower" means the U.S. Borrower or the U.K. Borrower and "Global

Borrowers" means, collectively, the U.S. Borrower and the U.K. Borrower, in each case together with its respective successors and permitted assigns.

"Global Rate Option" means the Eurocurrency Rate or Alternate Base Rate.

"Global Swing Line Lender" means JPMorgan Chase Bank (including any office, branch or affiliate of JPMorgan Chase Bank); provided that the Global Swing Line Lender in respect of Canadian Swing Line Loans to the Canadian Borrower shall mean JPMorgan Chase Bank or any of its offices, branches and affiliates, in each case, resident in Canada within the meaning of the Income Tax Act(Canada).

"Governmental Authority" means any nation or government, any monetary authority, any federal, state, provincial, local or other political subdivision thereof and

any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Gross Negligence" means recklessness, or actions taken or omitted with conscious indifference to or the complete disregard of consequences. Gross Negligence does not mean the absence of ordinary care or diligence, or an inadvertent act or inadvertent failure to act. If the term "gross negligence" is used with respect to the Global Administrative Agent, either Arranger or any Lender or any Indemnitee in any of the other Loan Documents, it shall have the meaning set forth herein.

"Guarantee" is defined in Article XIIhereof.

"Guarantor" means any of HDFS, HDCC, HDFSI or the Canadian Guarantor, if any and "Guarantors" means each of HDFS, HDCC, HDFSI and the Canadian Guarantor, if any and in each such case their respective successors and permitted assigns.

"Harley" means Harley-Davidson, Inc., a Wisconsin corporation, and its successors and assigns.

"HDCC" means Harley-Davidson Credit Corp., a Nevada corporation, and its successors and permitted assigns.

"HDFS" means Harley-Davidson Financial Services, Inc., a Delaware corporation, and its successors and permitted assigns.

"HDFSI" means Harley-Davidson Financial Services International, Inc., a Delaware corporation, and its successors and permitted assigns.

"Hedging Obligations" of a Person means any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (i) any and all agreements, devices or arrangements designed to protect at least one of the parties thereto from the fluctuations of interest rates, commodity prices, exchange rates or forward rates applicable to such party's assets, liabilities or exchange transactions, including, but not limited to, dollar-denominated or cross-currency interest rate exchange agreements, forward currency exchange agreements, interest rate cap or collar protection agreements, forward rate currency or interest rate options, puts and warrants, and (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any of the foregoing.

"Indebtedness" of any Person means (i) any indebtedness of such Person, contingent or otherwise, (a) in respect of borrowed money including all principal, interest, fees and expenses with respect thereto (whether or not the

recourse of the lender is to the whole of the assets of such Person or only to a portion thereof), or (b) evidenced by bonds, notes, acceptances, debentures or other instruments or letters of credit (or reimbursement obligations with respect thereto) or representing the balance deferred and unpaid of the purchase price of any Property (including pursuant to Capitalized Leases) or services, if and to the extent any of the foregoing indebtedness would appear as a

liability upon a balance sheet of such Person prepared in accordance with Agreement Accounting Principles (except that any such balance that constitutes a trade payable and/or an accrued liability arising in the ordinary course of business shall not be considered Indebtedness); (ii) to the extent not otherwise included in clause (i) above, (a) interest accruing after the commencement of any bankruptcy, insolvency, receivership or similar proceedings and other interest that would have accrued but for the commencement of such proceedings, (b) any Capitalized Lease Obligations, (c) obligations, whether or not assumed, secured by Liens or payable out of the proceeds or production from Property now or hereafter owned or acquired by such Person (excluding in any event obligations in respect of Permitted Finance Receivables Securitizations), (d) Contingent Obligations and (e) Hedging Obligations. The amount of Indebtedness of any Person at any date shall be without duplication (i) the outstanding balance at such date of all unconditional obligations as described above and the maximum liability of any such Contingent Obligations at such date and (ii) in the case of Indebtedness of others secured by a Lien to which the Property or assets owned or held by such Person is subject, the lesser of the fair market value at such date of any asset subject to a Lien securing the Indebtedness of others and the amount of the Indebtedness secured.

"Indemnified Matters" is defined in Section 9.6(B)hereof.

"Indemnitees" is defined in Section 9.6(B)hereof.

"Indexed Rate Auction" is defined in Section 2.10(b)(i) hereof.

"Interest Coverage Ratio" is defined in Section 6.4(A) hereof.

"Interest Period" means, (a) with respect to a Eurocurrency Rate Loan, a period of one (1), two (2), three (3) or six (6) months commencing on a Business Day selected by the applicable Borrower pursuant to this Agreement and (b) with respect to a CDOR Loan, a period selected by the Canadian Borrower in accordance with the Syndicated Canadian Addendum. For Eurocurrency Rate Loans, such Interest Period shall end on (but exclude) the day which corresponds numerically to such date one (1), two (2), three (3) or six (6) months thereafter; provided, however, that if there is no such numerically corresponding day in such next, second, third or sixth succeeding month, such Interest Period shall end on the last Business Day of such next, second, third or sixth succeeding month. If an Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next succeeding Business Day, provided, however, that for Eurocurrency Rate Loans, if said next succeeding Business Day falls in a new calendar month, such Interest Period shall end on the immediately preceding Business Day.

"IRS" means the Internal Revenue Service and any Person succeeding to the functions thereof.

"Lenders" means the lending institutions listed on the signature pages of this Agreement or a Syndicated Canadian Addendum, including each Syndicated Global

Lender, the Global Swing Line Lender, each Syndicated Canadian Bank and their respective successors and assigns.

"Lender Increase Notice" is defined in Section 2.4(b)(i) hereof.

"Lending Installation" means, with respect to a Lender or the Global Administrative Agent, any office, branch, subsidiary or affiliate of such Lender or the Global Administrative Agent.

"Leverage Ratio" is defined in Section 6.4(A)hereof.

"LIBOR" means the applicable British Bankers' Association Interest Settlement Rate for deposits in the applicable Agreed Currency or U.K. Swing Line Currency appearing on the applicable LIBOR Reference Page for such Agreed Currency or U.K. Swing Line Currency as of the applicable LIBOR Fixing Time, in the approximate amount of the pro rata share of the Global Administrative Agent (or any of its Affiliates) of such Eurocurrency Rate Loan or Swing Line Loan or in the case of an Indexed Rate Auction in an amount equal to $1,000,000, and, in each case, having a maturity approximately equal to the requested Interest Period or interest period, provided that, (i) if the applicable LIBOR Reference Page for such Agreed Currency or U.K. Swing Line Currency is not available to the Global Administrative Agent for any reason at or about the LIBOR Fixing Time, the applicable LIBOR for the relevant Interest Period or interest period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in the applicable Agreed Currency or U.K. Swing Line Currency are offered to leading banks as reported by any other generally recognized financial information service specified by the Global Administrative Agent as of the applicable LIBOR Fixing Time, and having a maturity approximately equal to such Interest Period or interest period, and (ii) if no such British Bankers' Association Interest Settlement Rate is available, the applicable LIBOR for the relevant Interest Period or interest period shall instead be the rate determined by the Global Administrative Agent to be the rate at which JPMorgan Chase Bank offers to place deposits in the applicable Agreed Currency or U.K. Swing Line Currency with first-class banks in the London interbank market at the applicable LIBOR Fixing Time, in the approximate amount of JPMorgan Chase Bank's (or any of its Affiliates) relevant Eurocurrency Rate Loan, Swing Line Loan or Syndicated Canadian Loan or in the case of an Indexed Rate Auction in an amount equal to $1,000,000 and, in each case, having a maturity approximately equal to such Interest Period or interest period.

"LIBOR Fixing Time" means the relevant currency fixing date and/or time described in Schedule I and Schedule II.

"LIBOR Reference Page" means the relevant page on the relevant screen described in Schedule I and Schedule II, including in each case any successor or substitute screen, as applicable, providing rate quotations comparable to those currently provided on such screen, as determined by the Global Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in the London interbank market in the relevant currency.

"Lien" means any security interest, lien (statutory or other), mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance or preference, priority or security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, the interest of a vendor or lessor under any conditional sale, Capitalized Lease or other title retention agreement).

"Loan" means a Syndicated Global Loan, a Bid Rate Loan, a Syndicated Canadian Loan or a Swing Line Loan.

"Loan Account" is defined in Section 2.15(E) hereof.

"Loan Documents" means this Agreement, the Syndicated Canadian Addendum, the Assumption Letter, the Notes, the Support Agreement and all other documents, instruments and agreements executed in connection therewith or contemplated thereby, in each case as the same may be amended, restated or otherwise modified and in effect from time to time.

"Mandatory Cost" is described in Schedule III hereto.

"Margin Stock" shall have the meaning ascribed to such term in Regulation U promulgated by the Board of Governors of the Federal Reserve System, as from time to time in effect.

"Material Adverse Effect" means any event, development or circumstance that has had or could reasonably be expected to have a material adverse effect on (a) the financial condition of Harley, HDFS, HDCC, the Borrowers and their Subsidiaries taken as a whole or (b) the validity or enforceability of any of the Loan Documents or the ability of the Lenders or any of the Global Administrative Agent to enforce their rights or remedies thereunder.

"Material Subsidiary" means, at any time, any Subsidiary of HDFS with a Net Worth equal to or greater than 5% of Consolidated Net Worth of Harley or Net Income (for the period of four consecutive fiscal quarters then most recently ended) equal to or greater than 5% of Consolidated Net Income (for such period) of Harley (it being understood and agreed that if Subsidiaries of HDFS that are not Material Subsidiaries have in the aggregate Net Worth equal to or greater than 15% of the Consolidated Net Worth of Harley or Net Income (for such period) equal to or greater than 15% of the Consolidated Net Income (for such period) of Harley, then HDFS shall designate one or more Subsidiaries as Material Subsidiaries such that, after giving effect to such designations, the Subsidiaries of HDFS that are not Material Subsidiaries have in the aggregate Net Worth less than 15% of the Consolidated Net Worth of Harley and Net Income (for such period) less than 15% of the Consolidated Net Income (for such period) of Harley).

"Multiemployer Plan" means a "Multiemployer Plan" as defined in Section 4001(a)(3) of ERISA which is, or within the immediately preceding six (6) years was, contributed to by any of the Companies or any other member of the Controlled Group.

"Net Income" of any Person for any period means the net income (or loss) of such Person for such period, as shall be determined in accordance with Agreement Accounting Principles.

"Net Worth" of any Person means such Person's consolidated shareholder's equity, as shall be determined in accordance with Agreement Accounting Principles.

"New Currency" is defined in Section 2.12 hereof.

"Non Pro Rata Loan" is defined in Section 8.2 hereof.

"Non-U.S. Lender" is defined in Section 3.5(iv) hereof.

"Notes" means the Syndicated Global Notes, the Syndicated Canadian Notes and the Bid Rate Notes.

"Notice of Assignment" is defined in Section 13.3(B) hereof.

"Obligations" means all Loans, advances, debts, liabilities, obligations,

covenants and duties owing by any Borrower to the Global Administrative Agent, either Arranger, any Lender, the Global Swing Line Lender, any Syndicated Canadian Bank, any Affiliate of any of the foregoing or any Indemnitee, of any kind or nature, present or future, arising under this Agreement, the Notes or any other Loan Document, whether or not evidenced by any note, guaranty or other instrument, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, guaranty, indemnification, or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. The term includes, without limitation, all interest, charges, expenses, fees, attorneys' fees and disbursements, paralegals' fees (in each case whether or not allowed), and any other sum chargeable to any Borrower under this Agreement or any other Loan Document.

"Original Currency" is defined in Section 2.12 hereof.

"Other Taxes" is defined in Section 3.5 hereof.

"Outstanding Credit Exposure" is defined in Section 2.4(b)(ii) hereof.

"Overnight Foreign Currency Rate" means, for any amount payable in a currency other than Dollars, the rate of interest per annum as determined by the Global Administrative Agent (or in the case of any amount payable on a Swing Line Loan, the Global Swing Line Lender) at which overnight or weekend deposits in the relevant currency (or if such amount due remains unpaid for more than three Business Days, then for such other period of time as the Global Administrative Agent or Global Swing Line Lender (as applicable) may elect) for delivery in immediately available and freely transferable funds would be offered by the Global Administrative Agent or Global Swing Line Lender (as applicable) to major banks in the interbank market upon request of such

major banks for the relevant currency as determined above and in an amount comparable to the unpaid principal amount of the related Loan.

"Participants" is defined in Section 13.2(A) hereof.

"Payment Date" means the first Business Day of each calendar month.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor thereto.

"Permitted Acquisition" means any Acquisition made by any one of the Companies or any of their Subsidiaries provided that: (a) as of the date of such Acquisition, no Default or Unmatured Default shall have occurred and be continuing or would result from such Acquisition or from the incurrence of any Indebtedness in connection with such Acquisition; (b) the business being acquired consists of a business or portfolio which shall be substantially similar, related or incidental to the businesses or activities engaged in by the Companies on the Closing Date; (c) the Acquisition is consummated pursuant to a negotiated acquisition agreement on a non-hostile basis; (d) prior to the date of such Acquisition, such Acquisition shall have been approved by the board of directors and, if applicable, the shareholders of the Person whose stock or assets are being acquired (the "Target") in connection with such Acquisition and no claim or challenge has been asserted or threatened by any shareholder or director of such Target which could reasonably be expected to have a material adverse effect on such Acquisition or a Material Adverse Effect; (e) as of the date of any such Acquisition, all approvals required in connection with such Acquisition shall have been obtained; and (f) if such Acquisition constitutes a stock acquisition, substantially contemporaneously with the consummation of such Acquisition, the Target shall have been merged with and into one of the Companies.

"Permitted Existing Liens" means the Liens on assets of the Companies or their Subsidiaries identified as such on Schedule 1.1.3 to this Agreement.

"Permitted Finance Receivables Securitization" means any receivables financing program providing for the sale, conveyance, pledge or other transfer of Finance Receivables by any of the Companies or their respective Subsidiaries to a trust or to one or more limited purpose finance companies, special purpose entities or financial institutions, either directly or through one or more Subsidiaries.

"Permitted Real Property Encumbrances" means (i) as to any particular real property at any time, such easements, encroachments, covenants, rights of way, subdivisions, parcelizations, minor defects, irregularities, encumbrances on title (including leasehold title) or other similar charges or encumbrances which do not materially detract from the value of such real property for the purpose for which it is held by the owner thereof, (ii) municipal and zoning ordinances and other land use and environmental regulations, which are not violated in any material respect by the existing improvements and the present use made by the owner thereof of the premises, (iii) the reservations, limitations, provisos and conditions, if any, expressed in any original grants

from the Crown in Canada, or in comparable grants in jurisdictions other than Canada and (iv) such other items to which the Global Administrative Agent may consent.

"Permitted Securitization Recourse Obligations" of a Person means recourse obligations of such Person with respect to Finance Receivables sold, pledged or otherwise transferred pursuant to a Permitted Finance Receivables Securitization, if and only if such recourse obligations constitute performance guarantees and/or indemnification or repurchase obligations arising as a result of the breach by such Person of a representation, warranty or covenant in respect of such Finance Receivables or otherwise in respect of losses, costs or expenses arising as a result of such Permitted Finance Receivables Securitizations, in each case other than (A) recourse for Finance Receivables uncollectible because of bankruptcy, insolvency, lack of creditworthiness or other mere failure to pay on the part of the obligor with respect to such Finance Receivable, and (B) indemnification or repurchase obligations arising from a representation, warranty or covenant relating to the payment of any Indebtedness incurred or securities issued in connection with such Permitted Finance Receivables Securitization.

"Person" means any natural person, corporation, firm, company, joint venture, partnership, association, enterprise, trust or other entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

"Plan" means an employee benefit plan defined in Section 3(3) of ERISA in respect of which the any of the Companies or any member of the Controlled Group is, or within the immediately preceding six (6) years was, an "employer" as defined in Section 3(5) of ERISA.

"Pounds Sterling" means the lawful currency of Great Britain.

"Prime Rate" shall have the meaning assigned to that term in the definition of Alternate Base Rate above.

"Pro Rata Share" means, with respect to any Syndicated Global Lender, the percentage obtained by dividing (A) such Syndicated Global Lender's Commitment at such time (in each case, as adjusted from time to time in accordance with the provisions of this Agreement) by (B) the Aggregate Commitment at such time; provided, however, that, if the Commitments have been terminated pursuant to the terms of this Agreement, "Pro Rata Share" means, with respect to any

Syndicated Global Lender, the percentage obtained by dividing (A) the Dollar Amount of such Syndicated Global Lender's (i) Syndicated Global Loans plus (ii) share of the obligation to purchase participations in Swing Line Loans and Syndicated Canadian Loans by (B) the aggregate outstanding principal Dollar Amount of all Syndicated Global Loans, Swing Line Loans and Syndicated Canadian Loans.

"Property" of a Person means any and all property, whether real, personal, tangible, intangible, or mixed, of such Person, or other assets owned, leased or operated by such Person.

"Proposed New Lender" is defined in Section 2.4(b)(i) hereof.

"Purchasers" is defined in Section 13.3(A) hereof.

"Qualifying Lender" means (a) a "building society" (as defined for the purpose of section 477A of the Taxes Act) or (b) a Lender which is beneficially entitled to interest payable to that Lender in respect of an Advance or Loan and such Lender is:

(i) a Lender:

(I) which is a "bank" (as defined for the purpose of section 349 of the Taxes Act) making an Advance or Loan; or

(II) in respect of an Advance or Loan made by a Person that was a "bank" (as defined for the purpose of section 349 of the Taxes Act) at the time that such Advance or Loan was made,

and which is within the charge to United Kingdom corporation tax as respects any payments of interest made in respect of that Advance or Loan; or

(ii) a Lender which is:

(I) a company resident in the United Kingdom for United Kingdom tax purposes;

(II) a partnership each member of which is:

(a) a company resident in the United Kingdom; or

(b) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account in computing its chargeable profits (for the purposes of section 11(2) of the Taxes Act) the whole of any share of interest payable in respect of that advance that falls to it by reason of sections 114 and 115 of the Taxes Act;

(III) a company not so resident in the United Kingdom which carries on a trade in the United Kingdom through a permanent establishment and which brings into account interest payable in respect of that advance in computing the chargeable profits (for the purposes of section 11(2) of the Taxes Act) of that company; or

(iii) a Treaty Lender.

"Register" is defined in Section 13.3(C) hereof.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System as from time to time in effect and any successor thereto or other

regulation or official interpretation of said Board of Governors relating to reserve requirements applicable to member banks of the Federal Reserve System.

"Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the indoor or outdoor environment, including the movement of Contaminants through or in the air, soil, surface water or groundwater.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Benefit Plan, excluding, however, such events as to which the PBGC by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days after such event occurs, provided, however, that a failure to meet the minimum funding standards of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waiver of the notice requirement in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Required Lenders" means Lenders whose Pro Rata Shares, in the aggregate, are greater than fifty percent (50%); provided, however, that, if any of the Lenders shall have failed to fund its Pro Rata Share of any Loan requested by the applicable Borrower which such Lenders are obligated to fund under the terms of this Agreement and any such failure has not been cured, then for so long as such failure continues, "Required Lenders" means Lenders (excluding all Lenders whose failure to fund their respective Pro Rata Shares of such Loans has not been so cured) whose Pro Rata Shares represent greater than fifty percent (50%) of the aggregate Pro Rata Shares of such Lenders; provided, further, however, that, if the Commitments have been terminated pursuant to the terms of this Agreement, "Required Lenders" means Lenders (without regard to such Lenders' performance of their respective obligations hereunder) whose Pro Rata Shares, in the aggregate, are greater than fifty percent (50%).

"Required Syndicated Canadian Banks" means Syndicated Canadian Banks whose Syndicated Canadian Pro Rata Shares, in the aggregate, are greater than fifty percent (50%); provided, however, that, if any of the Lenders shall have failed to fund its Syndicated Canadian Pro Rata Share of any Syndicated Canadian Loan requested by the Canadian Borrower which such Syndicated Canadian Banks are obligated to fund under the terms of this Agreement and the Syndicated Canadian Addendum and any such failure has not been cured, then for so long as such failure continues, "Required Syndicated Canadian Banks" means Syndicated Canadian Banks (excluding all Syndicated Canadian Banks whose failure to fund their respective Syndicated Canadian Pro Rata Shares of such Syndicated Canadian Loans has not been so cured) whose Syndicated Canadian Pro Rata Shares represent greater than fifty percent (50%) of the aggregate Syndicated Canadian Pro Rata Shares of such Syndicated Canadian Banks; provided, further, however, that, if the Commitments have been terminated pursuant to the terms of this Agreement or the Syndicated Canadian Commitments have been terminated pursuant to the terms of this Agreement and the Syndicated Canadian Addendum, "Required Syndicated Canadian Banks" means Syndicated Canadian Banks (without regard to such Syndicated Canadian Banks' performance of their

respective obligations hereunder) whose Syndicated Canadian Pro Rata Shares, in the aggregate, are greater than fifty percent (50%).

"Requirements of Law" means, as to any Person, the charter and by-laws or other organizational or governing documents of such Person, and any law, rule or regulation, or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its

property or to which such Person or any of its property is subject including, without limitation, the Securities Act of 1933, the Securities Exchange Act 1934, Regulations T, U and X promulgated by the Board of Governors of the Federal Reserve System, ERISA, the Fair Labor Standards Act, the Worker Adjustment and Retraining Notification Act, Americans with Disabilities Act of 1990, and any certificate of occupancy, zoning ordinance, building, environmental or land use requirement or Permit or environmental, labor, employment, occupational safety or health law, rule or regulation, including Environmental, Health or Safety Requirements of Law.

"Reserve Requirement" means, with respect to an Interest Period, the maximum aggregate reserve requirement (including all basic, supplemental, marginal and other reserves) which is imposed under Regulation D on Eurocurrency liabilities.

"Reset Date" is defined in Section 1.2 hereof.

"Risk-Based Capital Guidelines" is defined in Section 3.2 hereof.

"Selling Lender" is defined in Section 2.4(b)(ii) hereof.

"Stamping Fee" is defined in the Syndicated Canadian Addendum.

"Subordinated Indebtedness" is defined in Section 6.4(A) hereof.

"Subordinated Indebtedness Documents" means any instruments and documents evidencing, or entered into in connection with, Subordinated Indebtedness.

"Subordinated Intercompany Indebtedness" is defined in Section 6.3(A)(2)hereof.

"Subsidiary" of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any company, partnership, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. Unless otherwise expressly provided, all references herein to a "Subsidiary" shall mean a direct or indirect Subsidiary of the U.S. Borrower.

"Support Agreement" means the Support Agreement dated as of September 26, 1996 between Harley and HDFS evidencing Harley's agreement to support certain debts of HDFS and its Subsidiaries, together with and as supplemented by the letter agreement

dated as of September 16, 2004 to the Global Administrative Agent from Harley and HDFS pursuant to which certain modifications to the above-referenced Support Agreement were agreed to for the benefit of the Global Administrative Agent and the Lenders.

"Swing Line Commitment" means the Canadian Swing Line Commitment, U.K. Swing Line Commitment or USD Swing Line Commitment, as applicable.

"Swing Line Loan" means a Canadian Swing Line Loan, U.K. Swing Line Loan or USD Swing Line Loan, as applicable, made available to the applicable Borrower by the Global Swing Line Lender pursuant to Section 2.9.

"Swiss Francs" means the lawful currency of Switzerland.

"Syndicated Canadian Addendum" means an addendum substantially in the form of Exhibit Gwith such modifications thereto as shall be approved by the Global Administrative Agent.

"Syndicated Canadian Advance" means a borrowing consisting of simultaneous Syndicated Canadian Loans (of the same Type, currency and, if relevant, for the same Interest Period) made to the Canadian Borrower by the Syndicated Canadian Banks pursuant to Section 2.2.

"Syndicated Canadian Bank" means any Lender (or any Affiliate, branch or agency thereof) to the extent it is party to a Syndicated Canadian Addendum. If any agency, branch or Affiliate of any Lender shall be a party to the Syndicated Canadian Addendum, such agency, branch or Affiliate shall, to the extent of any commitment extended and any Loans made by it, have all the rights of such Lender hereunder; provided, however, that such Lender shall, to the exclusion of such agency, branch or Affiliate, continue to have all the voting rights vested in it by the terms hereof.

"Syndicated Canadian Borrowing" means any borrowing consisting of a Loan made to the Canadian Borrower.

"Syndicated Canadian Borrowing Notice" has the meaning specified in Section 2.6(a)hereof.

"Syndicated Canadian Commitment" means, for any Syndicated Canadian Bank, the obligation of such Syndicated Canadian Bank to make Syndicated Canadian Loans not exceeding the Dollar Amount set forth in Exhibit A to this Agreement, as such amount may be modified from time to time pursuant to the terms of this Agreement and/or the Syndicated Canadian Addendum.

"Syndicated Canadian Loan" means any loan or Bankers' Acceptance Loan made by a Syndicated Canadian Bank to the Canadian Borrower pursuant to Section 2.2 and the Syndicated Canadian Addendum.

"Syndicated Canadian Note" means, to the extent requested, a promissory note of the Canadian Borrower payable to the order of any requesting Syndicated Canadian Bank, in substantially the form attached to the Syndicated Canadian Addendum, evidencing the aggregate indebtedness of the Canadian Borrower to such Syndicated Canadian Bank resulting from the Syndicated Canadian Loans made by such Syndicated Canadian Bank to the Canadian Borrower.

"Syndicated Canadian Pro Rata Share" means, with respect to any Syndicated Canadian Bank, the percentage obtained by dividing (A) such Syndicated Canadian Bank's Syndicated Canadian Commitment at such time (in each case, as adjusted from time to time in accordance with the provisions of this Agreement and the Syndicated Canadian Commitment) by (B) the aggregate of the Syndicated Canadian Commitments at such time; provided, however, that, if the Syndicated Canadian Commitments have been terminated pursuant to the terms of this Agreement or the Syndicated Canadian Addendum, "Syndicated Canadian Pro Rata Share" means, with respect to any Syndicated Canadian Bank, the percentage obtained by dividing (A) the amount of such Syndicated Canadian Bank's (i) Syndicated Canadian Loans plus (ii) share of the obligation to purchase participations in Canadian Swing Line Loans to the Canadian Borrower by (B) the aggregate outstanding principal amount of all Syndicated Canadian Loans and Canadian Swing Line Loans to the Canadian Borrower.

"Syndicated Global Advance" means a borrowing consisting of simultaneous Syndicated Global Loans of the same Type made to a Global Borrower by each of the Syndicated Global Lenders pursuant to Section 2.1, and in the case of Eurocurrency Rate Advances, denominated in the same currency and for the same Interest Period.

"Syndicated Global Advance Borrowing Notice" has the meaning specified in Section 2.6(a)hereof.

"Syndicated Global Lender" means any Lender (or any Affiliate, branch or agency thereof) party hereto with a commitment to make Syndicated Global Loans to each Global Borrower.

"Syndicated Global Loan" means a loan by a Syndicated Global Lender to a Global Borrower as part of a Syndicated Global Advance.

"Syndicated Global Note" means, to the extent requested, a promissory note of a Global Borrower payable to the order of any requesting Syndicated Global Lender, in substantially the form of Exhibit B-1 hereto, evidencing the aggregate indebtedness of such Global Borrower to such Syndicated Global Lender resulting from the Syndicated Global Loans made by such Syndicated Global Lender to such Global Borrower.

"TARGET Settlement Day" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and any and all liabilities with respect to the foregoing, but excluding Excluded Taxes.

"Tax Credit" means a credit against, relief or remission of, or repayment of any Taxes or Other Taxes.

"Taxes Act" means the Income and Corporation Taxes Act 1988 as in effect in the United Kingdom.

"Termination Date" means the earlier of (a) September 16, 2009 and (b) the date of termination of the Commitments pursuant to Section 2.4 or Section 8.1.

"Transferee" is defined in Section 13.5 hereof.

"Treaty Lender" means a Lender which:

(i) is treated as a resident of a Treaty State for the purposes of the Treaty; and

(ii) does not carry on a business in the United Kingdom through a permanent establishment with which that Lender's participation in a Loan or Advance is effectively connected or to which payments under this Agreement are attributable.

"Treaty State" means a jurisdiction having a double taxation agreement (a "Treaty") with the United Kingdom which makes provision for full exemption from tax imposed by the United Kingdom on interest.

"Type" means, (a) with respect to any Syndicated Global Loan, its nature as a Base Rate Loan or Eurocurrency Rate Loan, (b) with respect to any Syndicated Global Advance, its nature as a Base Rate Advance or Eurocurrency Rate Advance, (c) with respect to any Swing Line Loan, its nature as a Eurocurrency Rate Loan, Canadian Prime Rate Loan or CDOR Loan, (d) with respect to any Syndicated Canadian Loan, its nature as a CDOR Loan, Eurocurrency Rate Loan, Base Rate Loan or Canadian Prime Rate Loan and (e) with respect to any Syndicated Canadian Advance, its nature as a CDOR Advance, Eurocurrency Rate Advance, Base Rate Advance or Canadian Prime Rate Advance.

"U.K. Borrower" means Harley-Davidson Financial Services Europe Limited, a company incorporated under the laws of England and Wales, and its successors and permitted assigns.

"U.K. Swing Line Borrowing Notice" is defined in Section 2.9.3 hereof.

"U.K. Swing Line Commitment" means the obligation of the Global Swing Line Lender to make U.K. Swing Line Loans to the Global Borrowers up to a maximum principal Dollar Amount of $20,000,000 in the aggregate and on a cumulative basis at any one time outstanding, as such amount may be adjusted from time to time in accordance with the provisions of Section 2.9.3.

"U.K. Swing Line Currency" means Dollars, euro, and so long as such currencies remain in effect, Pounds Sterling and Swiss Francs.

"U.K. Swing Line Loan" means a loan denominated in any U.K. Swing Line Currency made available to a Global Borrower by the Global Swing Line Lender pursuant to Section 2.9.3.

"Unfunded Liabilities" means the amount, if any, by which the present value of all accumulated benefit obligations under each Benefit Plan exceeds the fair market value of the assets of such Benefit Plan, determined as of the date of the most recent financial statements reflecting such amounts using assumptions for purposes of Statement of Financial Accounting Standards No. 87.

"Unmatured Default" means an event which, but for the lapse of time or the giving of notice, or both, would constitute a Default.

"U.S. Borrower" means Harley-Davidson Funding Corp., a Nevada corporation, and its successors and permitted assigns.

"USD Swing Line Borrowing Notice" is defined in Section 2.9.1 hereof.

"USD Swing Line Commitment" means the obligation of the Global Swing Line Lender to make USD Swing Line Loans up to a maximum principal amount of $25,000,000 in the aggregate at any one time outstanding.

"USD Swing Line Loan" means a Dollar denominated Loan made available to the U.S. Borrower by the Global Swing Line Lender pursuant to Section 2.9.1.

"Utilization Fee" means the per annum rate constituting the Utilization Fee determined in accordance with schedule set forth in Section 2.6(b).

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Any accounting terms used in this Agreement which are not specifically defined herein shall have the meanings customarily given them in accordance with generally accepted accounting principles in existence as of the date hereof consistently applied.

1.2 Currency Equivalents. Not later than 1:00 p.m., New York time or local time, as applicable, on each Calculation Date, the Global Administrative Agent shall (i) determine the Exchange Rate as of such Calculation Date with respect to each Agreed Currency and (ii) give notice thereof to the U.S. Borrower and the Syndicated Global Lenders. The Exchange Rates so determined shall become effective immediately with respect to any new Loans being made on any Calculation Date and any Loans being repaid on any Calculation Date and otherwise on the fifth Business Day immediately following the relevant Calculation Date (a "Reset Date"), shall remain effective until the next succeeding Reset Date and shall during the period of their effectiveness be employed in making any computation of currency equivalents required to be made under this Agreement (other than pursuant to Section 2.19).

ARTICLE II THE CREDITS

2.1 Syndicated Global Loans. Upon the satisfaction of the conditions precedent set forth in Sections 4.1 and 4.2 hereof, from and including the date of this Agreement and prior to the

Termination Date, each Syndicated Global Lender severally and not jointly agrees, on the terms and conditions set forth in this Agreement, to make Syndicated Global Loans to the Global Borrowers from time to time, in the Applicable Agreed Currency, in a Dollar Amount not to exceed in the aggregate at any one time outstanding an amount equal to such Syndicated Global Lender's Pro Rata Share of the Aggregate Commitment; provided, however

(i) that the sum of (a) the aggregate Dollar Amount of the Syndicated Global Loans then outstanding, (b) the aggregate Dollar Amount of the Bid Rate Loans then outstanding, (c) the aggregate amount of the USD Swing Line Loans then outstanding, (d) the aggregate Dollar Amount of the Canadian Swing Line Loans then outstanding, (e) the aggregate Dollar Amount of the U.K. Swing Line Loans then outstanding and (f) the aggregate Dollar Amount of Syndicated Canadian Loans then outstanding, shall not exceed the Aggregate Commitment;

(ii) that the aggregate outstanding Dollar Amount of Syndicated Global Loans in Canadian Dollars, Syndicated Canadian Loans in Canadian Dollars and Canadian Swing Line Loans at any time shall not exceed the Canadian Dollar Sublimit;

(iii) that the aggregate outstanding Dollar Amount of all Loans at any time shall not exceed the Aggregate Commitment; and

(iv) that, notwithstanding anything contained in this Agreement or the Syndicated Canadian Addendum, the aggregate Dollar Amount of all Syndicated Global Loans made by a Syndicated Global Lender, when aggregated with the Syndicated Canadian Loans made by its affiliated Syndicated Canadian Bank, shall not at any time exceed the amount of such Syndicated Global Lender's Commitment.

Each Syndicated Global Advance under this Section 2.1 shall consist of Syndicated Global Loans made by each Syndicated Global Lender ratably in proportion to such Syndicated Global Lender's respective Pro Rata Share; provided that, the Global Administrative Agent may allocate any Syndicated Global Advance on a non-pro rata basis to the extent the failure to so allocate would cause a Syndicated Global Lender's Loans, when aggregated with its affiliated Syndicated Canadian Bank's Loans, to exceed such Syndicated Global Lender's Commitment. Subject to the terms of this Agreement, each Global Borrower may borrow, repay and reborrow Syndicated Global Loans at any time prior to the Termination Date. Each Global Borrower may select, in accordance with Sections 2.6 and 2.8 and subject to the other conditions and limitations therein set forth and set forth in this Article II, Global Rate Options and Interest Periods applicable to portions of the Syndicated Global Advances. On the Termination Date, the outstanding principal balance of the Syndicated Global Loans shall be paid in full by the Global Borrowers.

2.2 Syndicated Canadian Advances.

(A) Making of Syndicated Canadian Loans. Upon the satisfaction of the conditions precedent set forth in Article IVhereof and set forth in the Syndicated Canadian Addendum, from and including the later of the date of this Agreement and the date of execution of the Syndicated Canadian Addendum and prior to the Termination Date (unless an earlier termination

date shall be specified in or pursuant to the Syndicated Canadian Addendum), each Syndicated Global Lender shall cause its affiliated Syndicated Canadian Bank, on the terms and conditions set forth in this Agreement and in the Syndicated Canadian Addendum, to make its Syndicated Canadian Pro Rata Share of Syndicated Canadian Loans to the Canadian Borrower from time to time in Dollars

(solely with respect to Base Rate Loans and Eurocurrency Rate Loans) and Canadian Dollars (solely with respect to Canadian Prime Rate Loans, Eurocurrency Rate Loans and CDOR Loans), in an amount not to exceed each such Syndicated Canadian Bank's Syndicated Canadian Commitment (provided that the Global Administrative Agent may allocate any Syndicated Canadian Advance on a non-pro rata basis to the extent the failure to so allocate would cause a Syndicated Canadian Bank's Loans, when aggregated with its affiliated Syndicated Global Lender's Loans, to exceed such Syndicated Canadian Bank's Syndicated Canadian Commitment); provided, however, at no time shall (i) the Dollar Amount of the outstanding principal amount of Syndicated Canadian Loans exceed the Syndicated Canadian Commitments set forth in the Syndicated Canadian Addendum or the Dollar Amount of all Syndicated Canadian Loans denominated in Canadian Dollars, when aggregated with the Dollar Amount of all Canadian Swing Line Loans and Syndicated Global Loans denominated in Canadian Dollars, exceed the Canadian Dollar Sublimit, in each case other than as a result of currency fluctuations and then only to the extent permitted in Section 2.3(B) and (ii) the Dollar Amount of the outstanding principal amount of the Loans exceed the Aggregate Commitment other than as a result of currency fluctuations and then only to the extent permitted in Section 2.3(B). Subject to the terms of this Agreement and the Syndicated Canadian Addendum, the Canadian Borrower may borrow, repay and reborrow Syndicated Canadian Loans at any time prior to the Termination Date (unless an earlier termination date shall be specified in or pursuant to the Syndicated Canadian Addendum). On the Termination Date (unless an earlier termination date shall be specified in or pursuant to the Syndicated Canadian Addendum), the outstanding principal balance of the Syndicated Canadian Loans shall be paid in full by the Canadian Borrower and prior to Termination Date (unless an earlier termination date shall be specified in or pursuant to the Syndicated Canadian Addendum), prepayments of the Syndicated Canadian Loans shall be made by the Canadian Borrower if and to the extent required in Section 2.3(B). By its execution and delivery hereof, each Syndicated Global Lender agrees that it shall cause its affiliated Syndicated Canadian Bank with a Syndicated Canadian Commitment to execute and deliver to (or as directed by) the Global Administrative Agent, on such Business Day as is reasonably requested by the Global Administrative Agent, an executed counterpart to such Syndicated Canadian Bank's signature page to the Syndicated Canadian Addendum.

(B) Borrowing Notice. When the Canadian Borrower desires to borrow under this Section 2.2, the Canadian Borrower shall deliver to the Global Administrative Agent a Syndicated Canadian Advance Borrowing Notice, signed by it, as provided in Section 2.6(a)(ii) specifying that the Canadian Borrower is requesting a Syndicated Canadian Loan pursuant to this Section 2.2. Any Syndicated Canadian Advance Borrowing Notice given pursuant to Section 2.6(a)(ii) shall be irrevocable.

(C) Termination. Except as otherwise required by applicable law, in no event shall a Syndicated Canadian Bank have the right to accelerate the Syndicated Canadian Loans outstanding or to terminate its commitments (if any) thereunder to make Syndicated Canadian Loans prior to the stated termination date in respect thereof, except that such Syndicated

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Canadian Bank shall have such rights upon an acceleration of the Loans and a termination of the Commitments pursuant to Article VII.

(D) Statements. The Global Administrative Agent shall furnish to the U.S. Borrower not less frequently than monthly, and at any other time at the reasonable request of the U.S. Borrower, a statement setting forth the outstanding Syndicated Canadian Loans made and repaid during the period since the last such report under the Syndicated Canadian Addendum.

(E) Risk Participation. Immediately and automatically upon the occurrence of

a Default under Sections 7.1(f) or (g), all Syndicated Canadian Loans shall be converted to and redenominated in Dollars equal to the Dollar Amount of each such Syndicated Canadian Loan determined as of the date of such conversion and each Syndicated Global Lender shall be deemed to have automatically, irrevocably and unconditionally purchased and received (to the extent of its unused Commitment) from each other Lender an undivided interest and participation in and to each Loan in such amounts as are necessary such that, after giving effect thereto, each Syndicated Global Lender shall hold its Pro Rata Share of each Loan; provided, that to the extent such conversion shall occur other than at the end of an Interest Period, the Borrowers shall pay to the Global Administrative Agent for the ratable benefit of each applicable Lender, all losses and breakage costs related thereto in accordance with Section 3.4 and, upon the written request of the Global Administrative Agent, each of the Syndicated Global Lenders shall pay to the Global Administrative Agent for the ratable benefit of each applicable Lender not later than two (2) Business Days following a request for payment from such Lender, in Dollars, an amount equal to the undivided interest in and participation in the applicable Loan purchased by such Syndicated Global Lender pursuant to this Section 2.2(E). In the event that any Syndicated Global Lender fails to make payment to the Global Administrative Agent of any amount due under this Section 2.2(E), the Global Administrative Agent shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Syndicated Global Lender hereunder until the Global Administrative Agent receives from such Syndicated Global Lender an amount sufficient to discharge such Syndicated Global Lender's payment obligation as prescribed in this Section 2.2(E)together with interest thereon at the Federal Funds Effective Rate for each day during the period commencing on the date of demand by the applicable Lender and ending on the date such obligation is fully satisfied. The Global Administrative Agent will promptly remit all payments received as provided above to each relevant Lender.

(F) Other Provisions Applicable to Syndicated Canadian Loans. The specification of payment of Syndicated Canadian Loans in Dollars or Canadian Dollars (as applicable) at a specific place pursuant to this Agreement and the Syndicated Canadian Addendum is of the essence. Dollars or Canadian Dollars (as applicable) shall be the currency of account and payment of such Loans under this Agreement and the Syndicated Canadian Addendum. Notwithstanding anything in this Agreement, the obligation of the Canadian Borrower in respect of such Loans shall not be discharged by an amount paid in any other currency or at another place, whether pursuant to a judgment or otherwise, to the extent the amount so paid, on prompt conversion into Dollars or Canadian Dollars (as applicable) and transfer to such Syndicated Canadian Bank under normal banking procedure, does not yield the amount of Dollars or Canadian Dollars (as applicable) due under this Agreement and the Syndicated Canadian Addendum. In the event that any payment, whether pursuant to a judgment or otherwise, upon conversion and transfer, does not result in payment of the amount of Dollars or Canadian Dollars

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(as applicable) due under this Agreement or the Syndicated Canadian Addendum, such Syndicated Canadian Bank shall have an independent cause of action against each of the Borrowers for the currency deficit.

2.3 Payments of Loans.

(A) Optional Payments. Subject to Section 3.4 and the requirements of Section 2.7, each relevant Global Borrower may (a) prepay Dollar denominated Floating Rate Loans following irrevocable notice given to the Global Administrative Agent by such Borrower, by not later than 12:00 noon (New York time) on the date of the proposed prepayment, such notice specifying the aggregate principal amount of and the proposed date of the prepayment, and if such notice is given such Borrower shall, prepay the outstanding principal amounts of the specified

Dollar denominated Floating Rate Loans comprising part of the same Syndicated Global Advance in whole or ratably in part and (b) prepay non-Dollar denominated Floating Rate Loans or Fixed Rate Loans following notice given to the Global Administrative Agent by such Borrower by not later than 12:00 noon (New York time) on the date that is not less than one (1) Business Day preceding the date of the proposed prepayment, such notice specifying the Syndicated Global Advance to be prepaid and the proposed date of the prepayment, and, if such notice is given, such Borrower shall, prepay the outstanding principal amounts of the non-Dollar denominated Floating Rate Loans or the Fixed Rate Loans comprising an Advance in whole (and not in part), together with accrued interest to the date of such prepayment on the principal amount prepaid. With respect to Floating Rate Advances, each partial prepayment shall be in an aggregate principal Dollar Amount not less than $1,000,000 and integral multiples of $100,000. Subject to Section 3.4 and the requirements of Section 2.7, the Canadian Borrower may, upon prior written notice to the Global Administrative Agent as prescribed in the Syndicated Canadian Addendum and specifying that it is prepaying all or a portion of its Syndicated Canadian Advances, prepay its Syndicated Canadian Advances in whole at any time, or from time to time in part as specified in the Syndicated Canadian Addendum by paying the principal amount to be paid together with all accrued and unpaid interest thereon to and including the date of payment.

(B) Mandatory Prepayments.

(i) Mandatory Prepayments of Loans Generally. If at any time, other than as a result of fluctuations in currency exchange rates, (a) the Dollar Amount of all Loans exceed the Aggregate Commitment, the applicable Borrowers shall, within five Business Days' notice from the Global Administrative Agent, prepay the applicable Loans in an aggregate amount such that after giving effect thereto the Dollar Amount of all Loans is less than or equal to the Aggregate Commitment and (b) the Dollar Amount of Syndicated Canadian Loans exceeds the Syndicated Canadian Commitments, the Canadian Borrower shall, within five Business Days' notice from the Global Administrative Agent, prepay the Syndicated Canadian Loans in an aggregate amount such that after giving effect thereto the Dollar Amount of Syndicated Canadian Loans is less than or equal to the Syndicated Canadian Commitments.

(ii) Mandatory Prepayments of Canadian Dollar Denominated Loans. If at any time other than as a result of fluctuations in currency exchange rates, the Dollar Amount of all Canadian Swing Line Loans denominated in Canadian Dollars, Syndicated

Canadian Loans denominated in Canadian Dollars and Syndicated Global Loans denominated in Canadian Dollars exceeds the Canadian Dollar Sublimit, the applicable Borrowers (as determined by the U.S. Borrower) shall, within five Business Days' notice from the Global Administrative Agent, prepay such Canadian Swing Line Loans, Syndicated Canadian Loans or Syndicated Global Loans (subject to Section 3.4) in an aggregate amount such that after giving effect thereto the Dollar Amount of all remaining Canadian Swing Line Loans, Syndicated Canadian Loans and Syndicated Global Loans, in each case to the extent denominated in Canadian Dollars, is less than or equal to the Canadian Dollar Sublimit. Prepayments of CDOR Loans under clauses (i), (ii) or (iii) of this Section 2.3(B) shall be governed by the terms set forth in the Syndicated Canadian Addendum.

(iii) Mandatory Prepayments due to Currency Fluctuations. If, solely as a result of fluctuations in currency exchange rates, on any Reset Date, (a) the Dollar Amount of the sum of (i) the outstanding principal amount of the Syndicated Global Loans at such time, plus (ii) the outstanding principal amount of the Syndicated Canadian Loans at such time, plus (iii) the outstanding principal amount of the Swing Line Loans at such time, plus (iv)

the aggregate Dollar Amount of the Bid Rate Loans then outstanding, exceeds 105% of the Aggregate Commitments, (b) the Dollar Amount of all Canadian Swing Line Loans, Syndicated Canadian Loans and Syndicated Global Loans, in each case to the extent denominated in Canadian Dollars, exceeds the Canadian Dollar Sublimit, (c) the amount of the outstanding Canadian Swing Line Loans at such time exceeds the Canadian Swing Line Commitment, (d) the Dollar Amount of the outstanding U.K. Swing Line Loans at such time exceeds the U.K. Swing Line Commitment or (e) the Dollar Amount of the Syndicated Canadian Loans exceeds the Syndicated Canadian Commitments, the applicable Borrower shall on such Reset Date prepay the applicable Loans (subject to Section 3.4 if applicable) in an aggregate amount such that after giving effect thereto: (v) the Dollar Amount of the sum of (i) the outstanding principal amount of the Syndicated Global Loans at such time, plus(ii) the outstanding principal amount of the Syndicated Canadian Loans at such time, plus (iii) the outstanding principal amount of the Swing Line Loans at such time, plus (iv) the aggregate amount of the Bid Rate Loans at such time, is less than or equal to the Aggregate Commitment, (w) the Dollar Amount of all Canadian Swing Line Loans, Syndicated Canadian Loans and Syndicated Global Loans, in each case to the extent denominated in Canadian Dollars, is less than or equal to the Canadian Dollar Sublimit, (x) the amount of the outstanding Canadian Swing Line Loans is less than or equal to the Canadian Swing Line Commitment, (y) the Dollar Amount of the outstanding U.K. Swing Line Loans is less than or equal to the U.K. Swing Line Commitment and (z) the Dollar Amount of the Syndicated Canadian Loans is less than or equal to the Syndicated Canadian Commitments.

2.4 Reduction/Increase of Commitments.

(a) Reduction of Commitments. The U.S. Borrower may permanently reduce the Aggregate Commitment in whole, or in part ratably among the Lenders, in an aggregate minimum amount of $10,000,000 and integral multiples of $5,000,000 in excess of that amount, upon at least five Business Days' prior written notice to the Global Administrative Agent, which notice shall specify the amount of any such reduction; provided, however, that the amount of the

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Aggregate Commitment may not be reduced below the sum of the aggregate principal Dollar Amount of the outstanding Advances (including Syndicated Canadian Advances) and the Swing Line Loans. In addition, the Canadian Borrower may, upon three (3) Business Days' prior written notice to the Global Administrative Agent, terminate entirely at any time or reduce from time to time, by an aggregate amount of $5,000,000 or any larger multiple of $1,000,000 (or as otherwise set forth in the Syndicated Canadian Addendum), the unused portions of the Syndicated Canadian Commitments as specified by the Canadian Borrower in such notice to the Global Administrative Agent; provided, however, that at no time shall the Syndicated Canadian Commitments be reduced to a figure less than the total of the outstanding principal amount of all Syndicated Canadian Loans and Canadian Swing Line Loans owing by the Canadian Borrower. All accrued facility fees shall be payable on the effective date of any termination of the obligations of the Lenders to make Loans hereunder. The Global Administrative Agent shall promptly distribute to the relevant Lenders any notices received by it under this Section 2.4(a).

(b) Increase in Aggregate Commitment.

(i) At any time prior to the Termination Date, the U.S. Borrower may request that the Aggregate Commitment be increased; provided that, without the prior written consent of all of the Lenders, (A) the Aggregate Commitment shall at no time exceed $1,400,000,000 and (B) each such request shall be in a minimum amount of at least $10,000,000. Each request shall be made in a written notice given to the Global Administrative Agent and the Lenders by the U.S. Borrower not less than twenty (20) Business Days prior to the proposed effective date of such increase, which notice (a "Commitment Increase Notice") shall specify the

amount of the proposed increase in the Aggregate Commitment and the proposed effective date of such increase. In the event of such a Commitment Increase Notice, each of the Syndicated Global Lenders shall be given the opportunity to participate in the requested increase ratably in the proportions that their respective Commitments bear to the Aggregate Commitment under this Agreement. On or prior to the date that is fifteen (15) Business Days after receipt of the Commitment Increase Notice, each Syndicated Global Lender shall submit to the Global Administrative Agent a notice indicating the maximum amount by which it is willing to increase its Commitment in connection with such Commitment Increase Notice (any such notice to the Global Administrative Agent being herein a "Lender Increase Notice"). Any Syndicated Global Lender which does not submit a Lender Increase Notice to the Global Administrative Agent prior to the expiration of such fifteen (15) Business Day period shall be deemed to have denied any increase in its Commitment. In the event that the increases of Commitments set forth in the Lender Increase Notices exceed the amount requested by the U.S. Borrower in the Commitment Increase Notice, the Global Administrative Agent and the Arrangers shall have the right, with the consent of the U.S. Borrower, to allocate the amount of increases necessary to meet the Commitment Increase Notice. In the event that the Lender Increase Notices are less than the amount requested by the Commitment Increase Notice, not later than three (3) Business Days prior to the proposed effective date of the requested increase, the U.S. Borrower may notify the Global Administrative Agent of any financial institution that shall have agreed to become a "Lender" party hereto (a "Proposed New Lender") in connection with the Commitment Increase Notice. Any Proposed New Lender shall be subject to the consent of the Global Administrative Agent (which consent shall not be unreasonably withheld). If the U.S. Borrower shall not have arranged any Proposed New Lender(s) to commit to the shortfall from the Lender Increase Notices, then the U.S. Borrower shall be deemed to have reduced the amount of the Commitment

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Increase Notice to the aggregate amount set forth in the Lender Increase Notices. Based upon the Lender Increase Notices, any allocations made in connection therewith and any notice regarding any Proposed New Lender, if applicable, the Global Administrative Agent shall notify the U.S. Borrower and the Syndicated Global Lenders on or before the Business Day immediately prior to the proposed effective date of the amount of each Syndicated Global Lender's and Proposed New Lenders' Commitment (the "Effective Commitment Amount") and the amount of the Aggregate Commitment, which amounts shall be effective on the following Business Day. Any increase in the Aggregate Commitment shall be subject to the following conditions precedent: (I) as of the date of the Commitment Increase Notice and as of the proposed effective date of the increase in the Aggregate Commitment, no event shall have occurred and then be continuing which constitutes a Default or Unmatured Default, (II) the U.S. Borrower, the Global Administrative Agent and each Proposed New Lender or Syndicated Global Lender that shall have agreed to provide a "Commitment" in support of such increase in the Aggregate Commitment shall have executed and delivered a "Commitment and Acceptance" substantially in the form of Exhibit I hereto, (III) counsels for the Borrowers and for the Guarantors shall have provided to the Global Administrative Agent supplemental opinions in form and substance reasonably satisfactory to the Global Administrative Agent and (IV) the Borrowers, the Guarantors and the Proposed New Lender shall otherwise have executed and delivered such other instruments and documents as the Global Administrative Agent shall have reasonably requested in connection with such increase. If any fee shall be charged by the Lenders in connection with any such increase, such fee shall be in accordance with then prevailing market conditions, which market conditions shall have been reasonably documented by the Global Administrative Agent to the U.S. Borrower. No less than two (2) Business Days prior to the effective date of the increase of the Aggregate Commitment, the Global Administrative Agent shall notify the U.S. Borrower of the amount of the fee to be charged by the Lenders, and the U.S. Borrower may, at least one (1) Business Day prior to such effective date, cancel its request

for the commitment increase. Upon satisfaction of the conditions precedent to any increase in the Aggregate Commitment, the Global Administrative Agent shall promptly advise the U.S. Borrower and each Syndicated Global Lender of the effective date of such increase. Upon the effective date of any increase in the Aggregate Commitment that is supported by a Proposed New Lender, such Proposed New Lender shall be a party to this Agreement as a Lender and shall have the rights and obligations of a Lender hereunder. Nothing contained herein shall constitute, or otherwise be deemed to be, a commitment on the part of any Lender to increase its Commitment hereunder at any time.

(ii) For purposes of this clause (ii), (A) the term "Buying Lender(s)" shall mean (1) each Syndicated Global Lender the Effective Commitment Amount of which is greater than its Commitment prior to the effective date of any increase in the Aggregate Commitment and (2) each Proposed New Lender that is allocated an Effective Commitment Amount in connection with any Commitment Increase Notice and (B) the term "Selling Lender(s)" shall mean each Syndicated Global Lender whose Commitment is not being increased from that in effect prior to such increase in the Aggregate Commitment. Effective on the effective date of any increase in the Aggregate Commitment pursuant to clause (i) above, each Selling Lender hereby sells, grants, assigns and conveys to each Buying Lender, without recourse, warranty, or representation of any kind, except as specifically provided herein, an undivided percentage in such Selling Lender's right, title and interest in and to the sum of (i) the aggregate principal amount of its Syndicated Global Loans outstanding at such time, plus (ii) an amount equal to its actual

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participation interest of its Pro Rata Share of the aggregate principal amount of Swing Line Loans and Syndicated Canadian Loans outstanding at such time ("Outstanding Credit Exposure") in the respective Dollar Amounts and percentages necessary so that, from and after such sale, each such Selling Lender's Outstanding Credit Exposure shall equal such Selling Lender's Pro Rata Share (calculated based upon the Effective Commitment Amounts) of the Aggregate Outstanding Credit Exposure. Effective on the effective date of the increase in the Aggregate Commitment pursuant to clause (i) above, each Buying Lender hereby purchases and accepts such grant, assignment and conveyance from the Selling Lenders. Each Buying Lender hereby agrees that its respective purchase price for the portion of the Aggregate Outstanding Credit Exposure purchased hereby shall equal the respective Dollar Amount necessary so that, from and after such payments, each Buying Lender's Outstanding Credit Exposure shall equal such Buying Lender's Pro Rata Share (calculated based upon the Effective Commitment Amounts) of the aggregate of the Outstanding Credit Exposure of all the Syndicated Global Lenders ("Aggregate Outstanding Credit Exposure"). Such amount shall be payable on the effective date of the increase in the Aggregate Commitment by wire transfer of immediately available funds to the Global Administrative Agent. The Global Administrative Agent, in turn, shall wire transfer any such funds received to the Selling Lenders, in same day funds, for the sole account of the Selling Lenders. Each Selling Lender hereby represents and warrants to each Buying Lender that such Selling Lender owns the Outstanding Credit Exposure being sold and assigned hereby for its own account and has not sold, transferred or encumbered any or all of its interest in such Outstanding Credit Exposure, except for participations which will be reduced or extinguished (as applicable) upon payment to Selling Lender of an amount equal to the portion of the Aggregate Outstanding Credit Exposure being sold by such Selling Lender. Each Buying Lender hereby acknowledges and agrees that, except for each Selling Lender's representations and warranties contained in the foregoing sentence, each such Buying Lender is buying such interest without recourse to the Selling Lender and has entered into its Commitment and Acceptance with respect to such increase on the basis of its own independent investigation and has not relied upon, and will not rely upon, any explicit or implicit written or oral representation, warranty or other statement of the Lenders or the Global Administrative Agent concerning the authorization,

execution, legality, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or the other Loan Documents. The U.S. Borrower hereby agrees to compensate each Selling Lender for all losses, expenses and liabilities incurred by such Selling Lender in connection with the sale and assignment of any Eurocurrency Rate Loan hereunder on the terms and in the manner as set forth in Section 3.4.

2.5 Method of Borrowing Advances.

(a) Syndicated Global Advances. The Global Administrative Agent shall, promptly upon receipt of a Syndicated Global Advance Borrowing Notice, notify each Syndicated Global Lender of such Syndicated Global Advance Borrowing Notice and, not later than such time as is reasonably requested by the Global Administrative Agent on each Borrowing Date, each Syndicated Global Lender shall make available its Syndicated Global Loan or Loans, in funds immediately available to the Global Administrative Agent at its address specified pursuant hereto, unless the Global Administrative Agent has notified the Syndicated Global Lenders that such Loan is to be made available to a Global Borrower at the Global Administrative Agent's Eurocurrency Payment Office, in which case each Syndicated Global Lender shall make available its Syndicated Global Loan or Loans, in funds immediately

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available to the Global Administrative Agent at its Eurocurrency Payment Office, not later than 4:00 p.m. (local time in the city of the Global Administrative Agent's Eurocurrency Payment Office) in the Agreed Currency designated by the Global Administrative Agent. The Global Administrative Agent will promptly make the funds so received from the Syndicated Global Lenders available to the relevant Global Borrower.

(b) Syndicated Canadian Advances. Subject to any alternate procedures set forth in the Syndicated Canadian Addendum, the Global Administrative Agent shall, promptly upon receipt of a Syndicated Canadian Borrowing Notice, notify each relevant Syndicated Canadian Bank of such Syndicated Canadian Borrowing Notice and, not later than such local time as is reasonably requested by the Global Administrative Agent on each Borrowing Date, each such Syndicated Canadian Bank shall make available its Syndicated Canadian Loan(s), in funds immediately available in Canadian Dollars, to the Global Administrative Agent at its address specified pursuant to Article XIV hereof. The Global Administrative Agent will promptly make the funds so received from the Syndicated Canadian Banks available to the Canadian Borrower.

2.6 Method of Selecting Types and Interest Periods; Determination of Applicable Margins.

(a) Method of Selecting Types and Interest Periods for Advances. Each Borrower shall select the Type of Syndicated Global Advance or Syndicated Canadian Advance and, in the case of each Eurocurrency Rate Advance or CDOR Advance, the Interest Period and permitted currency applicable to each Syndicated Global Advance, Syndicated Canadian Advance and CDOR Advance from time to time.

(i) Syndicated Global Advances. Each Global Borrower shall give the applicable office of the Global Administrative Agent or its applicable Affiliate (in each case as previously directed by the Global Administrative Agent to such Global Borrower) irrevocable notice (a "Syndicated Global Advance Borrowing Notice"), at its applicable office as previously specified to such Borrower, not later than the applicable time described in Schedule I, specifying: (i) the Borrowing Date of such Advance (which shall be a Business Day); (ii) the aggregate amount of such Advance; (iii) the Type of Advance selected and (iv) in the case of each Eurocurrency Rate Advance, the Interest Period and Agreed Currency applicable thereto. Each Syndicated Global Advance

in an Agreed Currency other than Dollars must be a Eurocurrency Rate Advance; provided that each Syndicated Global Advance in euro must be a Eurocurrency Rate Advance based on EURIBOR. Each Syndicated Global Advance in Canadian Dollars shall only be a Eurocurrency Rate Advance. There shall be no more than ten (10) Interest Periods in effect with respect to all of the Syndicated Global Advances to any one Global Borrower at any time. Each Floating Rate Advance shall bear interest from and including the date of the making of such Advance to (but not including) the date of repayment thereof at the applicable Floating Rate, changing when and as such Floating Rate changes. Changes in the rate of interest on that portion of any Syndicated Global Advance maintained as a Floating Rate Loan will take effect simultaneously with each change in the Alternate Base Rate or Canadian Prime Rate, as applicable. Each Eurocurrency Rate Advance shall bear interest from and including the first day of the Interest Period applicable

thereto to (but not including) the last day of such Interest Period at the interest rate determined as applicable to such Eurocurrency Rate Advance.

(ii) Syndicated Canadian Advances. The Canadian Borrower shall give the Global Administrative Agent irrevocable notice (an "Syndicated Canadian Advance Borrowing Notice") not later than the applicable time described in Schedule I, specifying: (i) the Borrowing Date of such Advance (which shall be a Business Day); (ii) the aggregate amount of such Advance; (iii) the Type of Advance selected; (iv) in the case of each CDOR Advance and Eurocurrency Rate Advance, the Interest Period applicable thereto and (v) the permitted currency applicable thereto. Each Syndicated Canadian Advance shall be a CDOR Advance denominated in Canadian Dollars, Eurocurrency Rate Advance denominated in Dollars or Canadian Dollars, Base Rate Advance denominated in Dollars or a Canadian Prime Rate Advance denominated in Canadian Dollars. There shall be no more than ten (10) Interest Periods in effect with respect to all of the Syndicated Canadian Advances at any time. Each Canadian Prime Rate Advance shall bear interest from and including the date of the making of such Advance to (but not including) the date of repayment thereof at the applicable Canadian Prime Rate, changing when and as such Canadian Prime Rate changes. Each Syndicated Canadian Advance which is a Base Rate Advance shall bear interest from and including the date of the making of such Advance to (but not including) the date of repayment thereof at the applicable Alternate Base Rate, changing when and as such Alternate Base Rate changes. Each Syndicated Canadian Advance which is a CDOR Advance shall be discounted over the relevant Interest Period at CDOR. Each Syndicated Canadian Advance which is a Eurocurrency Rate Advance shall bear interest from and including the first day of the Interest Period applicable thereto to (but not including) the last day of such Interest Period at the interest rate determined as applicable to such Eurocurrency Rate Advance.

(b) Determination of Applicable Margin and Applicable Facility Fee.

(i) Definitions. As used in this Section 2.6(b)and in this Agreement, the following terms shall have the following meanings:

"Applicable Margin" and "Applicable Facility Fee" shall mean the per annum rates constituting the Applicable Margin and Applicable Facility Fee, respectively, determined in accordance with the provisions of this Section 2.6(b) by reference to the U.S. Borrower's Status (or, in the circumstances described in clause (ii) below, Harley's Status) and established by reference to the following:

Applicable Pricing	Level I	Level II	Level III	Level IV	Level V
Applicable Margin for Relevant Loans	0.14 %	0.18 %	0.22 %	0.26 %	0.375 %
Applicable Facility Fee	0.06 %	0.07 %	0.08 %	0.09 %	0.1250 %
Utilization Fee (>50%)	0.05 %	0.05 %	0.10 %	0.10 %	0.125 %
All in Drawn Cost (<50%)	0.20 %	0.25 %	0.30 %	0.35 %	0.50 %
All in Drawn Cost (>50%)	0.25 %	0.30 %	0.40 %	0.45 %	0.625 %

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"Level I Status" exists at any date if, on such date, the U.S. Borrower's Moody's Rating is Aa3 or better or the U.S. Borrower's S&P Rating is AA- or better (or in the circumstances described in clause (ii) below, the Moody's Rating and S&P Rating of Harley).

"Level II Status" exists at any date if, on such date, (i) the U.S. Borrower has not qualified for Level I Status and (ii) the U.S. Borrower's Moody's Rating is A1 or better or the U.S. Borrower's S&P Rating is A+ or better (or in the circumstances described in clause (ii) below, the Moody's Rating and S&P Rating of Harley).

"Level III Status" exists at any date if, on such date, (i) the U.S. Borrower has not qualified for Level I Status or Level II Status and (ii) the U.S. Borrower's Moody's Rating is A2 or better or the U.S. Borrower's S&P Rating is A or better (or in the circumstances described in clause (ii) below, the Moody's Rating and S&P Rating of Harley).

"Level IV Status" exists at any date if, on such date, (i) the U.S. Borrower has not qualified for Level I Status, Level II Status or Level III Status and (ii) the U.S. Borrower's Moody's Rating is A3 or better or the U.S. Borrower's S&P Rating is A- or better (or in the circumstances described in clause (ii) below, the Moody's Rating and S&P Rating of Harley).

"Level V Status" exists at any date if, on such date, the U.S. Borrower (or in the circumstances described in clause (ii) below, Harley) has not qualified for Level I Status, Level II Status, Level III Status or Level IV Status.

"Moody's Rating" means, at any time, the rating issued by Moody's Investor Service, Inc., and then in effect with respect to the U.S. Borrower's senior unsecured long-term debt securities, without third-party credit enhancement.

"Relevant Loans" means (1) Eurocurrency Rate Loans, (2) Eurocurrency Rate Advances, (3) CDOR Loans, (4) CDOR Advances, (5) Swing Line Loans which are Fixed Rate Loans and (6) USD Swing Line Loans described in Section 2.9.1(b)(y).

"S&P Rating" means, at any time, the rating issued by Standard and Poor's Rating Services, a division of The McGraw Hill Companies, Inc., and then in effect with respect to the U.S. Borrower's senior unsecured long-term debt securities, without third-party credit enhancement.

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"Status" means either Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status.

(ii) Determination of Applicable Margin and Applicable Facility Fee. The Applicable Margin in respect of any Loan and the Applicable Facility Fee payable under Section 2.14(C) shall be determined by reference to the table set forth in clause (i) above, as applicable, on the basis of the U.S. Borrower's

Status as determined from its then-current Moody's Rating and S&P Rating, to change as and when such Moody's Rating or S&P Rating changes. The credit rating in effect on any date for the purposes of this Section is that in effect at the close of business on such date. Notwithstanding the foregoing, (i) if at any time the U.S. Borrower has no Moody's Rating or S&P Rating, then Harley's S&P Rating and Moody's Rating shall be used to determine Status and if at any time neither the U.S. Borrower nor Harley has any Moody's Rating or S&P Rating, Level V Status shall exist and (ii) if the U.S. Borrower (or in the circumstance described above, Harley) is split-rated and the ratings differential is two levels or more, the intermediate rating at the midpoint will apply and if there is no midpoint, the higher of the two intermediate ratings will apply.

2.7 Minimum Amount of Each Syndicated Global Advance and Syndicated Canadian Advance. Each Syndicated Global Advance and Syndicated Canadian Advance shall be in the applicable minimum amounts specified in Schedule I or, in the case of a Syndicated Canadian Advance, such other amounts as may be specified in the Syndicated Canadian Addendum; provided, however, that any Base Rate Advance may be in the amount of the unused Aggregate Commitment and any Canadian Prime Rate Advance or Base Rate Advance to the Canadian Borrower may be in the amount of the unused Syndicated Canadian Commitments.

2.8 Method of Selecting Types and Interest Periods for Conversion and Continuation of Syndicated Global Advances, Syndicated Canadian Advances and Swing Line Loans.

(A) Right to Convert. The applicable Borrower may elect from time to time, subject to the provisions of Section 2.6, Section 2.7and this Section 2.8, to convert all or any part of an Advance of any Type into any other Type or Types of Advance; provided that any conversion of any Fixed Rate Advance or Fixed Rate Loan shall be made on, and only on, the last day of the Interest Period applicable thereto.

(B) Automatic Conversion and Continuation. Floating Rate Loans shall continue as Floating Rate Loans of the same Type unless and until such Floating Rate Loans are converted into Fixed Rate Loans. Fixed Rate Loans shall continue as Fixed Rate Loans until the end of the then applicable Interest Period therefor, at which time such Fixed Rate Loans (other than Fixed Rate Loans in Agreed Currencies other than Dollars) shall be automatically converted into Base Rate Loans unless the applicable Borrower shall have given the Global Administrative Agent notice in accordance with Section 2.8(D)requesting that, at the end of such Interest Period, such Fixed Rate Loans continue as a Fixed Rate Loan. Fixed Rate Loans, including, without limitation, Swing Line Loans, in a currency other than Dollars and Syndicated Canadian Loans (other than CDOR Loans which shall be converted to Canadian Prime Rate Loans in accordance with the Syndicated Canadian Addendum) shall, upon the expiry of the then current Interest Period, automatically continue as Fixed Rate Loans in the same currency and of the same Type

unless the applicable Borrower notifies the Global Administrative Agent otherwise as provided herein.

(C) No Conversion Post-Default. Notwithstanding anything to the contrary contained in Section 2.8(A) or Section 2.8(B), no Syndicated Global Loan, Swing Line Loan or Syndicated Canadian Loan may be converted into or continued as a Fixed Rate Loan except with the consent of the Required Lenders when any Default has occurred and is continuing; provided that, absent such consent, any such Syndicated Global Loan, Swing Line Loan or Syndicated Canadian Loan which is a Eurocurrency Rate Loan in a currency other than Dollars or Canadian Dollars shall, upon the expiration of the relevant Interest Period then applicable thereto, bear interest for each subsequent day at a per annum rate

equal to the rate applicable to Eurocurrency Rate Loans to the relevant Borrower for such currency for an Interest Period of one month.

(D) Conversion/Continuation Notice. The applicable Borrower shall give the Global Administrative Agent irrevocable notice (a "Conversion/Continuation Notice") of each conversion of a Floating Rate Loan into a Fixed Rate Loan or continuation of a Fixed Rate Loan not later than the time prior to the date of the requested conversion or continuation which is consistent with the requisite time and notice required in connection with Section 2.6(a), specifying: (1) the requested date (which shall be a Business Day) of such conversion or continuation; (2) the amount and Type of the Syndicated Global Loan, Swing Line Loan or Syndicated Canadian Loan to be converted or continued; and (3) the amounts of Fixed Rate Loan(s) into which such Syndicated Global Loan, Swing Line Loan or Syndicated Canadian Loan is to be converted or continued, the applicable permitted currency and the duration of the Interest Periods applicable thereto. If no such notice is given with respect to a Fixed Rate Loan (other than CDOR Loans) in a currency other than Dollars, the Interest Period applicable to the automatic continuation of such Loan shall be one month.

(E) Limitations on Conversions. Notwithstanding anything herein to the contrary, at the election of the applicable Borrowers under this Section 2.8, (x) Eurocurrency Rate Advances in an Agreed Currency may be converted and/or continued as Eurocurrency Rate Advances only in the same Agreed Currency, (y) U.K. Swing Line Loans in a U.K. Swing Line Currency may be converted and/or continued as U.K. Swing Line Loans only in the same U.K. Swing Line Currency and (z) Syndicated Canadian Loans in a particular permitted currency may be converted and/or continued as Syndicated Canadian Loans only in the same currency.

2.9 Swing Line Loans.

2.9.1 USD Swing Line Loans. (a) Amount of USD Swing Line Loans. Upon the satisfaction of the conditions precedent set forth in Sections 4.1 and 4.2, from and including the date of this Agreement and prior to the Termination Date, the Global Swing Line Lender agrees, on the terms and conditions set forth in this Agreement, to make USD Swing Line Loans in Dollars to the U.S. Borrower from time to time in an amount not to exceed in the aggregate at any one time outstanding the lesser of (i) $25,000,000 or (ii) the amount by which the Aggregate Commitment exceeds the sum of the outstanding principal Dollar Amount of Syndicated Global Advances, Bid Rate Advances, Swing Line Loans and Syndicated Canadian Advances at such time. Each USD Swing Line Loan shall be in the applicable minimum amounts specified in Schedule II (or such lesser amount as may be agreed to by the Global Swing Line Lender) or an

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integral multiple thereof as specified in Schedule II (or such lesser amount as may be agreed to by the Global Swing Line Lender) in excess thereof, and all interest payable on the USD Swing Line Loans shall be payable to the Global Swing Line Lender for the account of the Global Swing Line Lender.

(b) Borrowing Notice; Interest on USD Swing Line Loans. The U.S. Borrower shall deliver to the Global Administrative Agent and the Global Swing Line Lender a notice (a "USD Swing Line Borrowing Notice") signed by it not later than the applicable time and to the applicable location described in Schedule II on the Borrowing Date of each USD Swing Line Loan specifying (i) the applicable Borrowing Date (which shall be a Business Day) and (ii) the aggregate amount of the requested USD Swing Line Loan. All USD Swing Line Loans shall bear interest at the election of the U.S. Borrower at a per annum rate equal to (x) the Prime Rate or (y) the sum of (a) a money market rate or fixed rate of interest for an interest period as agreed to by the Global Swing Line Lender and the U.S. Borrower (which interest period shall not in any event exceed thirty (30) days) plus (b) the Applicable Margin then in effect.

(c) Making of USD Swing Line Loans. Promptly after receipt of the Borrowing Notice under Section 2.9.1(b), the Global Administrative Agent shall notify the Global Swing Line Lender of the requested USD Swing Line Loan. Not later than 3:00 p.m. (New York time) on the applicable Borrowing Date, the Global Swing Line Lender shall make available its USD Swing Line Loan in funds immediately available as directed by the U.S. Borrower.

(d) Repayment of USD Swing Line Loans. Each USD Swing Line Loan shall be paid in full by the U.S. Borrower on or before the thirtieth day after the Borrowing Date for such USD Swing Line Loan (or if earlier on the last day of the interest period applicable thereto). Outstanding USD Swing Line Loans may be repaid from the proceeds of Syndicated Global Advances or Bid Rate Advances. Any repayment or prepayment of a USD Swing Line Loan shall be accompanied by accrued interest thereon and, subject to Section 2.9.1(a), shall be in the minimum amount of $100,000 (or such lesser amount as may be agreed to by the Global Swing Line Lender) and in increments of $100,000 (or such lesser amount as may be agreed to by the Global Swing Line Lender) in excess thereof or the full amount of such USD Swing Line Loan. If the U.S. Borrower at any time fails to repay a USD Swing Line Loan on the applicable date when due, the U.S. Borrower shall be deemed to have elected to borrow a Syndicated Global Advance which shall be a Base Rate Advance under Section 2.1 as of such date equal in amount to the unpaid amount of such USD Swing Line Loan (notwithstanding the minimum amount of Base Rate Advances as provided in Section 2.7). The proceeds of any such Advance shall be used to repay such USD Swing Line Loan. Unless the Global Administrative Agent upon the request of or with the consent of the Required Lenders shall have notified the Global Swing Line Lender prior to such Global Swing Line Lender making any USD Swing Line Loan, that the applicable conditions precedent set forth in Article IVhave not then been satisfied, each Syndicated Global Lender's obligation to make Syndicated Global Loans pursuant to Section 2.1 and this Section 2.9.1(d)to repay such USD Swing Line Loan shall be unconditional, continuing, irrevocable and absolute and shall not be affected by any circumstances, including the inability of the U.S. Borrower to satisfy the conditions precedent set forth in Article IV or the occurrence or continuance of a Default. In the event that any Syndicated Global Lender fails to make payment to the Global Administrative Agent of any amount due under this Section 2.9.1(d), the Global Administrative Agent shall be entitled to receive, retain and apply against such obligation

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theprincipal and interest otherwise payable to such Syndicated Global Lender hereunder until the Global Administrative Agent receives such payment from such Syndicated Global Lender or such obligation is otherwise fully satisfied. In addition to the foregoing, if for any reason any Syndicated Global Lender fails to make payment to the Global Administrative Agent of any amount due under this Section 2.9.1(d), such Syndicated Global Lender shall be deemed, at the option of the Global Administrative Agent, to have unconditionally and irrevocably purchased from the Global Swing Line Lender, without recourse or warranty, an undivided interest in and participation in the applicable USD Swing Line Loan in the amount of the Syndicated Global Loan such Syndicated Global Lender was required to make pursuant to this Section 2.9.1(d), and such interest and participation may be recovered from such Syndicated Global Lender together with interest thereon at the Federal Funds Effective Rate for each day during the period commencing on the date of demand by the Global Administrative Agent and ending on the date such obligation is fully satisfied.

2.9.2 CanadianSwing Line Loans. (a) Amount of Canadian Swing Line Loans. Upon the satisfaction of the conditions precedent set forth in Sections 4.1 and 4.2, from and including the date of this Agreement and prior to the Termination Date, the Global Swing Line Lender agrees, on the terms and conditions set forth in this Agreement and pursuant to other arrangements agreed to in writing by the U.S. Borrower and the Global Swing Line Lender, to make Canadian Swing Line Loans in Canadian Dollars to the Canadian Borrower and the U.S. Borrower,

in each case from time to time in an amount not to exceed in the aggregate, and on a cumulative basis for the Canadian Borrower and the U.S. Borrower, at any one time outstanding the lesser of (i) the Canadian Swing Line Commitment and (ii) the amount by which the Aggregate Commitment exceeds the sum of the outstanding principal Dollar Amount of Syndicated Global Advances, Bid Rate Advances, Swing Line Loans and Syndicated Canadian Advances at such time. Each Canadian Swing Line Loan shall be in the applicable minimum amounts specified in Schedule II (or such lesser amount as may be agreed to by the Global Swing Line Lender) or an integral multiple thereof as specified in Schedule II (or such lesser amount as may be agreed to by the Global Swing Line Lender) in excess thereof, and all interest payable on the Canadian Swing Line Loans shall be payable to the Global Swing Line Lender for the account of the Global Swing Line Lender. In no event shall the number of Interest Periods under Canadian Swing Line Loans outstanding at any time be greater than five (5).

(b) Borrowing Notice; Interest on Canadian Swing Line Loans. The relevant Borrower shall (unless such Borrower and the Global Swing Line Lender agree otherwise) deliver to the Global Administrative Agent and the Global Swing Line Lender a notice (a "Canadian Swing Line Borrowing Notice") signed by it not later than the applicable time and to the applicable location described in Schedule II specifying (i) the applicable Borrowing Date (which shall be a Business Day), (ii) the aggregate amount of the requested Canadian Swing Line Loan, (iii) whether such Canadian Swing Line Loan is to be made to the Canadian Borrower or the U.S. Borrower and (iv) the Type of Loan requested. All Canadian Swing Line Loans made to the Canadian Borrower shall be Canadian Prime Rate Loans or CDOR Loans and all Canadian Swing Line Loans made to the U.S. Borrower shall be Canadian Prime Rate Loans or Eurocurrency Rate Loans denominated in Canadian Dollars only. All Canadian Swing Line Loans (x) that are Canadian Prime Rate Loans shall bear interest at the Canadian Prime Rate and (y) that are CDOR Loans or Eurocurrency Rate Loans shall have an Interest Period not in excess of thirty (30) days.

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(c) Making of Canadian Swing Line Loans. Unless otherwise agreed by the applicable Borrower and the Global Swing Line Lender, not later than 4:00 p.m. (Toronto time) on the applicable Borrowing Date, (i) if the requested Canadian Swing Line Loan is to be made to the Canadian Borrower, the Global Swing Line Lender shall make available its Canadian Swing Line Loan in funds immediately available at the applicable location described in Schedule II to the Canadian Borrower and (ii) if the requested Canadian Swing Line Loan is to be made to the U.S. Borrower, the Global Swing Line Lender shall make available its Canadian Swing Line Loan in funds immediately available at the applicable location described in Schedule II to the U.S. Borrower.

(d) Repayment of Canadian Swing Line Loans. Each Canadian Swing Line Loan shall be paid in full by the applicable Borrower which has received such Canadian Swing Line Loan on or before the thirtieth day after the Borrowing Date for such Canadian Swing Line Loan (or if earlier on the last day of the interest period applicable thereto). Outstanding Canadian Swing Line Loans may be repaid from the proceeds of Syndicated Global Advances or, if such Canadian Swing Line Loans were made to the Canadian Borrower, Syndicated Canadian Advances. Any payment or repayment of a Canadian Swing Line Loan shall be accompanied by accrued interest thereon and, subject to Section 2.9.2(a), shall be in the minimum amount of Cdn. $500,000 (or such lesser amount as may be agreed to by the Global Swing Line Lender) and in increments of Cdn. $100,000 (or such lesser amount as may be agreed to by the Global Swing Line Lender) in excess thereof or the full amount of such Canadian Swing Line Loan. Any prepayment or repayment of a Canadian Swing Line Loan other than at the end of the applicable Interest Period, if any, shall be for the full amount thereof and shall be accompanied by all amounts payable pursuant to Section 3.4.

(e) Risk Participation by Syndicated Canadian Banks in Canadian Swing Line

Loans. If the Canadian Borrower at any time fails to repay a Canadian Swing Line Loan made to such Borrower on the applicable date when due, such Borrower shall be deemed to have elected to borrow a Syndicated Canadian Advance which shall be a Canadian Prime Rate Advance under Section 2.2 as of such date equal in amount to the unpaid amount of such Canadian Swing Line Loan (notwithstanding the minimum amount of Canadian Prime Rate Advances as provided in Section 2.7). The proceeds of any such Advance shall be used to repay such Canadian Swing Line Loan. Other than with respect to Canadian Swing Line Loans, if any, made by virtue of the relevant Borrower's overdraft facilities with the Global Swing Line Lender, unless the Global Administrative Agent upon the request of or with the consent of the Required Lenders shall have notified the Global Swing Line Lender prior to such Global Swing Line Lender making any Canadian Swing Line Loan, that the applicable conditions precedent set forth in Article IV have not then been satisfied, each Syndicated Canadian Bank's obligation to make Syndicated Canadian Loans pursuant to Section 2.2 and this Section 2.9.2(e)to repay such Canadian Swing Line Loan shall be unconditional, continuing, irrevocable and absolute and shall not be affected by any circumstances, including the inability of the applicable Borrower to satisfy the conditions precedent set forth in Article IV or the occurrence or continuance of a Default. In the event that any Syndicated Canadian Bank fails to make payment to the Global Administrative Agent of any amount due under this Section 2.9.2(e), the Global Administrative Agent shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Syndicated Canadian Bank hereunder until the Global Administrative Agent receives such payment from such Syndicated Canadian Bank or such obligation is otherwise fully satisfied. In

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addition to the foregoing, if for any reason any Syndicated Canadian Bank fails to make payment to the Global Administrative Agent of any amount due under this Section 2.9.2(e), such Syndicated Canadian Bank shall be deemed, at the option of the Global Administrative Agent, to have unconditionally and irrevocably purchased from the Global Swing Line Lender, without recourse or warranty, an undivided interest in and participation in the applicable Canadian Swing Line Loan in the amount of the Syndicated Canadian Loan such Syndicated Canadian Bank was required to make pursuant to this Section 2.9.2(e), and such interest and participation may be recovered from such Syndicated Canadian Bank together with interest thereon at the Federal Funds Effective Rate for each day during the period commencing on the date of demand by the Global Administrative Agent and ending on the date such obligation is fully satisfied.

(f) Risk Participation by Syndicated Global Lenders in Canadian Swing Line Loans. If the U.S. Borrower at any time fails to repay a Canadian Swing Line Loan made to such Borrower on the applicable date when due, such Canadian Swing Line Loan shall be converted to and redenominated in Dollars equal to the unpaid Dollar Amount of such Canadian Swing Line Loan determined as of the date of such conversion and such Borrower shall be deemed to have elected to borrow a Syndicated Global Advance which shall be a Base Rate Advance under Section 2.1as of such date in such Dollar Amount (notwithstanding the minimum amount of Base Rate Advances as provided in Section 2.7). The proceeds of any such Advance shall be used to repay such Canadian Swing Line Loan. Each Syndicated Global Lender's obligation to make Syndicated Global Loans pursuant to Section 2.1 and this Section 2.9.2(f)to repay such Canadian Swing Line Loan shall be unconditional, continuing, irrevocable and absolute and shall not be affected by any circumstances, including the inability of the applicable Borrower to satisfy the conditions precedent set forth in Article IV or the occurrence or continuance of a Default. In the event that any Syndicated Global Lender fails to make payment to the Global Administrative Agent of any amount due under this Section 2.9.2(f), the Global Administrative Agent shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Syndicated Global Lender hereunder until the Global Administrative Agent receives such payment from such Syndicated Global Lender

or such obligation is otherwise fully satisfied. In addition to the foregoing, if for any reason any Syndicated Global Lender fails to make payment to the Global Administrative Agent of any amount due under this Section 2.9.2(f), such Syndicated Global Lender shall be deemed, at the option of the Global Administrative Agent, to have unconditionally and irrevocably purchased from the Global Administrative Agent, without recourse or warranty, an undivided interest in and participation in the applicable Canadian Swing Line Loan in the amount of the Syndicated Global Loan such Syndicated Global Lender was required to make pursuant to this Section 2.9.2(f), and such interest and participation may be recovered from such Syndicated Global Lender together with interest thereon at (1) the Federal Funds Effective Rate in the case of Loans denominated in Dollars and (2) the Overnight Foreign Currency Rate for Canadian Dollars in the case of Loans denominated in Canadian Dollars, in each case for each day during the period commencing on the date of demand by the Global Administrative Agent and ending on the date such obligation is fully satisfied.

2.9.3 U.K. Swing Line Loans.

(a) Amount of U.K. Swing Line Loans. Upon the satisfaction of the conditions precedent set forth in Sections 4.1 and 4.2, from and including the date of this Agreement and

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prior to the date that is five (5) Business Days prior to the Termination Date, the Global Swing Line Lender agrees, on the terms and conditions set forth in this Agreement, to make U.K. Swing Line Loans in one or more U.K. Swing Line Currencies to the Global Borrowers from time to time in a Dollar Amount not to exceed in the aggregate at any one time outstanding the lesser of (i) the U.K. Swing Line Commitment at such time and (ii) the amount by which the Aggregate Commitment exceeds the sum of the outstanding principal Dollar Amount of Syndicated Global Advances, Bid Rate Advances, Swing Line Loans and Syndicated Canadian Advances at such time. Each U.K. Swing Line Loan shall be in the applicable minimum amounts specified in Schedule II (or such lesser amount as may be agreed to by the Global Swing Line Lender) or an integral multiple thereof as specified in Schedule II (or such lesser amount as may be agreed to by the Global Swing Line Lender) in excess thereof, and all interest payable on the U.K. Swing Line Loans shall be payable to the Global Swing Line Lender for the account of the Global Swing Line Lender. In no event shall the number of U.K. Swing Line Loans outstanding at any time be greater than five (5).

(b) Borrowing Notice; Interest on U.K. Swing Line Loans. The relevant Global Borrower shall deliver to the Global Administrative Agent and the Global Swing Line Lender a notice (a "U.K. Swing Line Borrowing Notice") signed by it not later than the applicable time and to the applicable location described in Schedule II specifying (i) the applicable Borrowing Date (which shall be a Business Day), (ii) the aggregate amount of the requested U.K. Swing Line Loan, (iii) the U.K. Swing Line Currency in which such Loan is requested and (iv) the initial Interest Period in connection therewith. All of the U.K. Swing Line Loans shall be Eurocurrency Rate Loans with an Interest Period not in excess of thirty (30) days.

(c) Making of U.K. Swing Line Loans. Not later than 3:00 p.m. (London time) on the applicable Borrowing Date, the Global Swing Line Lender shall make available its U.K. Swing Line Loan in funds in the applicable U.K. Swing Line Currency immediately available at the applicable location described in Schedule II to the relevant Global Borrower.

(d) Repayment of U.K. Swing Line Loans. Each U.K. Swing Line Loan shall be paid in full by the relevant Global Borrower on or before the date that is the last day of the Interest Period applicable to such U.K. Swing Line Loan and shall be prepaid if required in connection with the provisions of Section 2.3(B)(ii). Outstanding U.K. Swing Line Loans may be repaid from the proceeds

of Syndicated Global Advances. Any repayment or prepayment of a U.K. Swing Line Loan shall be accompanied by accrued interest thereon and, subject to Section 2.9.3(a), shall be in the minimum amount of $50,000 or the Equivalent Amount in the relevant U.K. Swing Line Currency (or such lesser amount as may be agreed to by the Global Swing Line Lender) and in increments of $50,000 or the Equivalent Amount in the relevant U.K. Swing Line Currency (or such lesser amount as may be agreed to by the Global Swing Line Lender) in excess thereof or the full amount of such U.K. Swing Line Loan. Any prepayment or repayment of a U.K. Swing Line Loan other than at the end of the applicable Interest Period shall be for the full amount thereof and shall be accompanied by all amounts payable pursuant to Section 3.4. If any Global Borrower at any time fails to repay a U.K. Swing Line Loan on the applicable date when due, such Borrower shall be deemed to have elected to borrow a Syndicated Global Advance which shall be a Eurocurrency Rate Advance in the applicable Agreed Currency under Section 2.1as of such date equal in amount to the unpaid amount of such U.K. Swing Line Loan (notwithstanding the minimum amount of Eurocurrency Rate Advances). The proceeds of any

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suchAdvance shall be used to repay such U.K. Swing Line Loan. Unless the Global Administrative Agent upon the request of or with the consent of the Required Lenders shall have notified the Global Swing Line Lender prior to such Global Swing Line Lender making any U.K. Swing Line Loan, that the applicable conditions precedent set forth in Article IVhave not then been satisfied, each Syndicated Global Lender's obligation to make Syndicated Global Loans pursuant to Section 2.1 and this Section 2.9.3(d)to repay such U.K. Swing Line Loan shall be unconditional, continuing, irrevocable and absolute and shall not be affected by any circumstances, including the inability of any Borrower to satisfy the conditions precedent set forth in Article IV or the occurrence or continuance of a Default. In the event that any Syndicated Global Lender fails to make payment to the Global Administrative Agent of any amount due under this Section 2.9.3(d), the Global Administrative Agent shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Syndicated Global Lender hereunder until the Global Administrative Agent receives such payment from such Syndicated Global Lender or such obligation is otherwise fully satisfied. In addition to the foregoing, if for any reason any Syndicated Global Lender fails to make payment to the Global Administrative Agent of any amount due under this Section 2.9.3(d), such Syndicated Global Lender shall be deemed, at the option of the Global Administrative Agent, to have unconditionally and irrevocably purchased from the Global Swing Line Lender, without recourse or warranty, an undivided interest in and participation in the applicable U.K. Swing Line Loan in the amount of the Syndicated Global Loan such Syndicated Global Lender was required to make pursuant to this Section 2.9.3(d), and such interest and participation may be recovered from such Syndicated Global Lender together with interest thereon at (1) the Federal Funds Effective Rate in the case of Loans denominated in Dollars and (2) the Overnight Foreign Currency Rate in the case of Loans denominated in any other U.K. Swing Line Currency, in each case for each day during the period commencing on the date of demand by the Global Administrative Agent and ending on the date such obligation is fully satisfied.

2.10 The Bid Rate Advances. (a) Each Syndicated Global Lender severally agrees that, on the terms and conditions set forth in this Agreement, either Global Borrower may request and receive Bid Rate Advances in Dollars, euro or any Eligible Currency under this Section 2.10from time to time on any Business Day during the period from the date hereof until the date occurring 30 days prior to the Termination Date in the manner set forth below; provided, however, that, following the making of each Bid Rate Advance, the aggregate Dollar Amount of (i) the Advances, (ii) the Swing Line Loans and (iii) the Syndicated Canadian Loans then outstanding shall not exceed the Aggregate Commitment.

(b) The procedures for the solicitation and acceptance of Bid Rate Loans are

set forth below:

(i) The applicable Global Borrower may request a Bid Rate Advance under this Section 2.10(b)by giving the Global Administrative Agent irrevocable notice at the office and location specified by the Global Administrative Agent, in the form attached hereto as Exhibit G (a "Bid Rate Advance Borrowing Notice"), specifying the date, currency and aggregate amount of the proposed Bid Rate Advance, the maturity date for repayment of each Bid Rate Loan to be made as part of such Bid Rate Advance (which maturity date may not be earlier than, in the case of an Absolute Rate Auction, the date occurring thirty days, and in the case of an Indexed Rate Auction, the date occurring one

month after the date of the related Bid Rate Advance or later than, in the case of an Absolute Rate Auction, the earlier of the day occurring 180 days after the date of such Bid Rate Advance and the Termination Date, and in the case of an Indexed Rate Auction, the earlier of the day occurring six months after the date of such Bid Rate Advance and the Termination Date), the interest payment date or dates relating thereto, and any other terms to be applicable to such Bid Rate Advance, not later than 10:00 a.m. (New York time in the case of Bid Rate Advances to the U.S. Borrower and London time in the case of Bid Rate Advances to the U.K. Borrower) (A) one Business Day prior to the date of the proposed Bid Rate Advance, if the applicable Global Borrower shall specify in the Bid Rate Advance Borrowing Notice that the rates of interest to be offered by the Syndicated Global Lenders shall be absolute rates per annum (such type of solicitation being an "Absolute Rate Auction") and (B) five Business Days prior to the date of the proposed Bid Rate Advance, if the applicable Global Borrower shall specify in the Bid Rate Advance Borrowing Notice that the rates of interest to be offered by the Syndicated Global Lenders shall be based on the Eurocurrency Base Rate with respect to the applicable currency (such type of solicitation being an "Indexed Rate Auction"). The Global Administrative Agent shall, promptly following its receipt of a Bid Rate Advance Borrowing Notice under this Section 2.10(b), notify each Syndicated Global Lender of such request by sending such Syndicated Global Lender a copy of such Bid Rate Advance Borrowing Notice.

(ii) Each Syndicated Global Lender may, if, in its sole discretion, it elects to do so, irrevocably offer to make one or more Bid Rate Loans to the applicable Global Borrower as part of such proposed Bid Rate Advance at a rate or rates of interest specified by such Syndicated Global Lender in its sole discretion, by notifying the Global Administrative Agent (which shall give prompt notice thereof to the applicable Global Borrower), before 11:00 a.m. (New York time in the case of Bid Rate Loans to the U.S. Borrower and London time in the case of Bid Rate Loans to the U.K. Borrower) (or if such Syndicated Global Lender is the Global Administrative Agent, before 10:45 a.m. (New York time in the case of Bid Rate Loans to the U.S. Borrower and London time in the case of Bid Rate Loans to the U.K. Borrower)) (A) on the date of such proposed Bid Rate Advance, in the case of an Absolute Rate Auction, and (B) four Business Days before the date of such proposed Bid Rate Advance, in the case of an Indexed Rate Auction of the minimum amount and maximum amount of each Bid Rate Loan which such Syndicated Global Lender would be willing to make as part of such proposed Bid Rate Advance (which amounts may, subject to the proviso to the first sentence of Section 2.10(a), exceed such Syndicated Global Lender's Commitment), the rate or rates of interest, in the case of an Absolute Rate Auction, or the spread or spreads with respect to the Eurocurrency Base Rate, in the case of an Indexed Rate Auction, therefor and such Syndicated Global Lender's Lending Installation with respect to such Bid Rate Loan.

(iii) The applicable Global Borrower shall, in turn, before (A) 12:00 noon (New York time in the case of Bid Rate Advances to the U.S. Borrower and London time in the case of Bid Rate Advances to the U.K. Borrower) on the date of such proposed Bid Rate Advance, in the case of an Absolute Rate Auction, and (B)

11:00 a.m. (New York time in the case of Bid Rate Advances to the U.S. Borrower and London time in the case of Bid Rate Advances to the U.K. Borrower) three Business Days before the date of such

proposed Bid Rate Advance, in the case of an Indexed Rate Auction for a Bid Rate Advance, either:

(x) cancel such Bid Rate Advance by giving the Global Administrative Agent notice to that effect; or

(y) accept, subject to Section 2.10(d), one or more of the offers made by any Syndicated Global Lender or Syndicated Global Lenders pursuant to Section 2.10(b)(ii), in its sole discretion, by giving notice to the Global Administrative Agent of the amount of each Bid Rate Loan (which amount shall be equal to or greater than the minimum amount, and equal to or less than the maximum amount, notified to the applicable Global Borrower by the Global Administrative Agent on behalf of such Syndicated Global Lender for such Bid Rate Loan pursuant to Section 2.10(b)(ii)) to be made by each Syndicated Global Lender as part of such Bid Rate Advance, and reject any remaining offers made by Syndicated Global Lenders pursuant to Section 2.10(b)(ii)by giving the Global Administrative Agent notice to that effect.

(iv) If the applicable Global Borrower notifies the Global Administrative Agent that such Bid Rate Advance is canceled pursuant to Section 2.10(b)(iii)(x), the Global Administrative Agent shall give prompt notice thereof to the Syndicated Global Lenders and such Bid Rate Advance shall not be made.

(v) If the applicable Global Borrower accepts one or more of the offers made by any Syndicated Global Lender or Syndicated Global Lenders pursuant to Section 2.10(b)(iii)(y), the Global Administrative Agent shall in turn promptly notify (A) each Syndicated Global Lender that has made an offer as described in Section 2.10(b)(ii)of the date, and aggregate amount of such Bid Rate Advance and whether or not any offer or offers made by such Syndicated Global Lender pursuant to Section 2.10(b)(ii)have been accepted by the applicable Global Borrower and (B) each Syndicated Global Lender that is to make a Bid Rate Loan as part of such Bid Rate Advance, of the amount of each Bid Rate Loan to be made by such Syndicated Global Lender as part of such Bid Rate Advance. Each Syndicated Global Lender that is to make a Bid Rate Loan as part of such Bid Rate Advance shall, not later than 3:00 p.m. (New York time) on the date of such Bid Rate Advance specified in the notice received from the Global Administrative Agent pursuant to clause (A) of the preceding sentence, make available for the account of its Lending Installation to the Global Administrative Agent at the relevant Payment Office such Syndicated Global Lender's portion of such Bid Rate Advance, in same day funds in the currency specified in the applicable Bid Rate Advance Borrowing Notice. Upon fulfillment of the applicable conditions set forth in Article IV and after receipt by the Global Administrative Agent of such funds, the Global Administrative Agent will make such funds available to the applicable Global Borrower at the Global Administrative Agent's aforesaid address. Promptly after each Bid Rate Advance, the Global Administrative Agent will notify each Syndicated Global Lender of the amount of such Bid Rate Advance, the consequent Bid Rate Reduction and the dates upon which such Bid Rate Reduction commenced and will terminate.

(vi) Notwithstandingthe other provisions of this Section 2.10(b), the applicable Global Borrower may elect at its own discretion to assume the responsibilities of the Global Administrative Agent in connection with the

solicitation and acceptance of Bid Rate Loans as described in this section. In the event that the applicable Global Borrower makes the election described in this subsection, all notices to be given by such Borrower to the Global Administrative Agent pursuant to this Section 2.10(b) shall be given by such Borrower directly to the Global Administrative Agent and the Syndicated Global Lenders, all notices to be given by the Global Administrative Agent to the Syndicated Global Lenders pursuant to this Section 2.10(b) shall be given by such Borrower to the Syndicated Global Lenders, and all notices to be given by the Syndicated Global Lenders to the Global Administrative Agent pursuant to this Section 2.10(b) shall be given by the Syndicated Global Lenders to such Borrower and the Global Administrative Agent. In addition, any fee payable to the Global Administrative Agent in connection with the Bid Rate Loans in connection with such Bid Rate Loans solicited and accepted by either Global Borrower pursuant to this clause (vi) is hereby waived.

(c) Each Bid Rate Advance shall be in an aggregate amount not less than the Equivalent Amount of $10,000,000 in the applicable currency or an integral multiple of approximately $1,000,000 in the applicable currency in excess thereof, and, following the making of each Bid Rate Advance, the Borrowers shall be in compliance with the limitation set forth in the proviso to the first sentence of Section 2.10(a).

(d) Each acceptance by the applicable Global Borrower pursuant to Section 2.10(b)(iii)(y) of the offers made in response to a Bid Rate Advance Borrowing Notice shall be treated as an acceptance of such offers in ascending order of the rates or margins, as applicable, at which the same were made but if, as a result thereof, two or more offers at the same such rate or margin would be partially accepted, then the amounts of the Bid Rate Loans in respect of which such offers are accepted shall be treated as being the amounts which bear the same proportion to one another as the respective amounts of the Bid Rate Loans so offered bear to one another but, in each case, rounded as the Global Administrative Agent (or the applicable Global Borrower in the event such Borrower runs the bid rate process under clause (b)(vi) above) may consider necessary to ensure that the Equivalent Amount of each such Bid Rate Loan is approximately $500,000 or an integral multiple thereof.

(e) Within the limits and on the conditions set forth in this Section 2.10, each Global Borrower may from time to time borrow under this Section 2.10, repay pursuant to Section 2.10(f), and reborrow under this Section 2.10.

(f) The applicable Global Borrower shall repay to the Global Administrative Agent, for the account of each Syndicated Global Lender which has made a Bid Rate Loan to it, on the maturity date of such Bid Rate Loan (such maturity date being that specified by such Borrower for repayment of such Bid Rate Loan in the related Bid Rate Advance Borrowing Notice), or, if earlier, the acceleration of the Obligations pursuant to Section 8.1, the then unpaid principal amount of such Bid Rate Loan. No Borrower shall have the right to prepay any principal amount of any Bid Rate Loan without the consent of the applicable Syndicated Global Lender.

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(g) The applicable Global Borrower shall pay interest on the unpaid principal amount of each Bid Rate Loan made to it, from the date of such Bid Rate Loan to the date the principal amount of such Bid Rate Loan is repaid in full, at the rate of interest for such Bid Rate Loan specified by the Syndicated Global Lender making such Bid Rate Loan in the related notice submitted by such Syndicated Global Lender pursuant to Section 2.10(b)(ii), payable on the interest payment date or dates specified by such Borrower for such Bid Rate Loan in the related Bid Rate Advance Borrowing Notice and on any date on which such Bid Rate Loan is prepaid, whether by acceleration or otherwise. In the event the term of any Bid Rate Loan shall be longer than three months, interest thereon shall be payable not less frequently than once each three-month period

during such term. Unless otherwise specified in the applicable Bid Rate Advance Borrowing Notice, interest on Bid Rate Advances shall be calculated (a) for actual days elapsed on the basis of a 365-day year or, when appropriate, 366-day year for Bid Rate Advances made pursuant to an Indexed Rate Auction and (b) for actual days elapsed on the basis of a 360-day year for Bid Rate Advances made pursuant to an Absolute Rate Auction.

(h) Except as provided in clause (b)(vi) above, in connection with each Bid Rate Loan, the applicable Global Borrower shall pay to the Global Administrative Agent the fee with respect thereto set forth in the relevant fee letter dated as of even date herewith between the Global Borrowers, J.P. Morgan Securities Inc. and the Global Administrative Agent.

2.11 Default Rate. Notwithstanding anything contained herein to the contrary, if any principal of or interest on any Loan or any fee or other amount payable by any Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided herein or (ii) in the case of any other amount (other than as set forth in the following clause (iii)), 2% plus the rate applicable to Base Rate Advances as provided herein or (iii) in the case of any Syndicated Canadian Loan or Canadian Swing Line Loan, 2% plus the rate applicable to Canadian Prime Rate Loans.

2.12 Method of Payment. (i) All payments of principal, interest, and fees hereunder to the Global Administrative Agent shall be made, without setoff, deduction or counterclaim (a) at the Global Administrative Agent's office at the applicable location at which such Advance was made in immediately available funds with respect to Advances denominated in Dollars and (b) in the Global Administrative Agent's applicable Eurocurrency Payment Office in immediately available funds with respect to any Advance denominated in an Agreed Currency other than Dollars, in each case, or at any other Lending Installation of the Global Administrative Agent specified in writing (by 11:00 a.m. (New York time) on the day before the date when due) by the Global Administrative Agent to the applicable Borrower, by 12:00 noon local time in New York, New York with respect to Advances denominated in Dollars and 12:00 noon local time in the Global Administrative Agent's Eurocurrency Payment Office with respect to Advances denominated in an Agreed Currency other than Dollars on the date when due and shall be made ratably among the relevant Lenders (unless such amount is not to be shared ratably in accordance with the terms hereof). Each Advance shall be repaid or prepaid in the currency in which it was made (the "Advanced Currency") in the amount borrowed and interest payable thereon shall be paid in such Advanced Currency. Notwithstanding anything in this Agreement, the obligation of any Borrower in respect of any Advance shall not be discharged by an amount paid in any

currency other than the Advanced Currency or at another location other than the location designated by the Global Administrative Agent, whether pursuant to a judgment or otherwise, to the extent the amount so paid, on prompt conversion into the Advanced Currency and transfer to the relevant Lenders under normal banking procedure, does not yield the amount of the Advanced Currency due under the Loan Documents. In the event that any payment, whether pursuant to a judgment or otherwise, upon conversion and transfer, does not result in payment of the amount of the Advanced Currency due under the Loan Documents, such Lender shall have an independent cause of action against each of the Borrowers for the currency deficit. Each payment delivered to the Global Administrative Agent for the account of any Lender shall be delivered promptly by the Global Administrative Agent to such Lender in the same type of funds which the Global Administrative Agent received at its address specified pursuant to Article XIV or at any Lending Installation specified in a notice received by the Global

Administrative Agent from such Lender.

(ii) All payments to be made by the applicable Borrowers hereunder in respect of any Swing Line Loans and Syndicated Canadian Loans shall be made in the currencies in which such Loans are denominated and in funds immediately available, at the Global Administrative Agent's office or Global Swing Line Lender's office (as applicable) office from which such Loan was made not later than 12:00 noon (local time) on the date on which such payment shall become due.

(iii) Notwithstanding the foregoing provisions of this Section, if, after the making of any Advance or Loan in any currency other than Dollars or euro, currency control or exchange regulations are imposed in the country which issues such currency with the result that different types of such currency (the "New Currency") are introduced and the type of currency in which the Advance was made (the "Original Currency") no longer exists or the applicable Borrower is not able to make payment to the Global Administrative Agent or the Global Swing Line Lender, as applicable, in such Original Currency, then all payments to be made by the applicable Borrower hereunder in such currency shall be made in such amount and such type of the New Currency or Dollars as shall be equivalent to the amount of such payment otherwise due hereunder in the Original Currency, it being the intention of the parties hereto that the Borrowers take all risks of the imposition of any such currency control or exchange regulations. In addition, notwithstanding the foregoing provisions of this Section, if, after the making of any Advance or Loan in any currency other than Dollars or euro, any applicable Borrower is not able to make payment to the Global Administrative Agent or the Global Swing Line Lender, as applicable, in the type of currency in which such Advance or Loan was made because of the imposition of any such currency control or exchange regulation, then such Advance or Loan shall instead be repaid when due in Dollars in a principal amount equal to the Dollar Amount (as of the date of repayment) of such Advance.

2.13 Notes, Telephonic Notices. Any Lender may request that the Loans made by it each be evidenced by the applicable Notes to evidence such Lender's Loans. In such event, each applicable Borrower shall prepare, execute and deliver to such Lender such Note(s) for such Loans payable to the order of such Lender. Thereafter, such Loans evidenced by such Note(s) and interest thereon shall at all times be represented by one or more Notes, except to the extent that any such Lender subsequently returns any such Note for cancellation. Each Borrower authorizes the applicable Lenders and the Global Administrative Agent to extend Advances,

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effect selections of Types of Advances and to transfer funds based on telephonic notices made by any person or persons that the Global Administrative Agent or Lender in good faith believes to be acting on behalf of such Borrower. Each Borrower agrees to deliver promptly to the Global Administrative Agent a written confirmation, signed by an Authorized Officer, if such confirmation is requested by the Global Administrative Agent or any Lender, of each telephonic notice. If the written confirmation differs in any material respect from the action taken by the Global Administrative Agent and Lenders, (i) the telephonic notice shall govern absent manifest error and (ii) the Global Administrative Agent or Lender, as applicable, shall promptly notify the Authorizing Officer who provided such confirmation of such difference.

2.14 Promise to Pay; Interest and Fees; Interest Payment Dates; Interest and Fee Basis; Loan Accounts.

(A) Promise to Pay. Each Borrower unconditionally promises to pay when due the principal amount of each Loan made to it and all other Obligations incurred by it, and to pay all unpaid interest accrued thereon, in accordance with the terms of this Agreement.

(B) Interest Payment Dates. Interest accrued on each Floating Rate Loan, each Canadian Prime Rate Loan and USD Swing Line Loan shall be payable on each Payment Date, commencing with the first such date to occur after the date hereof, at maturity (whether by acceleration or otherwise) and, with respect to any USD Swing Line Loans on any date on which a USD Swing Line Loan is prepaid, whether due to acceleration or otherwise. Interest accrued on each Fixed Rate Loan (other than CDOR Loans which are governed by the Syndicated Canadian Addendum) shall be payable on the last day of its applicable Interest Period, on any date on which the Fixed Rate Loan is prepaid, whether by acceleration or otherwise, and at maturity. Interest accrued on each Fixed Rate Loan having an Interest Period longer than three months shall also be payable on the last day of each three-month interval during such Interest Period. Interest accrued on each Bid Rate Loan shall be payable as provided in Section 2.10(g). Interest accrued on the principal balance of all other Obligations shall be payable in arrears (i) upon repayment thereof in full, (ii) if not theretofore paid in full, at the time such other Obligation becomes due and payable (whether by acceleration or otherwise) and (iii) if not theretofore paid in full, on demand, commencing on the first such day following the date such Obligation became payable pursuant to the terms of this Agreement or the other Loan Documents.

(C) Fees. (i) The relevant Borrowers shall, or shall cause their respective Subsidiaries to, pay to the Global Administrative Agent, for the account of each relevant Lender in accordance with their Pro Rata Shares and Syndicated Canadian Pro Rata Shares (as appropriate), on arrangements satisfactory to the U.S. Borrower and the Global Administrative Agent, a facility fee accruing at the rate of the Applicable Facility Fee per annum from and after the date hereof until the Termination Date on the amounts of the Aggregate Commitment in effect from time to time (calculated without regard to amounts outstanding). All such facility fees payable under this clause (C) shall be payable quarterly in arrears on the first Business Day of each calendar quarter occurring after the date hereof and, in addition, on the Termination Date.

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(ii) Utilization Fee. If, at the end of any fiscal quarter, the average daily aggregate principal amount of outstanding Syndicated Global Loans and Syndicated Canadian Loans during such quarter exceeded fifty percent (50%) of the Aggregate Commitment, the relevant Borrowers shall, or shall cause their respective Subsidiaries to, pay to the Global Administrative Agent, for the ratable account of each relevant Lender in accordance with its Pro Rata Share and Syndicated Canadian Pro Rata Share (as appropriate) on arrangements satisfactory to the U.S. Borrower and the Global Administrative Agent, a utilization fee at a rate per annum equal to the applicable Utilization Fee set forth in Section 2.6(b)on the average daily outstanding principal balance of the Syndicated Global Loans and Syndicated Canadian Loans during such quarter, payable quarterly in arrears on the first Payment Date to occur in each calendar quarter hereafter and on the Termination Date or earlier termination of the Commitments.

(D) Interest and Fee Basis. (i) Interest on all Loans (other than Eurocurrency Rate Loans denominated in Pounds Sterling, Base Rate Loans with respect to which interest is calculated by reference to the Alternate Base Rate and USD Swing Line Loans), including all Syndicated Canadian Loans and all fees shall be calculated for actual days elapsed on the basis of a 360-day year (except as provided otherwise in the Syndicated Canadian Addendum). Interest on (a) Base Rate Loans with respect to which interest is calculated by reference to the Alternate Base Rate and USD Swing Line Loans and (b) Eurocurrency Rate Loans denominated in Pounds Sterling and Syndicated Canadian Loans shall in each case be calculated for actual days elapsed on the basis of a 365-day year or, when appropriate, 366-day year; provided that Stamping Fees shall be calculated for actual days elapsed on the basis of a 365-day year. Interest shall be payable for the day an Obligation is incurred but not for the

day of any payment on the amount paid if payment is received by the times and in the offices required under Section 2.12. If any payment of principal of or interest on a Loan or any payment of any other Obligations shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and, in the case of a principal payment, such extension of time shall be included in computing interest in connection with such payment.

(ii) For purposes of the Interest Act (Canada), (a) whenever any interest or fee under this Agreement or any of the other Loan Documents is calculated using a rate based on a year of 360 days or 365 days, as the case may be, the rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (1) the applicable rate based on a year of 360 days or 365 days, as the case may be, (2) multiplied by the actual number of days in the calendar year in which the period for which such interest or fee is payable (or compounded) ends, and (3) divided by 360 or 365, as the case may be, (b) the principle of deemed reinvestment of interest does not apply to any interest calculation under this Agreement, and (iii) the rates of interest stipulated in this Agreement are intended to be nominal rates and are not effective rates or yields.

(E) Loan Account. Each Lender shall maintain in accordance with its usual practice an account or accounts (a "Loan Account") evidencing the Obligations of the Borrowers to such Lender owing to such Lender from time to time, including the amount of principal and interest payable and paid to such Lender from time to time hereunder.

(F) Entries Binding. The entries made in the Register and each Loan Account shall be conclusive and binding for all purposes, absent manifest error, unless any Borrower objects to

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informationcontained in the Register and each Loan Account within thirty (30) days of such Borrower's receipt of such information.

2.15 Notification of Advances, Interest Rates, Prepayments and Aggregate Commitment Reductions. Promptly after receipt thereof, the Global Administrative Agent will notify each relevant Lender of the contents of each Aggregate Commitment reduction notice, Borrowing Notice, Continuation/Conversion Notice and repayment notice received by it hereunder. The Global Administrative Agent will notify each relevant Lender of the interest rate applicable to each Fixed Rate Loan promptly upon determination of such interest rate.

2.16 Lending Installations. Each Lender may book its Loans at any Lending Installation selected by such Lender and may change its Lending Installation from time to time. All terms of this Agreement shall apply to any such Lending Installation and any Notes shall be deemed held by each Lender for the benefit of such Lending Installation. Each Lender may, by written or facsimile notice to the Global Administrative Agent and the U.S. Borrower, designate a Lending Installation through which Loans will be made by it and for whose account Loan payments are to be made.

2.17 Non-Receipt of Funds by the Global Administrative Agent. Unless a Borrower or a Lender, as the case may be, notifies the Global Administrative Agent prior to the date (or time, in the case of a Floating Rate Loan) on which it is scheduled to make payment to the Global Administrative Agent of (i) in the case of a Lender, the proceeds of a Loan or (ii) in the case of a Borrower, a payment of principal, interest or fees to the Global Administrative Agent for the account of the relevant Lenders, that it does not intend to make such payment, the Global Administrative Agent may assume that such payment has been made. The Global Administrative Agent may, but shall not be obligated to, make the amount of such payment available to the intended recipient in reliance upon

such assumption. If such Lender or Borrower, as the case may be, has not in fact made such payment to the Global Administrative Agent, the recipient of such payment shall, on demand by the Global Administrative Agent, repay to the Global Administrative Agent the amount so made available together with interest thereon in respect of each day during the period commencing on the date such amount was so made available by the Global Administrative Agent until the date the Global Administrative Agent recovers such amount at a rate per annum equal to (i) in the case of payment by a Lender (other than in respect of any Loan denominated in Canadian Dollars), the Federal Funds Effective Rate for such day or (ii) in the case of payment by a Lender in respect of any Loan denominated in Canadian Dollars, at the one-month CDOR for such day, or (iii) in the case of payment by a Borrower, the interest rate applicable to the relevant Loan (including without limitation pursuant to Section 2.11if applicable).

2.18 Termination Date. This Agreement shall be effective until the Termination Date. Notwithstanding the termination of this Agreement on the Termination Date, until all of the Obligations (other than contingent indemnity and reimbursement obligations, to the extent such obligations have not accrued) shall have been fully and indefeasibly paid and satisfied and all financing arrangements under the Loan Documents among the Borrowers and the Lenders shall have been terminated, all of the rights and remedies under this Agreement and the other Loan Documents shall survive.

2.19 Judgment Currency. If, for the purposes of obtaining judgment in any court, it is necessary to convert a sum due from a Borrower hereunder or under the Syndicated Canadian Addendum in the currency expressed to be payable herein or under the Syndicated Canadian Addendum (the "specified currency") into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Global Administrative Agent could purchase the specified currency with such other currency at the Global Administrative Agent's main office in New York, New York on the Business Day preceding that on which the final, non-appealable judgment is given. The obligations of each Borrower in respect of any sum due to any Lender or the Global Administrative hereunder or under the Syndicated Canadian Addendum shall, notwithstanding any judgment in a currency other than the specified currency, be discharged only to the extent that on the Business Day following receipt by such Lender or the Global Administrative Agent (as the case may be) of any sum adjudged to be so due in such other currency such Lender or the Global Administrative Agent (as the case may be) may in accordance with normal, reasonable banking procedures purchase the specified currency with such other currency. If the amount of the specified currency so purchased is less than the sum originally due to such Lender or the Global Administrative Agent, as the case may be, in the specified currency, each Borrower agrees, to the fullest extent that it may effectively do so, as a separate obligation and notwithstanding any such judgment, to indemnify such Lender or the Global Administrative Agent, as the case may be, against such loss, and if the amount of the specified currency so purchased exceeds (a) the sum originally due to any Lender or the Global Administrative Agent, as the case may be, in the specified currency and (b) any amounts shared with other Lenders as a result of allocations of such excess as a disproportionate payment to such Lender under Section 11.2, such Lender or the Global Administrative Agent, as the case may be, agrees to remit such excess to such Borrower.

2.20 Intentionally Omitted.

2.21 Canadian Borrower as Borrower. The U.S. Borrower may at any time add as a party to this Agreement the Canadian Borrower to be the "Canadian Borrower" in respect of Canadian Swing Line Loans and Canadian Syndicated Loans, in each case by the execution and delivery to the Global Administrative Agent of (a) a duly completed Assumption Letter by each of the Canadian Borrower and the

Canadian Guarantor, with the written consent of the U.S. Borrower at the foot thereof (it being understood and agreed that if the Canadian Guarantor does not exist at the time of the Canadian Borrower becoming a party hereto, the U.S. Borrower shall cause the Canadian Guarantor, within 60 days of its formation, to execute and deliver a duly completed Assumption Letter to the Global Administrative Agent, accompanied by the other instruments and documents in respect of the Canadian Guarantor contemplated by the following clause (b)) and (b) any other instruments and documents required by Section 4.3hereof (in the case of the Canadian Borrower) and comparable instruments and documents for the Canadian Guarantor. Upon such execution, delivery and consent, each of the Canadian Borrower and the Canadian Guarantor shall for all purposes be a party hereto as the Canadian Borrower and the Canadian Guarantor, respectively, as fully as if it had executed and delivered this Agreement.

2.22 Termination as Borrower. So long as the principal of and interest on any Loans or Advances made to any Foreign Borrower under this Agreement or the Syndicated Canadian Addendum shall have been repaid or paid in full and all other obligations of such Foreign

Borrower under this Agreement and the Syndicated Canadian Addendum shall have been fully performed, the U.S. Borrower may, by not less than five (5) Business Days' prior notice to the Global Administrative Agent (which shall promptly notify the Lenders thereof), terminate such Foreign Borrower's rights as a "Borrower".

ARTICLE III CHANGE IN CIRCUMSTANCES

3.1 Yield Protection. If any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law) adopted after the date of this Agreement and having general applicability to all banks within the jurisdiction in which such Lender operates (excluding, for the avoidance of doubt, the effect of and phasing in of capital requirements or other regulations or guidelines passed prior to the date of this Agreement), or any interpretation or application thereof by any Governmental Authority charged with the interpretation or application thereof, or the compliance of any Lender therewith,

(i) subjects any Lender or any applicable Lending Installation to any tax, duty, charge or withholding on or from payments due from any Borrower (excluding Excluded Taxes), or changes the basis of taxation of payments to any Lender in respect of its Loans or other amounts due it hereunder, provided, that this clause (i) shall not apply with respect to any Taxes to which Section 3.5applies, or

(ii) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender or any applicable Lending Installation with respect to its Fixed Rate Loans, or

(iii) imposes any other condition the result of which is to increase the cost to any Lender or any applicable Lending Installation of making, funding or maintaining the Fixed Rate Loans or reduces any amount received by any Lender or any applicable Lending Installation in connection with Fixed Rate Loans, or requires any Lender or any applicable Lending Installation to make any payment calculated by reference to the amount of Loans held or interest or fee received by it, by an amount deemed material by such Lender;

and the result of any of the foregoing is to increase the cost to that Lender of making, renewing or maintaining its Loans or to reduce any amount received under this Agreement, then, within 15 days after receipt by the relevant Borrower of written demand by such Lender pursuant to Section 3.6, such

Borrower shall pay such Lender that portion of such increased expense incurred or reduction in an amount received which such Lender determines is attributable to making, funding and maintaining its Loans and its Commitment or Syndicated Canadian Commitment.

3.2 Changes in Capital Adequacy Regulations. If a Lender determines (i) the amount of capital required or expected to be maintained by such Lender, any Lending Installation of such Lender or any corporation controlling such Lender is increased as a result of a "Change" (as defined below), and (ii) such increase in capital will result in an increase in the cost to such Lender of maintaining its Loans or its obligation to make Loans hereunder, then, within 15 days

after receipt by the relevant Borrower of written demand by such Lender pursuant to Section 3.6, such Borrower shall pay such Lender the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Lender determines is attributable to this Agreement, its Loans or its obligation to make Loans hereunder (after taking into account such Lender's policies as to capital adequacy). "Change" means (i) any change after the date of this Agreement in the "Risk-Based Capital Guidelines" (as defined below) excluding, for the avoidance of doubt, the effect of any phasing in of such Risk-Based Capital Guidelines or any other capital requirements, in each case passed prior to the date hereof, or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) after the date of this Agreement and having general applicability to all banks and financial institutions within the jurisdiction in which such Lender operates which affects the amount of capital required or expected to be maintained by any Lender or any Lending Installation or any corporation controlling any Lender. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States or Canada (if applicable) implementing the July 1988 report of the Basel Committee on Banking Supervision Entitled "International Convergence of Capital Measurement and Capital Standards," including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement and including, for the avoidance of doubt, the recommendations set out in the report entitled `Basel II: International Convergence of Capital Measurement and Capital Standards: A Revised Framework', which was published by the Basel Committee on Banking Supervision on June 26, 2004 and the European Commission proposal (COM (2004) 486) of July 14, 2004.

Notwithstanding any other provision of this Section 3.2, the U.K. Borrower shall not be obliged to make any increased payment pursuant to this Section 3.2 to the extent that the relevant cost, increased cost, reduction or liability is compensated for by any payment calculated in accordance with the Mandatory Cost or represents Excluded Taxes.

3.3 Availability of Types of Advances. If (i) any Lender determines that maintenance of any of its Fixed Rate Loans at a suitable Lending Installation would violate any applicable law, rule, regulation or directive, whether or not having the force of law, or (ii) the Required Lenders with respect to Fixed Rate Advances or the Global Swing Line Lender with respect to Swing Line Loans determine that (x) deposits of a type, currency and maturity appropriate to match fund Fixed Rate Advances or Swing Line Loans, as applicable, are not available or (y) the interest rate applicable to a Fixed Rate Advance or Swing Line Loan does not accurately reflect the cost of making or maintaining such a Fixed Rate Advance or Swing Line Loans, then the Global Administrative Agent shall suspend the availability of Fixed Rate Advances or such Swing Line Loans of the affected Type or in the affected currency and, in the case of any

occurrence set forth in clause (i), require any affected Fixed Rate Advances or Swing Line Loans to be repaid or, in the case of Eurocurrency Rate Loans in Dollars, at the option of the U.S. Borrower, converted to Base Rate Advances or, in the case of any Loans to the Canadian Borrower, at the option of the Canadian Borrower, converted to Canadian Prime Rate Advances.

3.4 Funding Indemnification. If any payment of a Fixed Rate Advance, Fixed Rate Swing Line Loan or Bid Rate Advance occurs on a date which is not the last day of the

applicable Interest Period in the case of a Fixed Rate Advance or Fixed Rate Swing Line Loans, or the applicable maturity date in the case of a Bid Rate Advance, whether because of acceleration, prepayment, assignment (to the extent such assignment is effected pursuant to Section 3.8) or otherwise, or a Fixed Rate Advance, Fixed Rate Swing Line Loan or Bid Rate Advance is not made or continued on the date specified by any Borrower for any reason other than default by the Lenders, the U.S. Borrower and such Borrower agrees to indemnify each Lender for any loss or cost (including lost profits) incurred by it resulting therefrom, including, without limitation, any loss or cost in liquidating or employing deposits acquired to fund or maintain the Fixed Rate Advance, Fixed Rate Swing Line Loan or Bid Rate Advance, as the case may be.

3.5 Taxes. (i) Unless such deduction is required by applicable law, all payments by any Borrower or any Guarantor to or for the account of any Lender or the Global Administrative Agent hereunder or under any Note shall be made free and clear of and without deduction for any and all Taxes. If any Borrower or any Guarantor shall be required by applicable law to deduct any Taxes from or in respect of any sum payable hereunder to any Lender or the Global Administrative Agent, then, except as otherwise specifically provided in this Section 3.5, (a) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.5) such Lender or the Global Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (b) such Borrower or Guarantor, as applicable, shall make such deductions, (c) such Borrower or Guarantor, as applicable, shall pay the full amount deducted to the relevant authority in accordance with applicable law and (d) such Borrower or Guarantor, as applicable, shall furnish to the Global Administrative Agent the original or a certified copy of a receipt evidencing payment thereof or, in the case of a deduction made under tax legislation in the United Kingdom or England and Wales, evidence reasonably satisfactory to the Global Administrative Agent that the deduction has been made. Each Syndicated Global Lender which is not otherwise a Qualifying Lender hereby agrees to fund its Syndicated Global Loans to the U.K. Borrower through an office, branch or Affiliate, if any, resident in the United Kingdom for United Kingdom tax purposes.

(ii) In addition, except as otherwise specifically provided in this Section 3.5, each Borrower and Guarantor hereby agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, charges or similar levies which arise from any payment made hereunder by the relevant Borrower or Guarantor to the relevant Lender, or under any Note but excluding any such taxes, charges or levies in respect of any assignment, sale or transfer or participation (but excluding any participations and transfers pursuant to Section 2.2(E)) by any Lender or the Global Administrative Agent or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note ("Other Taxes").

(iii) Each Borrower and Guarantor hereby agree to indemnify the Global Administrative Agent and each Lender for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed on amounts payable under this Section 3.5) paid by the Global Administrative Agent

or such Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto; provided that each Borrower and Guarantor shall not be required to so indemnify to the extent any relevant amount is actually compensated for under any other provision of this Agreement. Payments due under this

indemnificationshall be made within 30 days of the date the Global Administrative Agent or such Lender makes demand therefor pursuant to Section 3.6.

(iv) At least five Business Days prior to the first date on which interest or fees are payable hereunder for the account of any Syndicated Global Lender, such Lender to the extent it is not incorporated under the laws of the United States of America or a state thereof (each a "Non-U.S. Lender") agrees that it will deliver to each of the U.S. Borrower, each Guarantor and the Global Administrative Agent (1) two duly completed copies of IRS Form W-8BEN or W-8ECI, certifying in either case that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes or (2) in the case of a Non-U.S. Lender that is fiscally transparent, a copy of IRS Form W-8IMY together with the applicable accompanying forms, W-8 or W-9, as the case may be, and certify that it is entitled to an exemption from United States backup withholding tax (such certificate, an "Exemption Certificate"). Each Non-U.S. Lender further undertakes to deliver to each of the U.S. Borrower and the Global Administrative Agent (i) two renewals or additional copies of such form (or any successor form) on or before the date that such form expires or becomes obsolete, and (ii) after the occurrence of any event requiring a change in the most recent forms so delivered by it, such additional forms or amendments thereto as may be reasonably requested by the U.S. Borrower, any Guarantor or the Global Administrative Agent. All forms or amendments described in the preceding sentence shall certify that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unlessan event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form or amendment with respect to it and such Lender advises the U.S. Borrower, the Guarantors and the Global Administrative Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income tax.

(v) For any period during which a Non-U.S. Lender has failed to provide the U.S. Borrower or the Guarantors with an appropriate form or Exemption Certificate pursuant to clause (iv) above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a form or Exemption Certificate originally was required to be provided), such Non-U.S. Lender shall not be entitled to indemnification under this Section 3.5 with respect to Taxes imposed by the United States; provided that, should a Non-U.S. Lender which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a form or Exemption Certificate required under clause (iv), above, the U.S. Borrower or the Guarantors shall take such steps as such Non-U.S. Lender shall reasonably request to assist such Non-U.S. Lender to recover such Taxes.

(vi) The U.K. Borrower and/or any Guarantor is not required to make an increased payment to the Global Administrative Agent or a Lender under this Section 3.5 with respect to Taxes imposed, nor any deductions required, by the United Kingdom in respect of a payment of interest (including any items classified as interest by the relevant taxing authority) on a Loan, if on the

date on which the payment falls due:

(a) the payment could have been made to the relevant Lender without a deduction for Taxes if it was a Qualifying Lender, but on that date that Lender is not or has ceased to be a Qualifying Lender other than as a result of any change after the date it became a Lender under this Agreement in (or in the interpretation, administration, or application of) any law or Treaty, or any published practice or concession of any relevant taxing authority; or

(b) (1) the relevant Lender is a Qualifying Lender solely under sub-paragraph (ii) of the definition of Qualifying Lender; (2) the Board of the Inland Revenue has given (and not revoked) a direction (a "Direction") under section 349C of the Taxes Act (as that provision has effect on the date on which the relevant Lender became a Lender) which relates to that payment and that Lender has received from the U.K. Borrower a certified copy of that Direction; and (3) the payment could have been made to the Lender without any deduction for Tax in the absence of that Direction; or

(c) the relevant Lender is a Treaty Lender and either (1) neither of the following conditions have been satisfied (A) notice under the relevant Treaty has been given by the United Kingdom Inland Revenue to the U.K. Borrower or the relevant Guarantor authorizing the U.K. Borrower or the relevant Guarantor to make such payment without deduction for Tax or (B) the Global Administrative Agent has obtained provisional authority under the PTR Scheme authorizing the relevant Borrower to make such payment without deduction for Tax and such provisional authority has not been withdrawn or revoked or (2) the U.K. Borrower or the relevant Guarantor is able to demonstrate that the payment could have been made to the Lender without deduction for Tax had that Lender complied with its obligations paragraphs (vii) or (viii) below.

(vii) Each Treaty Lender and the U.K. Borrower shall use reasonable efforts to co-operate in completing any procedural formalities necessary for the U.K. Borrower to obtain authorization to make that payment without a deduction for Tax or allow the relevant Treaty Lender to recover such Taxes where any such payment has been made subject to a deduction for Tax.

(viii) PTR Scheme

(a) Each Treaty Lender:

(1) irrevocably appoints the Global Administrative Agent to act as syndicate manager under, and authorizes the Global Administrative Agent to operate, and take any action necessary or desirable under, the PTR Scheme in connection with this Agreement;

(2) shall co-operate with the Global Administrative Agent in completing any procedural formalities necessary under the PTR Scheme, and shall promptly supply to the Global Administrative Agent such information as the Global Administrative Agent may request in connection with the operation of the PTR Scheme;

(3) without limiting the liability of the U.K. Borrower under this Agreement, shall, within 30 Business Days of demand, indemnify the Global

Administrative Agent for any liability or loss incurred by the Global Administrative Agent as a result of the Global Administrative Agent acting as syndicate manager under the PTR Scheme in connection with the Treaty Lender's participation in any Loan (except to the extent that the liability or loss

arises directly from the Global Administrative Agent's gross negligence or willful misconduct); and

(4) agrees to, indemnify the U.K. Borrower and each Guarantor for any Tax or increased Tax or any interest or penalties associated therewith which the U.K. Borrower or such Guarantor becomes liable to pay in respect of any payments made to such Treaty Lender arising as a result of any incorrect information supplied by such Treaty Lender which results in a provisional authority issued by the U.K. Inland Revenue under the PTR Scheme being withdrawn. Payments due under this indemnification shall be made within 30 Business Days of demand by U.K. Borrower or the applicable Guarantor.

(b) The U.K. Borrower acknowledges that it is fully aware of its contingent obligations under the PTR Scheme and shall:

(1) promptly supply to the Global Administrative Agent such information as the Global Administrative Agent may request in connection with the operation of the PTR Scheme; and

(2) act in accordance with any provisional notice issued by the U.K. Inland Revenue under the PTR Scheme.

(c) The Global Administrative Agent agrees to provide, as soon as reasonably practicable, a copy of any provisional authority issued to it under the PTR Scheme in connection with any Loan to the U.K. Borrower.

(d) All of the parties hereto acknowledge that the Global Administrative Agent:

(1) is entitled to rely completely upon information provided to it in connection with sub-paragraph (a) or (b) above;

(2) is not obliged to undertake any enquiry into the accuracy of such information, nor into the status of the Treaty Lender or, as the case may be, U.K. Borrower providing such information; and

(3) shall have no liability to any person for the accuracy of any information it submits in connection with paragraph (a)(1) above.

(e) In this Clause "PTR Scheme" means the Provisional Treaty Relief scheme as described in Inland Revenue Guidelines dated January 2003 and administered by the Inland Revenue's Centre for Non-Residents.

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(ix) At least five Business Days prior to the first date on which interest or fees are payable hereunder for the account of any Syndicated Canadian Bank or the Global Swing Line Lender in respect of Canadian Swing Line Loans to the Canadian Borrower, such Syndicated Canadian Bank or Global Swing Line Lender to the extent it is neither incorporated under the laws of a jurisdiction in Canada nor deemed to be a resident in Canada for purposes of Part XIII of the Income Tax Act (Canada)(each a "Non-Canadian Lender") agrees that it will deliver to each of the Canadian Borrower and the Global Administrative Agent a certificate of a duly authorized officer of such Non-Canadian Lender to the effect that such Non-Canadian Lender is capable under the provisions of an applicable tax treaty or under the provisions of applicable law of receiving, and enabling the Canadian Borrower under the provisions of the Income Tax Act (Canada) to make, payments of interest or fees with respect to the Syndicated Canadian Loans and Canadian Swing Line Loans to the Canadian Borrower without deduction or withholding of income tax (such certificate, a "Canadian Exemption Certificate"). Each Non-Canadian Lender further undertakes to deliver to each of the Canadian Borrower and the Global Administrative Agent a replacement certificate of a duly authorized officer of such Non-Canadian Lender before or promptly upon the occurrence of any event requiring a change in the Canadian

Exemption Certificate so delivered by it. All certificates described in the preceding sentences shall certify that such Non-Canadian Lender is entitled to receive interest or fees under this Agreement or the Syndicated Canadian Addendum without deduction or withholding of any applicable income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such certificates inapplicable or which would prevent such Non-Canadian Lender from duly completing and delivering any such certificate with respect to it and such Non-Canadian Lender advises the Canadian Borrower and the Global Administrative Agent that it is not capable of receiving payments without any deduction or withholding of applicable income tax.

(x) For any period during which a Non-Canadian Lender has failed to provide the Canadian Borrower with an appropriate Canadian Exemption Certificate as required pursuant to clause (ix) above (unless such failure is due to a change in treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority, occurring subsequent to the date on which a Canadian Exemption Certificate originally was required to be provided), such Non-Canadian Lender shall not be entitled to indemnification under this Section 3.5 with respect to Taxes imposed by the applicable jurisdiction in Canada; provided that, should a Non-Canadian Lender which is otherwise exempt from or subject to a reduced rate of withholding tax become subject to Taxes because of its failure to deliver a Canadian Exemption Certificate required under clause (ix), above, the Canadian Borrower shall take such steps as such Non-Canadian Lender shall reasonably request to assist such Non-Canadian Lender to recover such Taxes. In addition, neither any Syndicated Canadian Bank nor the Global Swing Line Lender shall be entitled to indemnification under this Section 3.5 with respect to Taxes imposed by the applicable jurisdiction in Canada other than indemnity obligations under this Section 3.5 arising out of a change after the Closing Date in any applicable treaty, law or regulation, or any change in the interpretation or administration thereof by any governmental authority.

(xi) If a Borrower or Guarantor pays an amount under this Section 3.5, or is required to make a deduction or withholding in relation to a payment hereunder or under any Note and

account for the same to the relevant tax authority, which gives or may give rise to a Tax Credit for the recipient of that payment (the "Recipient"), the Recipient shall, promptly upon utilisation or receipt of such Tax Credit, pay an amount to such Borrower or the relevant Guarantor which will leave it (after that payment) in the same after-Tax position as it would have been in had the original amount paid under this Section 3.5 (or withheld or deducted pursuant to applicable law) not been required to have been made, withheld or deducted; provided that nothing in this clause (xi)shall require any Lender to make available its tax return (or any other information relating to its taxes which it deems confidential).

(xii) If (i) a Lender or the Global Administrative Agent assigns, transfers or sells all or any portion of its rights and/or delegates all or any portion of its obligations under this Agreement and the other Loan Documents (but excluding any participations and other transfers pursuant to Section 2.2(E)) or changes its Lending Installation for the purposes of this Agreement, and (ii) as a direct result of circumstances existing at the date of the assignment, transfer, sale, delegation or change, any Borrower or Guarantor would be obliged to pay any incremental amount under this Section 3.5, then the transferee or Lender acting through its new Lending Installation shall only be entitled to receive payment under this Section 3.5to the same extent that the previous Lender or the Lender acting through its previous Lending Installation would have been entitled if no such transaction had taken place. If a Lender

sells a participation in all or any part of its rights or obligations under this Agreement and the other Loan Documents, the participant shall only be entitled to receive payment under this Section 3.5 to the extent that the Lender selling the participation would have been entitled if no such participation had taken place. Notwithstanding the foregoing or anything else contained in this Section 3.5, in the event of a participation or transfer pursuant to Section 2.2(E), the participant shall be entitled to the indemnification under Sections 3.5(i) and 3.5(iii) in respect of any payments received pursuant to such participation or transfer.

(xiii) Where this Agreement or any Note requires the relevant Borrower or Guarantor to reimburse a Lender or the Global Administrative Agent for any costs or expenses, such Borrower or Guarantor shall also at the same time pay and indemnify the relevant Lender or the Global Administrative Agent (as applicable) against all United Kingdom value added tax ("VAT") incurred by such Lender or the Global Administrative Agent (as applicable) in respect of the costs or expenses to the extent that such Lender or the Global Administrative Agent (as applicable) reasonably determines that neither it nor any other member of any group of which it is a member for VAT purposes is entitled to credit or repayment from the relevant tax authority in respect of VAT.

3.6 Mitigation; Lender Statements; Survival of Indemnity. To the extent reasonably possible, each Lender shall designate an alternate Lending Installation with respect to its Fixed Rate Loans to reduce any liability of the relevant Borrower or the Guarantors to such Lender under Sections 3.1 and 3.2 or to avoid the unavailability of a Type of Advance under Section 3.3, so long as such designation is not materially disadvantageous to such Lender. Each Lender requiring compensation pursuant to this Article III shall use its reasonable efforts to notify the relevant Borrower and the Global Administrative Agent in writing of any Change, law, policy, rule, guideline or directive giving rise to such demand for compensation not later than one hundred and twenty (120) days following the date upon which the responsible account officer of such Lender knows or should have known of such Change, law, policy, rule, guideline or

directive. Any demand for compensation pursuant to this Article IIIshall be in writing and shall state the amount due, if any, under Section 3.1, 3.2, 3.4 or 3.5 and shall set forth in reasonable detail the calculations upon which such Lender determined such amount. Such written demand shall be rebuttably presumed correct for all purposes. Determination of amounts payable under such Sections in connection with a Fixed Rate Loan shall be calculated as though each Lender funded its Fixed Rate Loan through the purchase of a deposit of the type, currency and maturity corresponding to the deposit used as a reference in determining the applicable fixed rate of interest with respect to such Loan, whether in fact that is the case or not. The obligations of the Borrowers and the Guarantors under Sections 3.1, 3.2, 3.4 and 3.5 shall survive payment of the Obligations and termination of this Agreement.

3.7 Non-U.S. Reserve Costs or Fees. If, any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive of any jurisdiction outside of the United States of America or any subdivision thereof and outside of England and Wales or any subdivision thereof (whether or not having the force of law), imposes or deems applicable any reserve requirement against or fee with respect to assets of, deposits with or for the account of, or credit extended by, any Lender or any applicable Lending Installation (other than any Tax), and the result of the foregoing is to increase the cost to such Lender or applicable Lending Installation of making or maintaining its Loans to any Foreign Borrower or its Commitment, Swing Line Commitment or Syndicated Canadian Commitment to any Borrower or to reduce the return received by such Lender or applicable Lending Installation in connection with such Loans to any Foreign Borrower or Commitment, Swing Line Commitment or Syndicated Canadian

Commitment to any Foreign Borrower, then, within 15 days of demand by such Lender, such Foreign Borrower shall pay such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction in amount received.

3.8 Replacement of Affected Lenders. If, any Lender requests compensation under Section 3.1, 3.2 or 3.7, or if any Borrower is required to pay any additional amount pursuant to Section 3.5, or if any Lender defaults in its obligation to fund Loans hereunder, then the U.S. Borrower may, at its sole expense and effort, upon notice to such Lender and the Global Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 13.3), all its interests, rights and obligations under this Agreement (other than any outstanding Bid Rate Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); providedthat (i) in the case of an assignment to an assignee which is not a Lender, the U.S. Borrower shall have received the prior written consent of the Global Administrative Agent, which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans (other than Bid Rate Loans) and participations in the relevant Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the U.S. Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Sections 3.1, 3.2 or 3.7or payments required to be made pursuant to Section 3.5, such assignment will result in a reduction in such compensation or payments with respect to the assignee Lender. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the U.S. Borrower to require such assignment and delegation cease to apply.

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ARTICLE IV CONDITIONS PRECEDENT

4.1 Initial Loans. This Agreement shall not become effective nor shall the Lenders be required to make the initial Loans unless the initial Borrowers shall have (a) paid all fees required to be paid in connection with the execution of this Agreement, (b) furnished to the Global Administrative Agent, with sufficient copies (other than in the case of any Notes) for each of the Lenders, such documents as the Global Administrative Agent or any Lender or its counsel may have reasonably requested, including, without limitation, all of the documents reflected on the List of Closing Documents attached as Exhibit D to this Agreement and (c) delivered evidence reasonably satisfactory to the Global Administrative Agent of the payment of all principal, interest, fees and premiums, if any, on all Indebtedness under the Existing Credit Agreements, and the termination of the applicable agreements relating thereto, all taking effect concurrently with the effectiveness of this Agreement.

4.2 Each Loan. Except as expressly provided in Sections 2.2(E), 2.9.1(d), 2.9.2(e) 2.9.2(f), and 2.9.3(d), no Lender shall be required to make any Loan unless on the applicable Borrowing Date:

(i) there exists no Default or Unmatured Default; and

(ii) the representations and warranties contained in Article V are true and correct as of such Borrowing Date, except for representations and warranties made with reference solely to an earlier date, which representations and warranties shall be true and correct as of such earlier date; provided, that the representation set forth in Section 5.5 shall be deemed to be made only (1) on and as of the Closing Date, (2) on and as of each date (if any) on which the Lenders agree to extend the Termination Date and (3) on and as of the effective

date of any increase in the Commitments (if any).

Each Borrowing Notice with respect to each Loan or Advance shall constitute a representation and warranty by the applicable Borrower that the conditions contained in Sections 4.2(i) and (ii)will have been satisfied as of the date of such Loan or Advance.

4.3 Initial Advance to the Canadian Borrower. No Syndicated Canadian Bank shall be required to make any Syndicated Canadian Loans to the Canadian Borrower unless the Canadian Borrower has furnished or caused to be furnished to the Global Administrative Agent with sufficient copies for the Syndicated Canadian Banks:

(A) The Syndicated Canadian Addendum and the Assumption Letter executed and delivered by the Canadian Borrower and, if requested by the Global Administrative Agent, containing the written consent of the U.S. Borrower thereon.

(B) Copies of the Certificate of Incorporation (or other comparable constituent document) of the Canadian Borrower, together with all amendments and a certificate of good standing, both certified by the appropriate governmental officer in its jurisdiction of organization.

(C) Copies, certified by the Secretary or Assistant Secretary of the Canadian Borrower, of its By-Laws (or other comparable governing document) and of its Board of Directors' (or

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comparablegoverning body's) resolutions (and resolutions of other bodies, if any are deemed necessary by the Global Administrative Agent) approving the Assumption Letter and Syndicated Canadian Addendum.

(D) An incumbency certificate, executed by the Secretary, Assistant Secretary, Director or Authorized Officer of the Canadian Borrower, which shall identify by name and title and bear the signature of the officers of the Canadian Borrower authorized to sign the Assumption Letter, Syndicated Canadian Addendum and the other documents to be executed and delivered by the Canadian Borrower hereunder, upon which certificate the Global Administrative Agent and the Lenders shall be entitled to rely until informed of any change in writing by the U.S. Borrower or the Canadian Borrower.

(E) An opinion of counsel to the Canadian Borrower, in a form reasonably acceptable to the Global Administrative Agent and its counsel.

(F) Promissory notes payable to each of the Syndicated Canadian Banks requesting promissory notes;

(G) Such other instruments, documents or agreements as the Global Administrative Agent or its counsel may reasonably request, all in form and substance reasonably satisfactory to the Global Administrative Agent and its counsel.

ARTICLE V REPRESENTATIONS AND WARRANTIES

In order to induce the Global Administrative Agent and the Lenders to enter into this Agreement and to make the Loans and the other financial accommodations to the Borrowers, each of the Borrowers and, solely in the case of the representation and warranty set forth in Section 5.4hereof, each of the Companies represents and warrants as follows to each Lender and the Global Administrative Agent as of the Closing Date and thereafter on each date as required by Section 4.2:

5.1 Corporate Existence and Standing. Each of the Companies and each of their respective Subsidiaries is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted, except to the extent that the failure to be in good standing or authorized to conduct business in any jurisdiction could not, when taken together with all similar failures, reasonably be expected to have a Material Adverse Effect.

5.2 Authorization and Validity. Each of the Companies has the corporate power and authority and legal right to execute and deliver the Loan Documents to which it is party and to perform its obligations thereunder. The execution and delivery by each of the Companies of the Loan Documents to which it is party and the performance of its obligations thereunder have been duly authorized by proper corporate proceedings, and each Loan Document to which any Company is party constitutes the legal, valid and binding obligation of such Companies, as applicable, enforceable against such Companies, as applicable, in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the

enforcement of creditors' rights generally and general principles of equity, regardless of whether the application of such principles is considered in a proceeding in equity or at law.

5.3 No Conflict. Neither the execution and delivery by each of the Companies of the Loan Documents to which it is party, nor the consummation of the transactions therein contemplated, nor compliance with the provisions thereof will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on any Company or any of their Subsidiaries or any Company's or any of their Subsidiaries' articles of incorporation or by-laws or comparable constitutive documents or the provisions of any indenture, instrument or agreement to which any Company or any of their Subsidiaries is a party or is subject, or by which it, or its Property, is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any Lien in, of or on the Property of any of the Companies or any of their Subsidiaries pursuant to the terms of any such indenture, instrument or agreement which violation, conflict or imposition could reasonably be expected to have a Material Adverse Effect.

5.4 Financial Statements. The December 31, 2003, consolidated financial statements of HDFS and its consolidated Subsidiaries and of Harley and its Subsidiaries, previously delivered to certain of the Lenders, were prepared in accordance with Agreement Accounting Principles in effect on the date such statements were prepared and fairly present the consolidated financial condition of HDFS and its consolidated Subsidiaries and Harley and its consolidated Subsidiaries, as applicable, at the date thereof and the consolidated results of their operations for the period then ended. The consolidated financial statements of HDFS and its Subsidiaries dated as of June 30, 2004, previously delivered to certain of the Lenders, were prepared in accordance with Agreement Accounting Principles in effect on the date such statements were prepared and fairly present the consolidated financial condition of HDFS and its Subsidiaries at the date thereof and the consolidated results of their operations for the six-month period then ended, subject to normal year-end adjustments.

5.5 Material Adverse Change. From December 31, 2003 up to the Closing Date, there has been no event, development or circumstance which could reasonably be expected to have a Material Adverse Effect.

5.6 Taxes. Except as described on Schedule 5.6hereto, all material tax returns required to be filed by any of the Companies or their respective

Subsidiaries in any jurisdiction have, in fact, been filed, all such tax returns have been prepared in accordance with applicable laws, and all taxes, assessments, fees and other governmental charges upon the Companies or any of their Subsidiaries or upon any of their respective properties, income or franchises, which are shown on such returns have been paid except to the extent such tax payments are being contested in good faith by appropriate proceedings or with respect to which adequate reserves or other appropriate provisions are being maintained in accordance with Agreement Accounting Principles. For all taxable years ending on or before December 31, 2001, the United States Federal income tax liability and the United Kingdom corporation tax liability of the Companies and their respective Subsidiaries has been satisfied and, in the case of United States federal income tax, either the period of limitations on assessment of additional United States Federal income tax has expired or the applicable Company or the applicable Subsidiary has entered into an agreement with the IRS closing conclusively the total tax liability for the taxable year.

5.7 Litigation.There is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of any of their officers, threatened against or affecting any of the Companies or any of their Subsidiaries which could reasonably be expected to have a Material Adverse Effect.

5.8 Subsidiaries. Schedule 5.8 hereto contains an accurate list as of the Closing Date of all of the Subsidiaries of each of the Companies, setting forth their respective jurisdictions of incorporation and the percentage of their respective capital stock owned by the Companies or their Subsidiaries. All of the issued and outstanding shares of capital stock of the Subsidiaries reflected on Schedule 5.8hereto have been duly authorized and issued and are fully paid and non-assessable and are free and clear of all Liens, except Liens permitted under Section 6.3(B).

5.9 ERISA. The Unfunded Liabilities of all Benefit Plans are not such that the ongoing funding of such obligations in accordance with ERISA and the Code could reasonably be expected to cause a Material Adverse Effect. None of the Companies nor any other member of the Controlled Group has incurred, or is reasonably expected to incur, any withdrawal liability to Multiemployer Plans in each case, which could reasonably be expected to have a Material Adverse Effect. Each Plan complies in all material respects with all applicable requirements of law and regulations, no Reportable Event has occurred with respect to any Benefit Plan, none of the Companies or any other member of the Controlled Group has withdrawn from any Plan or initiated steps to do so, and no steps have been taken to reorganize or terminate any Plan in each case, which could reasonably be expected to have a Material Adverse Effect.

5.10 Accuracy ofInformation. As of the Closing Date, (i) the information, exhibits and reports furnished by or on behalf of Harley, the Companies and any of their Subsidiaries to the Global Administrative Agent or to any Lender in connection with the negotiation or preparation of the initial Loan Documents, including, without limitation, the Confidential Information Memorandum, if any, prepared in connection herewith, (ii) the representations and warranties of the Companies and their Subsidiaries contained in the initial Loan Documents, and (iii) all certificates and documents delivered on or prior to the Closing Date to the Global Administrative Agent and the Lenders pursuant to the terms thereof do not in each case contain as of the date furnished any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading.

5.11 Securities Activities. None of the Companies nor any of its Subsidiaries is engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

5.12 Material Agreements. None of the Companies nor any of their Subsidiaries is a party to any agreement or instrument or subject to any charter or other contractual or corporate restriction which will have or is reasonably likely to have a Material Adverse Effect. None of the Companies nor any of their Subsidiaries has received notice or has knowledge that (i) it is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any material Contractual Obligation applicable to it, or (ii) any condition exists which, with the giving of notice or the lapse of time or both, would constitute a default with respect to any such Contractual Obligation, in each case, except where such default or defaults, if any, will not have or are not reasonably likely to have a Material Adverse Effect.

5.13 Compliance with Laws. Each of the Companies and their Subsidiaries are in compliance with all Requirements of Law applicable to them and their respective businesses, in each case where the failure to so comply individually or in the aggregate will have or is reasonably likely to have a Material Adverse Effect.

5.14 Assets and Properties. Each Borrower and each of its Subsidiaries has good and marketable title to all of its assets and properties (tangible and intangible, real or personal) owned by it or a valid leasehold interest in all of its leased assets (except insofar as marketability may be limited by any laws or regulations of any Governmental Authority affecting such assets) except to the extent failure to have such good and marketable title could not reasonably be expected to have a Material Adverse Effect, and all such assets and property are free and clear of all Liens, except Liens permitted under Section 6.3(B).

5.15 Statutory Indebtedness Restrictions. None of the Companies, nor any of their Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, or the Investment Company Act of 1940, or any other federal or state statute or regulation which limits its ability to incur indebtedness.

5.16 Foreign Employee Benefit Matters. Each Foreign Employee Benefit Plan is in compliance in all respects with all laws, regulations and rules applicable thereto and the respective requirements of the governing documents for such Foreign Employee Benefit Plan, except for any non-compliance the consequences of which, in the aggregate, would not result in a Material Adverse Effect. The aggregate of the accumulated benefit obligations under all Foreign Pension Plans does not exceed the current fair market value of the assets held in the trusts or similar funding vehicles for such Foreign Pension Plans or reasonable reserves have been established in accordance with prudent business practices or as required by Agreement Accounting Principles with respect to any shortfall. With respect to any Foreign Employee Benefit Plan maintained or contributed to by any of the Companies or any other member of its Controlled Group (other than a Foreign Pension Plan), reasonable reserves have been established in accordance with prudent business practice or where required by ordinary accounting practices in the jurisdiction in which such Foreign Employee Benefit Plan is maintained.

ARTICLE VI COVENANTS

Each of the Companies covenants and agrees that so long as any Commitments or Syndicated Canadian Commitments are outstanding and thereafter until payment in full of all of the Obligations (other than contingent indemnity and reimbursement obligations to the extent such obligations have not accrued), unless the Required Lenders shall otherwise give prior written consent, to comply with the following:

6.1 Reporting. The Companies shall:

(A) Financial Reporting. Furnish to the Global Administrative Agent for distribution or electronic posting to each Lender:

(i) Quarterly Reports. As soon as practicable, and in any event within sixty (60) days after the end of each of the first three fiscal quarters in each fiscal year, the consolidated balance sheet of Harley and the consolidated balance sheet of the

Companies and their Subsidiaries as at the end of such period and the related consolidated statements of income, operations and retained earnings (deficit) of Harley and the consolidated statements of income or operations, retained earnings (deficit) and cash flow of each of the Companies and their Subsidiaries for such fiscal quarter, for the period from the beginning of the then current fiscal year to the end of such fiscal quarter and with comparative information for the preceding fiscal year, certified by the chief financial officer or treasurer of the U.S. Borrower on behalf of Harley and the Companies as fairly presenting in all material respects the consolidated financial position of Harley and the consolidated financial position of the Companies and their Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated in accordance with Agreement Accounting Principles, subject to normal year end adjustments.

(ii) Annual Reports. As soon as practicable, and in any event within one hundred and five (105) days after the end of each fiscal year, (a) the consolidated balance sheet of Harley and the consolidated balance sheet of each of the Companies and their consolidated Subsidiaries as at the end of such fiscal year and the related consolidated statements of income, operations, retained earnings (deficit) and cash flow, and the notes thereto, of Harley and the related consolidated statements of income, operations and retained earnings, and the notes thereto, of each of the Companies and their consolidated Subsidiaries for such fiscal year and, in comparative form the corresponding figures for the previous fiscal year and (b) an audit report on the items listed in clause (a) hereof of independent certified public accountants of recognized national standing, which audit report shall be unqualified and shall state that such financial statements fairly present in all material respects the consolidated financial position of Harley, each of the Companies and their Subsidiaries as at the dates indicated and the results of their operations and cash flow for the periods indicated in conformity with Agreement Accounting Principles and that the examination by such accountants in connection with such consolidated financial statements has been made in accordance with generally accepted auditing standards.

(iii) Officer's Certificate. Together with each delivery of any financial statement pursuant to clauses (i) and (ii) of this Section 6.1(A), (a) an Officer's Certificate of the U.S. Borrower, substantially in the form of Exhibit E attached hereto and made a part hereof, stating that no Default or Unmatured Default exists, or if any Default or Unmatured Default exists, stating the nature and status thereof and (b) a Compliance Certificate, substantially in the form of Exhibit F attached hereto and made a part hereof, signed by the U.S. Borrower's chief financial officer or treasurer, setting forth calculations which demonstrate compliance with the provisions of Section 6.4.

(B) Notice of Default. Promptly upon any of the chief executive officer, chief operating officer, chief financial officer, treasurer or controller of any of the Companies obtaining knowledge (i) of any condition or event which constitutes a Default or Unmatured Default, or becoming aware that any Lender or Global Administrative Agent has given any written notice with respect to a claimed Default or Unmatured Default under this Agreement, or (ii) that any

Person has given any written notice to any of the Companies or any of their Subsidiaries or taken any other action with respect to a claimed default or event or condition of the type referred to in Section 7.1(e), deliver to the Global Administrative Agent and the Lenders an Officer's

Certificate specifying (a) the nature and period of existence of any such claimed default, Default, Unmatured Default, condition or event, (b) the notice given or action taken by such Person in connection therewith, and (c) what action the Companies have taken, are taking and propose to take with respect thereto.

(C) Other Information. Promptly upon receiving a request therefor from the Global Administrative Agent, prepare and deliver to the Global Administrative Agent and the Lenders such other information with respect to the business, Property, prospects, condition (financial or otherwise) or results of operations of any of the Companies and their Subsidiaries as from time to time may be reasonably requested by the Global Administrative Agent.

6.2 Affirmative Covenants.

(A) Existence, Etc. Each of the Companies shall, and shall cause each of its respective Subsidiaries to, at all times maintain its existence and preserve and keep, or cause to be preserved and kept, in full force and effect its rights and franchises material to its businesses, except where such failure could not reasonably be expected to have a Material Adverse Effect.

(B) Powers. Each of the Companies shall, and shall cause each of its respective Subsidiaries to, qualify and remain qualified to do business in each jurisdiction in which the nature of its business requires it to be so qualified and where the failure to be so qualified will have or is reasonably likely to have a Material Adverse Effect.

(C) Compliance with Laws, Etc. Each of the Companies shall, and shall cause its respective Subsidiaries to, (a) comply, and cause its Plans to comply, with all Requirements of Law and all restrictive covenants affecting such Person or the business, properties, assets or operations of such Person, and (b) obtain as needed all material permits, licenses and franchises required for its operations and maintain such permits in good standing, in each case, except to the extent such failure to comply or failure to obtain could not reasonably be expected to have a Material Adverse Effect.

(D) Payment of Taxes and Claims. Each of the Companies shall pay, and cause each of its Subsidiaries to pay, (i) all taxes, assessments and other governmental charges imposed upon it or on any of its properties or assets or in respect of any of its franchises, business, income or Property before any material penalty or interest accrues thereon, and (ii) all claims (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or may become a Lien (other than a Lien permitted by Section 6.3(B)) upon any of such Person's Property or assets, prior to the time when any material penalty or fine shall be incurred with respect thereto; provided, however, that no such taxes, assessments and governmental charges referred to in clause (i) above or claims referred to in clause (ii)above (and interest, penalties or fines relating thereto) need be paid if being contested in good faith by appropriate proceedings diligently instituted and conducted or if such reserve or other appropriate provision, if any, as shall be required in conformity with Agreement Accounting Principles shall have been made therefor.

(E) Insurance. Each of the Companies shall maintain for itself and its Subsidiaries, or shall cause each of its Subsidiaries to maintain in full force and effect insurance policies and programs providing coverage that is reasonably consistent with prudent industry practice.

(F) Inspection of Property; Books and Records; Discussions. (i) If a Default has occurred and is continuing, each of the Companies shall permit, and cause each of the their respective Subsidiaries to permit, any authorized representative(s) designated by the Global Administrative Agent to visit and inspect any of the properties of such Persons, to examine, audit, check and make copies of their respective financial and accounting records, books, journals, orders, receipts and any correspondence and other data relating to their respective businesses or the transactions contemplated hereby, and to discuss their affairs, finances and accounts with their officers and independent certified public accountants, all upon reasonable notice and at such reasonable times during normal business hours, as often as may be reasonably requested; provided, however, in the case of any meeting or discussion with the independent auditors of the Companies, the Companies shall have the right to have their representatives present at any such meeting. (ii) Each of the Companies shall keep and maintain, and cause each of its respective Subsidiaries to keep and maintain, in all material respects, proper books of record and account in which entries in conformity with Agreement Accounting Principles shall be made of all dealings and transactions in relation to their respective businesses and activities. (iii) If a Default has occurred and is continuing, the Companies, upon the Global Administrative Agent's request, shall turn over copies of any such records to the Global Administrative Agent or its representatives.

(G) Maintenance of Property. Each of the Companies shall cause all Property used or useful in the conduct of its business or the business of any of its Subsidiaries to be maintained and kept in adequate condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, to the extent that the failure to do so could reasonably be expected to have a Material Adverse Effect.

(H) Use of Proceeds. Each Borrower shall use the proceeds of the Loans to provide funds for the working capital needs and other general corporate purposes of such Borrower and its Subsidiaries and to repay outstanding Indebtedness (including, without limitation, maturing commercial paper). No Borrower will, nor will it permit any Subsidiary to, use any of the proceeds of the Loans to purchase or carry any "Margin Stock" or to make any Acquisition other than an Acquisition permitted under the terms of Section 6.3(C).

(I) Maintenance of Rights. Each of the Companies shall obtain and maintain, and shall cause each of its Subsidiaries to obtain and maintain, in full force and effect all licenses, franchises, permits other similar rights necessary for the operation of its business, except where the failure to obtain or maintain such rights does not have and could not reasonably be expected to have a Material Adverse Effect.

6.3 Negative Covenants.

(A) Indebtedness. The Companies shall not and shall not permit any of their Subsidiaries to directly or indirectly create, incur, assume or otherwise become or remain directly or indirectly liable with respect to any Indebtedness, except:

(1) the Obligations and, in the case of the Guarantors, the guaranty of the Obligations;

(2) (a) Subordinated Indebtedness and (b) Indebtedness arising from intercompany loans; provided if the obligor on such Indebtedness under this clause (b) is one or more of the Companies (whether directly or through Contingent Obligations), such Indebtedness shall be subordinated to the Obligations pursuant to the subordination terms attached as Schedule 6.3 ("Subordinated Intercompany Indebtedness");

(3) Customary Permitted Contingent Obligations;

(4) Contingent Obligations which are included in the calculation of Consolidated Debt;

(5) unsecured Indebtedness of one or more of the Companies and other liabilities of one or more of the Companies incurred in the ordinary course of business and consistent with past practice, but not incurred through the borrowing of money or the obtaining of credit (other than customary trade terms);

(6) other unsecured Indebtedness of one or more of the Companies included in the calculation of Consolidated Debt;

(7) secured Indebtedness of one or more of the Companies included in the calculation of Consolidated Debt, provided that in connection therewith the Obligations of the Companies hereunder shall be secured equally and ratably with (or, at the option of the U.S. Borrower, prior to) such Indebtedness, so long as such Indebtedness shall be so secured pursuant to collateral trust or intercreditor agreements reasonably acceptable to the Global Administrative Agent;

(8) unsecured Hedging Obligations; and

(9) other secured Indebtedness of one or more of the Companies in an aggregate outstanding principal amount thereof not at any time in excess of ten percent (10%) of (a) Consolidated Equity of HDFS and its Subsidiaries minus (b) Subordinated Indebtedness (to the extent included in the definition of Consolidated Equity);

provided that, immediately after giving effect to the creation, issuance, assumption, guarantee or incurrence of any such Indebtedness, the Companies are in compliance with the terms of Section 6.4.

(B) Liens. None of the Companies nor any of their Subsidiaries shall directly or indirectly create, incur, assume or permit to exist any Lien on or with respect to any of their respective Property or assets except:

(i) Permitted Existing Liens;

(ii) Customary Permitted Liens;

(iii) Liens (A) consisting of sales, assignments, pledges or other transfers of Finance Receivables in connection with a Permitted Finance Receivables Securitization, and (B) on Finance Receivables and on any interest in Finance Receivables retained by any of the Companies or their Subsidiaries (including a Finance Receivables Subsidiary), whether directly or through the ownership of a certificate or other interest in a trust, provided to secure Permitted Securitization Recourse Obligations of any of the Companies or their Subsidiaries;

(iv) Liens to secure Indebtedness incurred pursuant to clause (7) of Section 6.3(A) provided the other terms and conditions of such clause have been met; and

(v) Liens to secure Indebtedness permitted pursuant to clause (9) of Section 6.3(A).

(C) Conduct of Business; Acquisitions. None of the Companies nor any of their Subsidiaries shall engage in any business other than (1) the businesses engaged in by them on the date hereof and any business or activities which are substantially similar, related or incidental thereto, (2) the origination or acquisition of Finance Receivables and (3) engaging in Permitted Finance Receivables Securitizations and other sales, assignments and transfers of Finance Receivables. The Companies shall not and shall not permit any of their Subsidiaries to consummate any Acquisition other than a Permitted Acquisition.

(D) Restriction on Fundamental Changes. None of the Companies nor any of their Subsidiaries shall enter into any merger or consolidation, or liquidate, wind-up or dissolve (or suffer any liquidation or dissolution), and neither HDFS nor the U.S. Borrower shall convey, lease, sell, transfer or otherwise dispose of, in one transaction or series of transactions, all or substantially all of any such Person's business or Property, whether now or hereafter acquired; provided that (1) in the event any Foreign Borrower conveys, sells, transfers or otherwise disposes of, in one transaction or series of transactions, all or substantially all of any such Person's business or Property, such Foreign Borrower must have been terminated as a Borrower in accordance with Section 2.22 and (2) any Subsidiary (i) may merge with or liquidate into the U.S. Borrower in a transaction in which the U.S. Borrower is the surviving corporation, (ii) that is not a Borrower may merge into any Guarantor in a transaction in which the surviving entity is a Guarantor, (iii) that is not a Borrower or a Guarantor may merge into any Subsidiary that is not a Borrower or a Guarantor or any Person that becomes a Guarantor simultaneously with such merger, (iv) that is not a Borrower or a Guarantor may merge into any other Person in connection with a Permitted Acquisition, (v) that is not a Borrower or a Guarantor may liquidate or dissolve if the U.S. Borrower determines in good faith that such liquidation or dissolution is in the best interests of the U.S. Borrower and is not materially disadvantageous to the Lenders.

(E) Margin Regulations. No Borrower shall use all or any portion of the proceeds of any credit extended under this Agreement to purchase or carry Margin Stock.

(F) Fiscal Year. HDFS shall not change its fiscal year for accounting or tax purposes from a period consisting of the 12-month period ending on December 31 of each calendar year.

(G) Amendments to Support Agreement. None of the Companies will allow or suffer to exist any amendment, supplement or other modification to the Support Agreement without the prior written consent of the Required Lenders.

6.4 Financial Covenants. The Companies shall comply with the following:

(A) Defined Terms for Financial Covenants. The following terms used in this Agreement shall have the following meanings (such meanings to be applicable, except to the extent otherwise indicated in a definition of a particular term, both to the singular and the plural forms of the terms defined):

"Consolidated Debt" means, at any time, all Indebtedness of HDFS and its consolidated Subsidiaries as reflected in the most recent consolidated balance sheet of HDFS in accordance with Agreement Accounting Principles; provided, there shall be excluded from such amounts (i) Subordinated Indebtedness and (ii) Subordinated Intercompany Indebtedness.

"Consolidated Equity" means and refers to, as of the end of any period of

determination, the sum, without duplication, of (i) Consolidated Tangible Net Worth of HDFS, (ii) preferred stock and (iii) Subordinated Indebtedness.

"Consolidated Tangible Net Worth" of HDFS means its consolidated shareholder's equity net of intangible assets, as shall be determined in accordance with Agreement Accounting Principles.

"Leverage Ratio" will mean the ratio of (a) Consolidated Debt to (b) Consolidated Equity.

"Subordinated Indebtedness" will mean Indebtedness of HDFS or its Subsidiaries, whether direct or indirect, to non-affiliated Persons which is subordinated to the Obligations on a basis acceptable to the Global Administrative Agent.

(B) Minimum Consolidated Tangible Net Worth. HDFS will at all times maintain a minimum Consolidated Tangible Net Worth of $300,000,000.

(C) Maximum Leverage Ratio. The Companies shall not permit the Leverage Ratio of HDFS and its consolidated Subsidiaries at any time to exceed 9.00 to 1.00.

ARTICLE VII DEFAULTS

7.1 Defaults. Each of the following occurrences shall constitute a Default under this Agreement:

(a) Failure to Make Payments When Due. Any Borrower (i) shall fail to pay when due any of the Obligations consisting of principal with respect to the Loans or (ii) shall fail

to pay within five (5) days of the date when due any of the other Obligations under this Agreement or the other Loan Documents.

(b) Breach of Certain Covenants. Any of the Companies shall fail duly and punctually to perform or observe any agreement, covenant or obligation under Section 6.1(A), 6.1(B), 6.2(F)(i), 6.2(F)(iii), 6.2(H), 6.3, or 6.4.

(c) Breach of Representation or Warranty. Any representation or warranty made or deemed made by any Company to the Global Administrative Agent or any Lender herein or by any Company or any of their Subsidiaries in any of the other Loan Documents or in any statement or certificate at any time given by any such Person pursuant to any of the Loan Documents shall be false or misleading in any material respect on the date as of which made (or deemed made).

(d) Other Defaults. Any of the Companies shall default in the performance of or compliance with any term contained in this Agreement (other than as covered by paragraphs (a), (b) or (c)of this Section 7.1), or any of the Companies or any of their Subsidiaries shall default in the performance of or compliance with any term contained in any of the other Loan Documents, and such default shall continue for twenty (20) days after notice thereof has been given by the Global Administrative Agent to any of the Companies.

(e) Default as to Other Indebtedness. Any of HDFS, any Borrower or any Material Subsidiary shall fail to make any payment when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) with respect to any Indebtedness (other than the Obligations) the outstanding principal amount of which Indebtedness is in excess of $50,000,000; or any breach, default or event of default shall occur, or any other condition shall exist under any instrument, agreement or indenture pertaining to any such Indebtedness, if the effect thereof is to cause an acceleration, mandatory redemption, a requirement that any of HDFS, any Borrower or any such Material Subsidiary offer to purchase such Indebtedness or other required repurchase of

such Indebtedness, or permit the holder(s) of such Indebtedness to accelerate the maturity of any such Indebtedness or require a redemption or other repurchase of such Indebtedness; or any such Indebtedness shall be otherwise declared to be due and payable (by acceleration or otherwise) or required to be prepaid, redeemed or otherwise repurchased by any of HDFS, any Borrower or any such Material Subsidiary (other than by a regularly scheduled required prepayment) prior to the stated maturity thereof.

(f) Involuntary Bankruptcy; Appointment of Receiver, Etc.

(i) An involuntary case shall be commenced against any of Harley, HDFS, any Borrower or any Material Subsidiary and the petition shall not be dismissed, stayed, bonded or discharged within sixty (60) days after commencement of the case; or a court having jurisdiction in the premises shall enter a decree or order for relief in respect of any such Person in an involuntary case, under any applicable bankruptcy, insolvency or other similar law now or hereinafter in effect; or any other similar relief shall be granted under any applicable federal, state, local or foreign law.

(ii) A decree or order of a court having jurisdiction in the premises for the appointment of a receiver, administrator, administrative receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over any of Harley, HDFS, any Borrower or any Material Subsidiary or over all or a substantial part of the Property of any such Person shall be entered or any analogous procedure or step is taken in any jurisdiction; or an interim receiver, trustee or other custodian of any such Person or of all or a substantial part of the Property of any such Person shall be appointed or a warrant of attachment, execution or similar process against any substantial part of the Property of any such Person shall be issued and any such event shall not be stayed, dismissed, bonded or discharged within sixty (60) days after entry, appointment or issuance.

(g) Voluntary Bankruptcy; Appointment of Receiver, Etc. Any of Harley, HDFS, any Borrower or any Material Subsidiary shall (i) commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, (ii) consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, (iii) consent to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its Property, (iv) make any assignment or arrangement for the benefit of creditors, (v) take any corporate, partnership or comparable action to authorize any of the foregoing or (vi) take any procedure or step in relation to any analogous proceedings in any jurisdiction.

(h) Judgments and Attachments. Any money judgment(s) (other than a money judgment covered by insurance as to which the insurance company has not disclaimed or reserved the right to disclaim coverage), writ or warrant of attachment, or similar process in any jurisdiction against any of Harley, HDFS, any Borrower or any Material Subsidiary or any of their respective assets involving in any single case or in the aggregate an amount in excess of $50,000,000 is (are) entered and shall remain undischarged, unvacated, unbonded or unstayed for a period of sixty (60) days or in any event later than fifteen (15) days prior to the date of any proposed sale thereunder.

(i) Dissolution. Any order, judgment or decree shall be entered against Harley, HDFS, any Borrower or any Material Subsidiary decreeing its involuntary dissolution or split up and such order shall remain undischarged and unstayed for a period in excess of sixty (60) days; or any such Person shall otherwise dissolve or cease to exist except as specifically permitted by this Agreement.

(j) Loan Documents. At any time, for any reason, any Loan Document ceases to

be in full force and effect or Harley, any Company or any of their Subsidiaries party thereto seeks to repudiate its obligations thereunder.

(k) ERISA Default Event. Any ERISA Default Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Default Events that have occurred and have not been remedied, could reasonably be expected to result in liability in excess of 15% of the Consolidated Tangible Net Worth of the Companies and their Subsidiaries.

(l) Change of Control. A Change of Control shall occur.

(m) Guaranty Default. Any Guarantor shall terminate, revoke, refuse to perform or otherwise breach any its guaranty and other obligations contained in Article XII, or such guaranty shall otherwise become unenforceable for any reason.

(n) Support Agreement Default. Harley shall terminate, revoke, refuse to perform or otherwise breach any of its obligations contained in the Support Agreement or such Support Agreement or any part thereof shall otherwise become unenforceable for any reason.

A Default shall be deemed "continuing" until cured or until waived in writing in accordance with Section 8.3.

ARTICLE VIII ACCELERATION, DEFAULTING LENDERS; WAIVERS, AMENDMENTS AND REMEDIES

8.1 Remedies

(a) Termination of Commitments; Acceleration. If any Default described in Section 7.1(f), 7.1(g) or 7.1(i)occurs with respect to any Borrower, the obligations of the Lenders to make Loans (including without limitation Syndicated Canadian Loans) hereunder shall automatically terminate and the Obligations shall immediately become due and payable without any election or action on the part of the Global Administrative Agent or any Lender. If any other Default occurs, the Required Lenders may (i) terminate the obligations of the Lenders to make Loans (including without limitation Syndicated Canadian Loans) hereunder or (ii) declare the Obligations to be due and payable, or both, and upon any declaration under clause (ii), the Commitments shall terminate and the Obligations shall become immediately due and payable, without presentment, demand, protest or notice of any kind, all of which each Borrower expressly waives.

(b) Rescission. If, at any time after termination of the Lenders' obligations to make Loans but before acceleration of the maturity of the Loans, the relevant Borrower shall pay all arrears of interest and all payments on account of principal of the Loans which shall have become due otherwise than by acceleration (with interest on principal and, to the extent permitted by law, on overdue interest, at the rates specified in this Agreement) and all Defaults and Unmatured Defaults (other than nonpayment of principal of and accrued interest on the Loans due and payable solely by virtue of acceleration) shall be remedied or waived pursuant to Section 8.3, then upon the written consent of the Required Lenders and written notice to the U.S. Borrower, the termination of Lenders' respective obligations to make Loans or the aforesaid acceleration and its consequences may be rescinded and annulled; but such action shall not affect any subsequent Default or Unmatured Default or impair any right or remedy consequent thereon. The provisions of the preceding sentence are intended merely to bind the Lenders to a decision which may be made at the election of the Required Lenders; they are not intended to benefit any Borrower and do not give any Borrower the right to require the Lenders to rescind or annul any termination of the aforesaid obligations of the Lenders or any acceleration hereunder, even if the conditions set forth herein are met.

8.2 Defaulting Lender. In the event that any Lender fails to fund its Pro Rata Share or Syndicated Canadian Pro Rata Share (as applicable) of any Syndicated Global Advance or

Syndicated Canadian Advance requested or deemed requested by the applicable Borrower which such Lender is obligated to fund under the terms of this Agreement (the funded portion of such Advance being hereinafter referred to as a "Non Pro Rata Loan"), until the earlier of such Lender's cure of such failure and the termination of the Commitments, the proceeds of all amounts thereafter repaid to the Global Administrative Agent by any Borrower and otherwise required to be applied to such Lender's share of all other Obligations pursuant to the terms of this Agreement shall be advanced to the applicable Borrower by the Global Administrative Agent ("Cure Loans") on behalf of such Lender to cure, in full or in part, such failure by such Lender, but shall nevertheless be deemed to have been paid to such Lender in satisfaction of such other Obligations. Notwithstanding anything in this Agreement to the contrary:

(i) the foregoing provisions of this Section 8.2 shall apply only with respect to the proceeds of payments of Obligations and shall not affect the conversion or continuation of Loans pursuant to Section 2.8;

(ii) any such Lender shall be deemed to have cured its failure to fund its Pro Rata Share of any Syndicated Global Advance or Syndicated Canadian Pro Rata Share of any Syndicated Canadian Advance at such time as an amount equal to such Lender's original Pro Rata Share or Syndicated Canadian Pro Rata Share (as applicable) of the requested principal portion of such Advance is fully funded to the applicable Borrower, whether made by such Lender itself or by operation of the terms of this Section 8.2, and whether or not the Non Pro Rata Loan with respect thereto has been repaid, converted or continued;

(iii) amounts advanced to any Borrower to cure, in full or in part, any such Lender's failure to fund its Pro Rata Share of any Syndicated Global Advance or Syndicated Canadian Pro Rata Share of any Syndicated Canadian Advance shall be redenominated in the relevant currency and shall bear interest at the rate applicable to Syndicated Global Loans which are Base Rate Loans or Syndicated Canadian Loans which are Canadian Prime Rate Loans (as applicable), in effect from time to time, and for all other purposes of this Agreement shall be treated as if they were Base Rate Loans or Canadian Prime Rate Loans (as applicable);

(iv) regardless of whether or not a Default has occurred or is continuing, and notwithstanding the instructions of any Borrower as to its desired application, all repayments of principal which, in accordance with the other terms of this Agreement, would be applied to the outstanding Base Rate Loans or Canadian Prime Rate Loans shall be applied first, ratably to all Base Rate Loans or Canadian Prime Rate Loans (as applicable) constituting Non Pro Rata Loans, second, ratably to Base Rate Loans or Canadian Prime Rate Loans (as applicable) other than those constituting Non Pro Rata Loans or Cure Loans and, third, ratably to Base Rate Loans or Canadian Prime Rate Loans (as applicable) constituting Cure Loans;

(v) for so long as and until the earlier of any such Lender's cure of the failure to fund its Pro Rata Share of any Syndicated Global Advance or Syndicated Canadian Pro Rata Share of any Syndicated Canadian Advance and the termination of the Commitments or Syndicated Canadian Commitments (as applicable), (1) the term

"Required Lenders" for purposes of this Agreement shall mean Lenders (excluding

all Lenders whose failure to fund their respective Pro Rata Share of such Advance have not been so cured) whose Pro Rata Shares represent greater than fifty-one percent (51%) of the aggregate Pro Rata Shares of such Lenders and (2) the term "Required Syndicated Canadian Banks" for purposes of this Agreement shall mean Syndicated Canadian Banks (excluding all Syndicated Canadian Banks whose failure to fund their respective Syndicated Canadian Pro Rata Share of such Advance have not been so cured) whose Syndicated Canadian Pro Rata Shares represent greater than fifty-one percent (51%) of the aggregate Syndicated Canadian Pro Rata Shares of such Syndicated Canadian Banks; and

(vi) for so long as and until any such Lender's failure to fund its Pro Rata Share of any Syndicated Global Advance or Syndicated Canadian Pro Rata Share of any Syndicated Canadian Advance is cured in accordance with Section 8.2(ii), such Lender shall not be entitled to any fees with respect to its Commitment or Syndicated Canadian Commitment (as applicable), which fees shall accrue in favor of the Lenders which have funded their respective Pro Rata Share or Syndicated Canadian Pro Rata Share (as applicable) of such requested Advance, shall be allocated among such performing Lenders ratably based upon their relative Commitments or Syndicated Canadian Commitments (as applicable).

8.3 Amendments. Subject to the provisions of this Article VIII, the Required Lenders (or the Global Administrative Agent with the consent in writing of the Required Lenders) and the Borrowers may enter into agreements supplemental hereto for the purpose of adding or modifying any provisions to the Loan Documents or changing in any manner the rights of the Lenders or the Borrower hereunder or waiving any Default hereunder; provided, however, that (a) no such supplemental agreement shall, without the consent of each Lender directly affected thereby:

(i) postpone or extend the Termination Date or any other date fixed for any payment of principal of, or interest on, the Loans or any fees or other amounts payable to such Lender (except with respect to a waiver of the application of the default rate of interest pursuant to Section 2.11 hereof);

(ii) reduce the principal amount of any Loans, or reduce the rate or extend the time of payment of interest or fees thereon or other amounts payable hereunder;

(iii) reduce the percentage specified in the definition of Required Lenders or any other percentage of Lenders specified to be the applicable percentage in this Agreement to act on specified matters or amend the definitions of "Required Lenders", "Required Syndicated Canadian Banks", "Pro Rata Share" or "Syndicated Canadian Pro Rata Share";

(iv) increase the amount of the Commitment of any Syndicated Global Lender or the Syndicated Canadian Commitment of any Syndicated Canadian Bank or increase any Lender's Pro Rata Share or any Syndicated Canadian Bank's Syndicated Canadian Pro Rata Share;

(v) permit any Borrower to assign its rights under this Agreement;

(vi) notwithstanding anything to the contrary in the Support Agreement, release Harley from any of its obligations under the Support Agreement or otherwise terminate the Support Agreement;

(vii) release any Guarantor;

(viii) alter the manner in which payments or prepayments of principal, interest or other amounts under the Loan Documents shall be applied as among the Lenders;

(ix) amend this Section 8.3;

and (b) any supplemental agreement amending or modifying any provision of the Syndicated Canadian Addendum only requires the written consent of the Canadian Borrower, the Required Syndicated Canadian Banks and the Global Administrative Agent.

No amendment of any provision of this Agreement relating to the Global Administrative Agent shall be effective without the written consent of the Global Administrative Agent. No amendment of any provision of this Agreement relative to the Global Swing Line Lender shall be effective without the written consent of the Global Swing Line Lender. No amendment of any provision of this Agreement relative to the Global Administrative Agent shall be effective without the written consent of the Global Administrative Agent. The Global Administrative Agent may waive payment of the fee required under Section 13.3(B) without obtaining the consent of any of the Lenders or Borrowers.

8.4 Preservation of Rights. No delay or omission of the Lenders or the Global Administrative Agent to exercise any right under the Loan Documents shall impair such right or be construed to be a waiver of any Default or an acquiescence therein, and the making of a Loan notwithstanding the existence of a Default or the inability of any Borrower to satisfy the conditions precedent to such Loan shall not constitute any waiver or acquiescence. Any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by the Lenders required pursuant to Section 8.3, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to the Global Administrative Agent and the Lenders until the Obligations have been paid in full.

ARTICLE IX GENERAL PROVISIONS

9.1 Survival of Representations. All representations and warranties of the relevant Companies contained in this Agreement shall survive delivery of any Notes and the making of the Loans herein contemplated.

9.2 Governmental Regulation. Anything contained in this Agreement to the contrary notwithstanding, no Lender shall be obligated to extend credit to any Borrower in violation of any limitation or prohibition provided by any applicable statute or regulation.

9.3 Headings. Section headings in the Loan Documents are for convenience of reference only, and shall not govern the interpretation of any of the provisions of the Loan Documents.

9.4 Entire Agreement. The Loan Documents embody the entire agreement and understanding among the Companies, the Global Administrative Agent and the Lenders and supersede all prior agreements and understandings among the Companies, the Global Administrative Agent and the Lenders relating to the subject matter thereof.

9.5 Several Obligations; Benefits of this Agreement. The respective obligations of the Lenders hereunder are several and not joint and no Lender shall be the partner or agent of any other. The failure of any Lender to perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. This Agreement shall not be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and assigns.

9.6 Expenses; Indemnification.

(A) Expenses. The Borrowers shall reimburse the Global Administrative Agent, the Global Swing Line Lender and the Arrangers for any reasonable costs, internal charges and out-of-pocket expenses (including attorneys' and paralegals' fees and time charges of attorneys and paralegals for each such Person, which attorneys and paralegals may be employees of such Persons) paid or incurred by such Persons in connection with the preparation, negotiation, execution, delivery, syndication, distribution (including via the internet), review, amendment, modification, and administration of the Loan Documents. The Borrowers also agree to reimburse the Global Administrative Agent, the Global Swing Line Lender and the Lenders for any costs, internal charges and out-of-pocket expenses (including attorneys' and paralegals' fees and time charges of attorneys and paralegals for each such Person, which attorneys and paralegals may be employees of such Persons) paid or incurred by each such Person in connection with the collection of the Obligations and enforcement of the Loan Documents; provided that the Borrowers shall not be obligated to so reimburse for more than one law firm (and, in addition to such law firm, any local counsel engaged in each relevant jurisdiction by such law firm) as counsel for the Global Administrative Agent and more than one law firm (and, in addition to such law firm, any local counsel engaged in each relevant jurisdiction by such law firm) as counsel for the Lenders in connection with such collection or enforcement.

(B) Indemnity. Each of the Borrowers further agrees to defend, protect, indemnify, and hold harmless the Global Administrative Agent, the Global Swing Line Lender, the Arrangers, each and all of the Lenders, and each of their respective Affiliates, and each of such Person's respective officers, directors, employees, attorneys and agents (including, without limitation, those retained in connection with the satisfaction or attempted satisfaction of any of the conditions set forth in Article IV) (collectively, the "Indemnitees") from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses of any kind or nature whatsoever (including, without limitation, the fees and disbursements of counsel for such Indemnitees in connection with any investigative, administrative or judicial proceeding, whether or not such Indemnitees shall be designated a party thereto), imposed on, incurred by, or asserted against such Indemnitees in any manner relating to or arising out of:

(i) this Agreement, the other Loan Documents, or any act, event or transaction related or attendant thereto, the making of the Loans hereunder, the management of such Loans or the use or intended use of the proceeds of the Loans; or

(ii) any liabilities, obligations, responsibilities, losses, damages, personal injury, death, punitive damages, economic damages, consequential damages, treble damages, intentional, willful or wanton injury, damage or threat to the environment, natural resources or public health or welfare, costs and expenses (including, without limitation, attorney, expert and consulting fees and costs of investigation, feasibility or remedial action studies), fines, penalties and monetary sanctions, interest, direct or indirect, known or unknown, absolute or contingent, past, present or future relating to violation of any Environmental, Health or Safety Requirements of Law arising from or in connection with the past, present or future operations of the Companies, their Subsidiaries or any of their respective predecessors in interest, or, the past, present or future environmental, health or safety condition of any respective Property of the Companies or their Subsidiaries, the presence of asbestos-containing materials at any respective Property of the Companies or their Subsidiaries or the Release or threatened Release of any Contaminant into the environment (collectively, the "Indemnified Matters");

provided, however, no Borrower shall have any obligation to an Indemnitee

hereunder with respect to Indemnified Matters caused solely by or resulting solely from the willful misconduct or Gross Negligence of such Indemnitee, as determined by the final non-appealable judgment of a court of competent jurisdiction. If the undertaking to indemnify, pay and hold harmless set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, the Borrowers shall contribute the maximum portion which it is permitted to pay and satisfy under applicable law, to the payment and satisfaction of all Indemnified Matters incurred by the Indemnitees.

(C) Waiver of Certain Claims; Settlement of Claims. Each of the Companies further agrees to assert no claim against any of the Indemnitees on any theory of liability for consequential, special, indirect, exemplary or punitive damages. No settlement shall be entered into by any Company or any of their Subsidiaries with respect to any claim, litigation, arbitration or other proceeding relating to or arising out of the transaction evidenced by this Agreement or the other Loan Documents (whether or not the Global Administrative Agent, any Lender, the Global Swing Line Lender or any Indemnitee is a party thereto) unless such settlement releases all Indemnitees from any and all liability with respect thereto.

(D) Survival of Agreements. The obligations and agreements of the Companies under this Section 9.6 shall survive the termination of this Agreement.

9.7 Numbers of Documents. All statements, notices, closing documents, and requests hereunder shall be furnished to the Global Administrative Agent with sufficient counterparts so that the Global Administrative Agent may furnish one to each of the relevant Lenders.

9.8 Accounting. Except as provided to the contrary herein, all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with Agreement Accounting Principles.

9.9 Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid in any jurisdiction shall, as to that jurisdiction, be inoperative, unenforceable, or invalid without affecting the remaining provisions in that jurisdiction or the operation, enforceability, or validity of that provision in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

9.10 Nonliability of Lenders. The relationship among the Companies and the Lenders, the Global Swing Line Lender and the Global Administrative Agent shall be solely that of borrower or guarantor and lender. Neither the Global Administrative Agent, nor the Global Swing Line Lender nor any Lender shall have any fiduciary responsibilities to any of the Companies. Neither the Global Administrative Agent, nor any Lender, nor the Global Swing Line Lender undertakes any responsibility to any of the Companies to review or inform any of the Companies of any matter in connection with any phase of any of the Companies' business or operations.

9.11 CHOICE OF LAW. THE LOAN DOCUMENTS (OTHER THAN THOSE CONTAINING A CONTRARY EXPRESS CHOICE OF LAW PROVISION) SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF ILLINOIS, BUT GIVING EFFECT TO FEDERAL LAWS APPLICABLE TO BANKS.

9.12 WAIVER OF JURY TRIAL. EACH OF THE COMPANIES, THE GLOBAL ADMINISTRATIVE AGENT, THE GLOBAL SWING LINE LENDER AND EACH LENDER HEREBY WAIVE TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN DOCUMENT OR THE RELATIONSHIP ESTABLISHED THEREUNDER. EACH OF THE PARTIES HERETO AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL

WITHOUT A JURY AND THAT ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

9.13 No Strict Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement and the other Loan Documents. In the event an ambiguity or question of intent or interpretation arises, this Agreement and the other Loan Documents shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement or any of the other Loan Documents.

9.14 USA PATRIOT ACT. Each Lender that is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act") hereby notifies each Borrower that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies such Borrower, which information includes the name and address of such Borrower and other information that will allow such Lender to identify such Borrower in accordance with the Act.

ARTICLE X THE GLOBAL ADMINISTRATIVE AGENT

10.1 Appointment; Nature of Relationship. JPMorgan Chase Bank is appointed by the Lenders (each reference in this Article X to a Lender being in its capacity either as a Lender or the Global Swing Line Lender, or any or all of the foregoing) as the Global Administrative Agent hereunder and under each other Loan Document, and each of the Lenders irrevocably authorizes the Global Administrative Agent to act as the contractual representative of such Lender with the rights and duties expressly set forth herein and in the other Loan Documents. The Global Administrative Agent agrees to act as such contractual representative upon the express conditions contained in this Article X. Notwithstanding the use of the defined term "Global Administrative Agent", it is expressly understood and agreed that the Global Administrative Agent shall not have any fiduciary responsibilities to any Lender by reason of this Agreement and that the Global Administrative Agent is merely acting as the representative of the Lenders with only those duties as are expressly set forth in this Agreement and the other Loan Documents. In its capacity as the Lenders' contractual representative, the Global Administrative Agent (i) does not assume any fiduciary duties to any of the Lenders, and (ii) is acting as an independent contractor, the rights and duties of which are limited to those expressly set forth in this Agreement and the other Loan Documents. Each of the Lenders agrees to assert no claim against the Global Administrative Agent on any agency theory or any other theory of liability for breach of fiduciary duty, all of which claims each Lender waives.

10.2 Powers. The Global Administrative Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Global Administrative Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Global Administrative Agent shall have no implied duties or fiduciary duties to the Lenders, or any obligation to the Lenders to take any action hereunder or under any of the other Loan Documents except any action specifically provided by the Loan Documents required to be taken by the Global Administrative Agent. The Global Administrative Agent shall have and may exercise such powers under the Loan Documents as are specifically delegated to the Global Administrative Agent by the terms of each thereof, together with such powers as are reasonably incidental thereto. The Global Administrative Agent shall have no implied duties or fiduciary duties to the Lenders, or any obligation to the Lenders to take any action hereunder or under any of the other Loan Documents except any action specifically provided by the Loan Documents required to be taken by the Global Administrative Agent. Without limiting the foregoing, the Global Administrative Agent hereby agrees

to provide the notice contemplated by Section 7.1(d) if so requested by the Required Lenders.

10.3 General Immunity. Neither the Global Administrative Agent nor any of its directors, officers, agents or employees shall be liable to any of the Borrowers or Lenders for any action taken or omitted to be taken by it or them hereunder or under any other Loan Document or in connection herewith or therewith except to the extent such action or inaction is found in a final non-appealable judgment by a court of competent jurisdiction to have arisen solely from (i) the Gross Negligence or willful misconduct of such Person or (ii) breach of contract by such Person with respect to the Loan Documents.

10.4 No Responsibility for Loans, Creditworthiness, Recitals, Etc. Neither the Global Administrative Agent nor any of its directors, officers, agents or employees shall be responsible

for or have any duty to ascertain, inquire into, or verify (i) any statement, warranty or representation made in connection with any Loan Document or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of any obligor under any Loan Document; (iii) the satisfaction of any condition specified in Article IV; (iv) the existence or possible existence of any Default or (v) the validity, effectiveness or genuineness of any Loan Document or any other instrument or writing furnished in connection therewith. The Global Administrative Agent shall not be responsible to any Lender for any recitals, statements, representations or warranties herein or in any of the other Loan Documents, for the execution, effectiveness, genuineness, validity, legality, enforceability, collectibility, or sufficiency of this Agreement or any of the other Loan Documents or the transactions contemplated thereby, or for the financial condition of Harley, any guarantor of any or all of the Obligations, any Company or any of their Subsidiaries.

10.5 Action on Instructions of Lenders. The Global Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder and under any other Loan Document in accordance with written instructions signed by the Required Lenders (except with respect to actions that require the consent of all of the Lenders as provided in Section 8.3), and such instructions and any action taken or failure to act pursuant thereto shall be binding on all of the Lenders and on all holders of Notes. The Global Administrative Agent shall be fully justified in failing or refusing to take any action hereunder and under any other Loan Document unless it shall first be indemnified to its satisfaction by the Lenders pro rata against any and all liability, cost and expense that it may incur by reason of taking or continuing to take any such action.

10.6 Employment of the Global Administrative Agent and Counsel. The Global Administrative Agent may execute any of their respective duties hereunder and under any other Loan Document by or through employees, agents, affiliates and attorneys-in-fact, and shall not be answerable to the Lenders, except as to money or securities received by it or its authorized agents, for the default or misconduct of any such agents or attorneys-in-fact selected by it with reasonable care. The Global Administrative Agent shall be entitled to advice of counsel concerning the contractual arrangement among the Global Administrative Agent and the Lenders and all matters pertaining to the Global Administrative Agent's duties hereunder and under any other Loan Document.

10.7 Reliance on Documents; Counsel. The Global Administrative Agent shall be entitled to rely upon any Note, notice, consent, certificate, affidavit, letter, telegram, statement, paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons, and, in respect to legal matters, upon the opinion of counsel selected by the Global Administrative Agent, which counsel may be employees of the Global

Administrative Agent.

10.8 The Global Administrative Agent's Reimbursement and Indemnification. The Lenders agree to reimburse and indemnify the Global Administrative Agent ratably in proportion to their respective Pro Rata Shares (determined at the time such indemnity is sought) (i) for any amounts not reimbursed by any Borrower for which the Global Administrative Agent is entitled to reimbursement or indemnification by any Borrower under the Loan Documents, (ii) for any other expenses incurred by the Global Administrative Agent on behalf of the Lenders in

connection with the preparation, execution, delivery, administration, distribution (including via the internet) and enforcement of the Loan Documents, including as a result of a dispute among the Lenders or between any Lender and the Global Administrative Agent, and (iii) for any liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Global Administrative Agent in any way relating to or arising out of the Loan Documents or any other document delivered in connection therewith or the transactions contemplated thereby, or the enforcement of any of the terms thereof or of any such other documents, including as a result of a dispute among the Lenders or between any Lender and the Global Administrative Agent; provided that no Lender shall be liable for any of the foregoing to the extent any of the foregoing is found in a final non-appealable judgment by a court of competent jurisdiction to have arisen solely from the Gross Negligence or willful misconduct of the Global Administrative Agent.

10.9 Rights as a Lender. With respect to its Commitment, Swing Line Commitment or Syndicated Canadian Commitment, Loans made by it and any Notes issued to it, the Global Administrative Agent shall have the same rights and powers hereunder and under any other Loan Document as any Lender and may exercise the same as though it were not the Global Administrative Agent, as applicable, and the term "Lender" or "Lenders", "Syndicated Canadian Bank" or "Global Swing Line Lender", as applicable, shall, unless the context otherwise indicates, include the Global Administrative Agent in its individual capacity. The Global Administrative Agent may accept deposits from, lend money to and generally engage in any kind of trust, debt, equity or other transaction, in addition to those contemplated by this Agreement or any other Loan Document, with Harley, any Company or any of their Subsidiaries in which such Person is not prohibited hereby from engaging with any other Person.

10.10 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon the Global Administrative Agent or any other Lender and based on the financial statements prepared by the Borrowers and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and the other Loan Documents. Each Lender also acknowledges that it will, independently and without reliance upon the Global Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Documents.

10.11 Successor GlobalAdministrative Agent. The Global Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrowers. Upon any such resignation, the Required Lenders shall have the right to appoint, on behalf of the Lenders, a successor Global Administrative Agent. If no successor Global Administrative Agent shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty days after the retiring Global Administrative Agent's giving notice of resignation, then the retiring Global Administrative Agent may appoint, on behalf of the Lenders, a successor Global Administrative Agent.

Notwithstanding anything herein to the contrary, so long as no Default has occurred and is continuing, each such successor Global Administrative Agent shall be subject to approval by the U.S. Borrower, which approval shall not be unreasonably withheld. Such successor Global Administrative Agent shall be a commercial bank (including a branch

thereof) having capital and retained earnings of at least $500,000,000. Upon the acceptance of any appointment as the Global Administrative Agent hereunder by a successor Global Administrative Agent, such successor Global Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Global Administrative Agent, and the retiring Global Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents. After any retiring Global Administrative Agent's resignation hereunder as the Global Administrative Agent, the provisions of this Article Xshall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Global Administrative Agent hereunder and under the other Loan Documents.

10.12 Co-Agents, Documentation Agent, Syndication Agent, etc. None of the Lenders, if any, identified in this Agreement as a "co-agent", "documentation agent" or "syndication agent" shall have any right, power, obligation, liability, responsibility or duty under this Agreement other than those applicable to all Lenders as such. Without limiting the foregoing, none of such Lenders shall have or be deemed to have a fiduciary relationship with any Lender. Each Lender hereby makes the same acknowledgments with respect to such Lenders as it makes with respect to the Administrative Agent in Section 10.10.

ARTICLE XI SETOFF; RATABLE PAYMENTS

11.1 Setoff. In addition to, and without limitation of, any rights of the Lenders or the Global Swing Line Lender under applicable law, if any Default occurs and is continuing, any indebtedness from any Lender or the Global Swing Line Lender to any Company (including all account balances, whether provisional or final and whether or not collected or available) may be offset and applied toward the payment of the Obligations owing to such Lender or the Global Swing Line Lender and the other Obligations, whether or not the Obligations, or any part hereof, shall then be due.

11.2 Ratable Payments. (a) If any Syndicated Global Lender, whether by setoff or otherwise, has payment made to it upon its Syndicated Global Loans (other than payments received pursuant to Sections 3.1, 3.2, 3.4or 3.5) in a greater proportion than that received by any other Syndicated Global Lender, such Syndicated Global Lender agrees, promptly upon demand, to purchase a portion of the Syndicated Global Loans held by the other Syndicated Global Lenders so that after such purchase each Syndicated Global Lender will hold its ratable proportion of Syndicated Global Loans. If any Syndicated Global Lender, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Syndicated Global Lender agrees, promptly upon demand, to take such action necessary such that all Syndicated Global Lenders share in the benefits of such collateral ratably in proportion to their Syndicated Global Loans. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

(b) If any Syndicated Canadian Bank, whether by setoff or otherwise, has payment made to it upon its Syndicated Canadian Loans (other than payments received pursuant to Sections 3.1, 3.2, 3.4 or 3.5) in a greater proportion than that received by any other Syndicated Canadian Bank, such Syndicated Canadian Bank agrees, promptly upon demand, to purchase a portion of

the Syndicated Canadian Loans held by the other Syndicated Canadian Banks so that after such purchase each Syndicated Canadian Bank will hold its ratable proportion of Syndicated Canadian Loans. If any Syndicated Canadian Bank, whether in connection with setoff or amounts which might be subject to setoff or otherwise, receives collateral or other protection for its Obligations or such amounts which may be subject to setoff, such Syndicated Canadian Bank agrees, promptly upon demand, to take such action necessary such that all Syndicated Canadian Banks share in the benefits of such collateral ratably in proportion to their Syndicated Canadian Loans. In case any such payment is disturbed by legal process, or otherwise, appropriate further adjustments shall be made.

ARTICLE XII GUARANTEE

In order to induce the Lenders to extend credit hereunder, each Guarantor fully and unconditionally and irrevocably guarantees, as a primary obligor and not merely as a surety, jointly with the other Guarantors and severally, the Obligations (including, without limitation, interest accruing hereunder after the commencement of any case under the United States Bankruptcy Code or any other bankruptcy-related rules or legislation in any country in which a Company is organized, whether or not allowed as a claim in such case). The obligations of the Guarantors under this Article XII are sometimes referred to as the "Guarantee". Each Guarantor further agrees that the Obligations may be extended or renewed, in whole or in part, without notice to or further assent from it, and that it will remain bound upon its Guarantee hereunder notwithstanding any such extension or renewal of any Obligation.

Each Guarantor waives presentment to, demand of payment from and protest to any Borrower of any of the Obligations, and also waives notice of acceptance of its obligations and notice of protest for nonpayment. The obligations of the Guarantors hereunder shall not be affected by the failure of any Lender or the Global Administrative Agent to assert any claim or demand or to enforce any right or remedy against any Borrower under the provisions of this Agreement or any of the other Loan Documents or otherwise, or, except as specifically provided therein, by any rescission, waiver, amendment or modification of any of the terms or provisions of this Agreement, any of the other Loan Documents or any other agreement.

Each Guarantor further agrees that its Guarantee hereunder constitutes a promise of payment when due and not merely of collection, and waives any right to require that any resort be had by any Lender to any balance of any deposit account or credit on the books of any Lender in favor of any Borrower or any other person.

Each Guarantor agrees that its obligations under this Guarantee shall be unconditional, irrespective of:

(i) the validity, enforceability, avoidance, novation or subordination of any of the Obligations or any of the Loan Documents;

(ii) the absence of any attempt by, or on behalf of, any Lender or the Global Administrative Agent to collect, or to take any other action to enforce, all or any part of the Obligations whether from or against any Borrower, any other guarantor of the Obligations or any other Person;

(iii) the election of any remedy by, or on behalf of, any Lender or the Global Administrative Agent with respect to all or any part of the Obligations;

(iv) the waiver, consent, extension, forbearance or granting of any indulgence by, or on behalf of, any Lender or the Global Administrative Agent with respect to any provision of any of the Loan Documents;

(v) the failure of the Global Administrative Agent to take any steps to perfect and maintain its security interest in, or to preserve its rights to, any security or collateral for the Obligations;

(vi) the election by, or on behalf of, any one or more of the Lenders or the Global Administrative Agent in any proceeding instituted under Chapter 11 of Title 11 of the United States Code (11 U.S.C. 101 et seq.) (the "Bankruptcy Code") or other bankruptcy-related rules or legislation in any country in which a Company is organized, of the application of Section 1111(b)(2) of the Bankruptcy Code;

(vii) any borrowing or grant of a security interest by any Company, as debtor-in-possession, under Section 364 of the Bankruptcy Code or any other bankruptcy-related rules or regulations in any country in which a Borrower is organized;

(viii) the disallowance, under Section 502 of the Bankruptcy Code or any other bankruptcy-related rules or regulations in any country in which a Company is organized, of all or any portion of the claims of any of the Lenders or the Global Administrative Agent for repayment of all or any part of the Obligations; or

(ix) any other circumstance which might otherwise constitute a legal or equitable discharge or defense of any Borrower or any Guarantor.

The obligations of the Guarantors hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, and shall not be subject to any defense or setoff, counterclaim, recoupment or termination whatsoever, by reason of the invalidity, illegality or unenforceability of the Obligations, any impossibility in the performance of the Obligations or otherwise. The Lenders, either themselves or acting through the Global Administrative Agent, are authorized, without notice or demand and without affecting the liability of any Guarantor hereunder, from time to time, (a) to renew, extend, accelerate or otherwise change the time for payment of, or other terms relating to, all or any part of the Obligations, or to otherwise modify, amend or change the terms of any of the Loan Documents; (b) to accept partial payments on all or any part of the Obligations; (c) to take and hold security or collateral for the payment of all or any part of the Obligations, this Guarantee, or any other guaranties of all or any part of the Obligations, (d) to exchange, enforce, waive and release any such security or collateral; (e) to apply such security or collateral and direct the order or manner of sale thereof as in their discretion they may determine; (f) to settle, release, exchange, enforce, waive, compromise or collect or otherwise liquidate all or any part of the Obligations, this Guarantee, any other guaranty of all or any part of the Obligations, and any security or collateral for the Obligations or for any such guaranty.

The Guarantors consent and agree that none of the Lenders nor the Global Administrative Agent nor any Person acting for or on behalf of the Lenders or the Global Administrative Agent shall be under any obligation to marshall any assets in favor of any Guarantor or against or in payment of any or all of the Obligations. The Guarantors further agree that, to the extent that any Borrower, any Guarantor or any other guarantor of all or any part of the Obligations makes a payment or payments to any Lender or the Global Administrative Agent, or any Lender or the Global Administrative Agent receives any proceeds of collateral for all or any part of the Obligations, which payment or payments or any part thereof are subsequently invalidated, declared

to be fraudulent or preferential, set aside and/or required to be repaid to any Borrower, such Guarantor, such other guarantor or any other Person, or their respective estates, trustees, receivers or any other party, under any bankruptcy law, state, provincial or federal law, common law or equitable cause, then, to the extent of such payment or repayment, the part of the Obligations which has been paid, reduced or satisfied by such amount shall be reinstated and continued in full force and effect as of the time immediately preceding such initial payment, reduction or satisfaction.

In furtherance of the foregoing and not in limitation of any other right which the Global Administrative Agent or any Lender may have at law or in equity against the Guarantors by virtue hereof, upon the failure of any Borrower to pay any of the Obligations when and as the same shall become due, whether at maturity, by acceleration, after notice of prepayment or otherwise, each Guarantor promises to and will, upon receipt of written demand by the Global Administrative Agent, forthwith pay, or cause to be paid, in cash, the amount of such unpaid Obligations. The Guarantors further agree, jointly and severally, that if payment in respect of any of the Obligations owed to any Lender shall be due in a currency other than Dollars and/or at a place of payment other than as designated in this Agreement or the Syndicated Canadian Addendum and if, by reason of any Change in Law, disruption of currency or foreign exchange markets, war or civil disturbance or other event, payment of such Obligations in such currency or such place of payment shall be impossible or, in the judgment of such Lender, not consistent with the protection of its rights or interests, then, at the election of such Lender, the Guarantors shall make payment of such Obligation in Dollars (based upon the applicable Exchange Rate in effect on the date of payment) and/or in the applicable place designated in this Agreement or the Syndicated Canadian Addendum, and shall indemnify such Lender against any losses or expenses that it shall sustain as a result of such alternative payment.

Until the Obligations have been indefeasibly paid in full in cash and the Termination Date shall have occurred, the Guarantors (i) shall have no right of subrogation with respect to such Obligations and (ii) waive any right to enforce any remedy which the Lenders or the Global Administrative Agent (or any of them) now have or may hereafter have against any Borrower, any endorser or any guarantor of all or any part of the Obligations or any other Person, and the Guarantors waive any benefit of, and any right to participate in, any security or collateral given to the Lenders and the Global Administrative Agent (or any of them) to secure the payment or performance of all or any part of the Obligations or any other liability of any Borrower to the Lenders or the Global Administrative Agent (or any of them).

This Guarantee shall continue in full force and effect and may not be terminated or otherwise revoked until the Obligations shall have been fully and indefeasibly paid (in cash) and discharged and this Agreement and all financing arrangements between any Borrower, the

Global Administrative Agent and the Lenders shall have been terminated; provided that if the capital stock of a Guarantor is sold, transferred or otherwise disposed of in a transaction permitted pursuant to the terms of this Agreement (as in effect on the Closing Date), such Guarantor shall be released from its obligations under this Agreement without further action. If, notwithstanding the foregoing, the Guarantors (or either of them) shall have any right under applicable law to terminate or revoke this Guarantee, the Guarantors agree that such termination or revocation shall not be effective until a written notice of such revocation or termination, specifically referring hereto, signed by the Guarantors, is actually received by the Global Administrative Agent. Such notice shall not affect the right and power of any of the Lenders or the Global Administrative Agent to enforce rights arising prior to receipt thereof by the Global Administrative Agent. If any Lender

grants loans or takes other action after a Guarantor terminates or revokes this Guarantee but before the Global Administrative Agent receives such written notice, the rights of such Lender with respect thereto shall be the same as if such termination or revocation had not occurred. The provisions of this Article XII shall remain in full force and effect, notwithstanding any termination of this Agreement, until the Obligations shall have been fully and indefeasibly paid (in cash) and discharged.

Notwithstanding anything contained in this Article XII, the guaranty obligations of the Canadian Guarantor shall only apply to the Obligations of the Canadian Borrower.

ARTICLE XIII BENEFIT OF AGREEMENT; ASSIGNMENTS; PARTICIPATIONS

13.1 Successors and Assigns. The terms and provisions of the Loan Documents shall be binding upon and inure to the benefit of the Companies, the Lenders and the Global Administrative Agent and their respective successors and assigns, except that (i) the Companies shall not have the right to assign their rights or obligations under the Loan Documents and (ii) any assignment by any Lender must be made in compliance with Section 13.3 hereof. Notwithstanding clause (ii) of this Section 13.1, any Lender may at any time, without the consent of the Borrower or the Global Administrative Agent, assign all or any portion of its rights under this Agreement and any Notes to a Federal Reserve Bank; provided, however, that no such assignment shall release the transferor Lender from its obligations hereunder. The Global Administrative Agent may treat any Lender as the owner of the Loans for all purposes hereof unless and until such Lender complies with Section 13.3hereof in the case of an assignment thereof or, in the case of any other transfer, a written notice of the transfer is filed with the Global Administrative Agent. Any such assignee or transferee agrees by acceptance thereof to be bound by all the terms and provisions of the Loan Documents. Any request, authority or consent of any Person, who at the time of making such request or giving such authority or consent is the holder of any Loan, shall be conclusive and binding on any subsequent holder, transferee or assignee of such Loan.

13.2 Participations.

(A) Permitted Participants; Effect. Subject to the terms set forth in this Section 13.2, any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more banks or other entities ("Participants") participating interests in any Loan owing to such Lender, any Commitment or Syndicated Canadian Commitment of such Lender or any other interest of such Lender under the Loan Documents on a pro rata basis. In

the event of any such sale by a Lender of participating interests to a Participant, such Lender's obligations under the Loan Documents shall remain unchanged, such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, such Lender shall remain the owner of all Loans for all purposes under the Loan Documents, all amounts payable by any Borrower under this Agreement shall be determined as if such Lender had not sold such participating interests, and such Borrower and the Global Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under the Loan Documents except that, for purposes of Article III hereof, the Participants shall be entitled to the same rights as if they were Lenders provided however that no Participant shall be entitled to receive any greater payment under Article III than the Lender would have been entitled to receive with respect to the rights participated.

(B) Voting Rights. Each Lender shall retain the sole right to approve, without the consent of any Participant, any amendment, modification or waiver

of any provision of the Loan Documents, other than any amendment, modification or waiver with respect to any Loan or Commitment or Syndicated Canadian Commitment in which such Participant has an interest which involves an amendment, modification or waiver with respect to a matter which, if such Participant were a Lender hereunder, would require the consent of such Lender under clauses (i) through (viii) of Section 8.3hereof.

(C) Benefit of Setoff. The Companies agree that each Participant shall be deemed to have the right of setoff provided in Section 11.1hereof in respect to its participating interest in amounts owing under the Loan Documents to the same extent as if the amount of its participating interest were owing directly to it as a Lender under the Loan Documents, providedthat each Lender shall retain the right of setoff provided in Section 11.1hereof with respect to the amount of participating interests sold to each Participant except to the extent such Participant exercises its right of set off. The Lenders agree to share with each Participant, and each Participant, by exercising the right of setoff provided in Section 11.1 hereof, agrees to share with each Lender, any amount received pursuant to the exercise of its right of setoff, such amounts to be shared in accordance with Section 11.2 as if each Participant were a Lender.

13.3 Assignments.

(A) Permitted Assignments. Any Lender may, in the ordinary course of its business and in accordance with applicable law, at any time assign to one or more banks or other entities which is not (i) a competitor of Harley or any Borrower or (ii) a Person that is, or is owned or controlled by, a participant in the transportation industry ("Purchasers") all or a portion of its rights and obligations under this Agreement (including, without limitation, its Commitment, Syndicated Canadian Commitment, Swing Line Commitment, all Loans owing to it, all of its participation interests in Syndicated Canadian Loans and Swing Line Loans, and its obligation to participate in additional Syndicated Canadian Loans and Swing Line Loans hereunder) in accordance with the provisions of this Section 13.3. Each assignment shall be of a constant, and not a varying, ratable percentage of all of the rights and obligations of any assigning Lender under this Agreement. Such assignment shall be substantially in the form of Exhibit Chereto and shall not be permitted hereunder unless such assignment is either for all of such Lender's rights and obligations under the Loan Documents or, except for assignments to another Lender, an Affiliate thereof or an Approved Fund, involves loans and commitments in an aggregate

amount of at least $5,000,000. Notice to the Global Administrative Agent shall be required prior to any assignment becoming effective and the consent of the Global Administrative Agent (which consent will not be unreasonably withheld) shall be required prior to any assignment becoming effective with respect to a Purchaser which is not a Lender and, so long as no Default shall have occurred and be continuing, notice to and consent of the U.S. Borrower (which consent will not be unreasonably withheld) shall be required prior to an assignment becoming effective with respect to a Purchaser which is not a Lender, an Affiliate thereof or an Approved Fund.

(B) Effect; Effective Date. Upon (i) delivery to the Global Administrative Agent of a notice of assignment, substantially in the form attached as Appendix I to Exhibit C hereto (a "Notice of Assignment"), together with any consents required by Section 13.3(A) hereof, and (ii) payment of a $3,500 fee to the Global Administrative Agent for processing such assignment, such assignment shall become effective on the effective date specified in such Notice of Assignment. The Notice of Assignment shall contain a representation by the Purchaser to the effect that none of the consideration used to make the purchase of the Commitment and Loans under the applicable assignment agreement are "plan assets" as defined under ERISA and that the rights and interests of

the Purchaser in and under the Loan Documents will not be "plan assets" under ERISA. On and after the effective date of such assignment, such Purchaser, if not already a Lender, shall for all purposes be a Lender party to this Agreement and any other Loan Documents executed by the Lenders and shall have all the rights and obligations of a Lender under the Loan Documents, to the same extent as if it were an original party hereto, and no consent or action by any of the Borrower or the Lenders and no further consent or action by the Global Administrative Agent shall be required to release the transferor Lender with respect to the percentage of the Aggregate Commitment, Loans and the Syndicated Canadian Loan participations and Swing Line Loan participations assigned to such Purchaser. Upon the consummation of any assignment to a Purchaser pursuant to this Section 13.3(B), the transferor Lender, the Global Administrative Agent and the U.S. Borrower shall, if requested by such transferor Lender or Purchaser, make appropriate arrangements so that replacement Notes are issued to such transferor Lender and new Notes or, as appropriate, replacement Notes, are issued to such Purchaser.

(C) The Register. The Global Administrative Agent shall maintain at its address referred to in Section 14.1 a copy of each assignment delivered to and accepted by it pursuant to this Section 13.3and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Commitment of and principal amount of the Loans owing to, each Lender from time to time and whether such Lender is an original Lender or the assignee of another Lender pursuant to an assignment under this Section 13.3. The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and each Borrower and each of its Subsidiaries, the Global Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by any Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

13.4 Confidentiality. (i) Subject to Section 13.5, the Global Administrative Agent and the Lenders shall hold (A) all nonpublic information obtained pursuant to the requirements of this Agreement and identified as such by Harley or any Company and (B) except as otherwise

permitted by HDFS, all information related to the Licensed Marks (as defined in Section 13.6)) and all other information which a reasonable person would deem to be confidential and/or proprietary in light of the nature of the information and the manner in which it was disclosed, in accordance with such Person's customary procedures for handling confidential information of this nature and in accordance with safe and sound banking practices and in any event may make disclosure reasonably required by a prospective Transferee in connection with the contemplated participation or assignment or as required or requested by any Governmental Authority or representative thereof or pursuant to legal process and shall require any such Transferee or prospective Transferee to agree (and require any of its Transferees to agree) to comply with this Section 13.4. In no event shall the Global Administrative Agent or any Lender be obligated or required to return any materials furnished by Harley, the Companies or any of their Subsidiaries; provided, however, each prospective Transferee shall be required to agree that if it does not become a participant or assignee it shall return all materials furnished to it by or on behalf of Harley or any Company in connection with this Agreement.

(ii) (A) To the extent that the Gramm-Leach-Bliley Act, Title V/Privacy (collectively with the related implementing regulations, the "GLBA"), shall be applicable to the transactions contemplated herein, each of the parties hereto agrees that (1) it shall use all non-public personal information obtained pursuant to the requirements of this Agreement solely for the purposes for which the information is disclosed or as otherwise permitted in conformance with the requirements of the GLBA and (2) it shall maintain the confidentiality

of such information to the same extent as described in Section 13.4(i). This clause shall survive the termination of this Agreement.

(B) In the event that the Global Administrative Agent or any Lender reasonably believes that any physical and/or electronic safeguards have been breached, and that non-public personal information has been obtained by persons and/or entities without authority to use or view such non-public personal information, the Global Administrative Agent or such Lender, as applicable, will notify HDFS, in writing, as soon as reasonably practicable. The Global Administrative Agent and each Lender shall also maintain commercially reasonable processes and procedures for the storage, retention, and disposal of documents and storage media containing nonpublic personal information. Nothing in this clause shall be construed to create any third-party beneficiary rights in any consumer or other holder of nonpublic personal information. This clause shall survive the termination of this Agreement.

(iii) Each of the parties hereto acknowledges that any breach of the aforesaid confidentiality obligations in this Section 13.4 is likely to cause or threaten irreparable harm to HDFS. Therefore, HDFS shall be entitled to seek equitable relief to protect its interests, including but not limited to preliminary and permanent injunctive relief, as well as monetary damages. Nothing stated herein will be construed to limit any other remedies available to the parties hereto. This section shall survive the termination of this Agreement.

13.5 Dissemination of Information. Each of the Companies authorizes each Lender to disclose to any Participant or Purchaser or any other Person acquiring an interest in the Loan Documents by operation of law (each a "Transferee") and any prospective Transferee any and all information in such Lender's possession concerning the Companies and their Subsidiaries; providedthat prior to any such disclosure, such prospective Transferee shall agree to preserve in

accordance with Section 13.4 the confidentiality of any confidential information described therein.

13.6 Non-Use of HDFS' Licensed Marks. (i) HDFS and its affiliates have the licensed right to use certain trademarks, logos, etc. relating to Harley-Davidson Motorcycles, HDFS and their affiliates (the "Licensed Marks"). Except as permitted by the following sentences, none of the Global Administrative Agent, the Lenders or their Affiliates are authorized to use such Licensed Marks or Harley's or HDFS's text name and logo on forms, in legal documents, in advertising, marketing materials, in press releases or any other document or material. In the event the Global Administrative Agent, any Lender or any of their Affiliates wish to use said Licensed Marks, such Person must obtain HDFS's prior written approval, which said approval is at HDFS's sole and absolute discretion and subject to subsequent periodic review of such use and to such reasonable specifications of HDFS to the extent such specifications are directly related to the legal maintenance, whether such is before or after lapse or termination of this Agreement. The Harley-Davidson text name, logo(s) and registered trademark are not to be used by the Global Administrative Agent, any Lender or any of their Affiliates in any way before, during or after the term of this Agreement, unless prior written consent is obtained from HDFS. This section shall survive the termination of this Agreement.

(ii) Each of the parties hereto acknowledges that any breach of the aforestated non-use obligations in this Section 13.6 is likely to cause or threaten irreparable harm to HDFS. Therefore, in the event of any such breach, HDFS shall be entitled to seek equitable relief to protect its interests, including but not limited to preliminary and permanent injunctive relief, as well as monetary damages. Nothing stated in this Section 13.6shall be

construed to limit any other remedies available to any party hereto.

ARTICLE XIV NOTICES

14.1 Giving Notice. Except as otherwise permitted by Article IIwith respect to Borrowing Notices, all notices and other communications provided to any party hereto under this Agreement or any other Loan Documents shall be in writing or by telex or by facsimile and addressed or delivered to such party at its address set forth below its signature hereto or at such other address as may be designated by such party in a notice to the other parties. Any notice, if mailed and properly addressed with postage prepaid, shall be deemed given when received; any notice, if transmitted by telex or facsimile, shall be deemed given when transmitted (answerback confirmed in the case of telexes); or, if by courier, one (1) Business Day after deposit with a reputable overnight carrier service; with all charges paid.

14.2 Change of Address. Any of the Companies, the Global Administrative Agent, the Global Swing Line Lender and any Lender may each change the address for service of notice upon it by a notice in writing to the other parties hereto (or, in the case of any Lender, by notice in writing to the U.S. Borrower and the Global Administrative Agent).

ARTICLE XV COUNTERPARTS

15.1 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Agreement by signing any such counterpart.

{Remainder of This Page Intentionally Blank}

IN WITNESS WHEREOF, the Companies, the Lenders and the Global Administrative Agent have executed this Agreement as of the date first above written.

HARLEY-DAVIDSON FUNDING CORP.,
as
the U.S. Borrower
By:
Name:
Title:
Address:
150 South Wacker Drive, Suite
3020
Chicago, IL 60606
Attention: Treasurer
Telephone No.: (312) 696-5375
Facsimile No.: (312) 368-4372

HARLEY-DAVIDSON FINANCIAL
SERVICES EUROPE LIMITED, as
the U.K.
Borrower
By:
Name:
Title:
Address:
150 South Wacker Drive, Suite
3020
Chicago, IL 60606
Attention: Treasurer
Telephone No.: (312) 696-5375
Facsimile No.: (312) 368-4372

HARLEY-DAVIDSON FINANCIAL
SERVICES, INC., as a Guarantor
By:
Name:
Title:
Address:
150 South Wacker Drive, Suite
3020
Chicago, IL 60606
Attention: Treasurer
Telephone No.: (312) 696-5375
Facsimile No.: (312) 368-4372

HARLEY-DAVIDSON FINANCIAL
SERVICES INTERNATIONAL, INC.,
as a
Guarantor
By:
Name:
Title:
Address:
150 South Wacker Drive, Suite
3020
Chicago, IL 60606
Attention: Treasurer
Telephone No.: (312) 696-5375
Facsimile No.: (312) 368-4372

HARLEY-DAVIDSON CREDIT
CORP.,as a
Guarantor
By:
Name:
Title:
Address:
150 South Wacker Drive, Suite
3020
Chicago, IL 60606
Attention: Treasurer
Telephone No.: (312) 696-5375
Facsimile No.: (312) 368-4372

JPMORGAN CHASE BANK, as the Global
Administrative Agent, the Global Swing Line
Lender and as a Lender
By:
Name:
Title:
Address:
Attention:
Telephone No.:
Facsimile No.:

CITIBANK, N.A., as Syndication
Agent and as a
Lender
By:
Name: Mark Chabrel
Title: Vice President
Address:
399 Park Ave.
8th Floor, Zone 12
New York., NY 10043
Attention: Mark Chabrel
Telephone No.: (212) 559-4637
Facsimile No.: (212) 826-2375

BNP PARIBAS, as Documentation Agent and as a
Lender
By:
Name:
Title:
Address:
Attention:
Telephone No.:
Facsimile No.:

SCHEDULE I

FUNDING PROTOCOLS re: SYNDICATED GLOBAL LOANS

and SYNDICATED CANADIAN LOANS

Harley-Davidson $1.1billion Global Credit Facility

Location	Tenor	Notice to Ad Agent	Minimum Amounts Borrowing/Increments	Currency fixing	Screen	Comment
US Borrower - Syndicate Borrowing - US or IBF Nassau						
US $ Borrowing		Houston Loan & Agency				
ABR	overnight	same day/3PM NYT	$5mm/500m	Not Applicable	Not Applicable	
Eurodollar	30, 60, 90, 180	2 days/12 noon NYT	$5mm/500m	Not Applicable	Telerate 3750	NY fixing
GBP Sterling		London Loan & Agency				
LIBOR	30, 60, 90, 180	3 days/10AM NYT	œ2.5mm/250m	funding date	Telerate 3750	11AM London fixing
Euros		London Loan & Agency				
EURIBOR	30, 60, 90, 180	3 days/10AM NYT	€5mm/500m	2 days before funding	Reuters	11AM Brussels fixing
Canadian $		London Loan & Agency			EURIBOR 01	
C$ LIBOR	30, 60, 90, 180	3 days/11AM NYT	C$5mm/500m	2 days before funding	Telerate 3750	
UK Borrower - Syndicate Borrowings in London						
GBP Sterling		London Loan & Agency				
LIBOR	30, 60, 90, 180	2 days/11am London	œ2.5mm/250m	funding date	Reuters	
Euros		London Loan & Agency			LIBOR 01	
EURIBOR	30, 60, 90, 180	3 days/11am London	€5mm/500m	2 days before funding	Reuters	
US$		London Loan &			EURIBOR 01	

LIBOR	30, 60, 90, 180	Agency 3 days/11am London	$5mm/500m	2 days before funding	Telerate 3750	
CHF		London Loan & Agency				
LIBOR	30, 60, 90, 180	3 days/11am London	CHF5mm/500m	2 days before funding	Reuters LIBOR 02	
Canadian Borrower - Syndicate Borrowings in Canada						
C$ Prime	overnight	Toronto Loan & Agency same day/12 noon	C$500m/100m	notice day	Not Applicable	
US$ ABR	overnight	Toronto same day/12 noon	$5mm/500m	Not Applicable	Not Applicable	
C$ LIBOR	30, 60, 90, 180	Toronto 3 days/12 noon	C$5mm/500m	notice day	Telerate 3750	
US$ Eurodollar	30, 60, 90, 180	Toronto 3 days/12 noon	$5mm/500m	2 days before funding	Telerate 3750	11AM London fixing
CDOR (BAs)	30, 60, 90, 180	Toronto same day/10 am	C$500m/100m	notice day	Reuters CDOR	
		Toronto or 1 day/12 noon Toronto				

SCHEDULE II

FUNDING PROTOCOLS re: SWINGLINE LOANS

Harley-Davidson $1.1billion Global Credit Facility

Location	Tenor	Notice to Ad Agent	Minimum Amounts Borrowing/Increments	Currency fixing	Screen	Comment
US Borrower - Swingline Borrowing						
US $ Borrowing		Houston Loan & Agency				
ABR	overnight	same day/3PM NYT	$1mm/500m	Not applicable	Not applicable	
Money Market	less than 30 days	same day/3PM NYT	$1mm/500m	Not applicable	Telerate 3750	
GBP Sterling		London Loan & Agency				
LIBOR	less than 30 days	1 day/12 noon NYT	œ500m/250m	day before funding	Telerate 3750	11AM London fixing
Euros		London Loan & Agency				
EURIBOR	less than 30 days	1 day/12 noon NYT	€1mm/500m	day before funding	Reuters EURIBOR 01	11AM Brussels fixing
Canadian $ in U.S.		Houston Loan & Agency				
C$ LIBOR	less than 30 days	1 day/12 noon NYT	C$500m/100m	day before funding	Telerate 3750	
Canadian $ in Canada		Bank One Toronto Loan & Agency				
C$ Prime	overnight	same day/12 noon Toronto	C$500m/100m	notice day	Not applicable	
UK Borrower - Swingline Borrowings in London						
GBP Sterling		London Loan & Agency				
LIBOR	less than 30 days	same day/11am London	œ500m/250m	notice day	Reuters LIBOR 01	
Euros		London Loan & Agency				
EURIBOR	less than 30 days	same day/11am London	€1mm/500m	notice day	JPM Ref Rate	
US$		London Loan & Agency				
LIBOR	less than 30 days	same day/11am London	$1mm/500m	notice day	JPM Ref Rate	
CHF		London Loan & Agency				
LIBOR	less than 30 days	1 day/11am London	CHF1mm/500m	notice day	JPM Ref Rate	
Canadian Borrower - Swingline Borrowings in Canada						
		Bank One Toronto Loan & Agency				
C$ Prime	overnight	same day/12 noon Toronto	C$500m/100m	notice day	Not applicable	
CDOR	less than 30 days	same day/12 noon Toronto	C$500m/100m	notice day	Not applicable	

SCHEDULE III

MANDATORY COST

1. The Mandatory Cost is an addition to the interest rate to compensate Lenders for the cost of compliance with (a) the requirements of the Bank of England and/or the Financial Services Authority (or, in either case, any other authority which replaces all or any of its functions) or (b) the requirements of the European Central Bank.

2. On the first day of each Interest Period (or as soon as possible thereafter) the Global Administrative Agent shall calculate, as a percentage rate, a rate (the "Associated Costs Rate") for each Lender, in accordance with the paragraphs set out below. The Mandatory Cost will be calculated by the Global Administrative Agent as a weighted average of the Lenders' Associated Costs Rates (weighted in proportion to the percentage participation of each Lender in the relevant Loan) and will be expressed as a percentage rate per annum.

3. The Associated Costs Rate for any Lender lending from a Facility Office in a Participating Member State will be the percentage notified by that Lender to the Global Administrative Agent. This percentage will be certified by that Lender in its notice to the Global Administrative Agent to be its reasonable determination of the cost (expressed as a percentage of that Lender's participation in all Loans made from that Facility Office) of complying with the minimum reserve requirements of the European Central Bank in respect of loans made from that Facility Office.

4. The Associated Costs Rate for any Lender lending from a Facility Office in the United Kingdom will be calculated by the Global Administrative Agent as follows:

(a) in relation to a Loan in Pounds Sterling:

per cent. per annum

(b) in relation to a Loan in any currency other than Pounds Sterling:

per cent. per annum.

Where:

A is the percentage of Eligible Liabilities (assuming these to be in excess of any stated minimum) which that Lender is from time to time required to maintain as an interest free cash ratio deposit with the Bank of England to comply with cash ratio requirements.

B is the percentage rate of interest (excluding the Applicable Margin and the Mandatory Cost and, if the Loan is an Unpaid Sum, the additional rate of interest specified in Section 2.11 (Default Rate) payable for the relevant Interest Period on the Loan.

C is the percentage (if any) of Eligible Liabilities which that Lender is required from time to time to maintain as

interest bearing Special Deposits with the Bank of England.

D is the percentage rate per annum payable by the Bank of England to the Global Administrative Agent on interest bearing Special Deposits.

E is designed to compensate Lenders for amounts payable under the Fees Rules and is calculated by the Global Administrative Agent as being the average of the most recent rates of charge supplied by the Reference Banks to the Global Administrative Agent pursuant to paragraph 7 below and expressed in pounds per œ1,000,000.

5. For the purposes of this Schedule:

(a) "Eligible Liabilities" and "Special Deposits" have the meanings given to them from time to time under or pursuant to the Bank of England Act 1998 or (as may be appropriate) by the Bank of England;

(b) "Facility Office" means the office or offices notified by a Lender to the Global Administrative Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days' written notice) as the office or offices through which it will perform its obligations under this Agreement.

(c) "Fees Rules" means the rules on periodic fees contained in the FSA Supervision Manual or such other law or regulation as may be in force from time to time in respect of the payment of fees for the acceptance of deposits;

(d) "Fee Tariffs" means the fee tariffs specified in the Fees Rules under the activity group A.1 Deposit acceptors (ignoring any minimum fee or zero rated fee required pursuant to the Fees Rules but taking into account any applicable discount rate);

(e) "Participating Member State" means any member state of the European Union that adopts or has adopted the euro as its lawful currency in accordance with legislation of the European Union relating to economic and monetary union.

(f) "Reference Banks" means, in relation to Mandatory Cost, the principal London offices of JPMorgan Chase Bank and Citibank, N.A. and, in relation to EURIBOR, the principal offices of JPMorgan Chase Bank and Citibank, N.A. in the relevant jurisdiction or such

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other banks as may be appointed by the Global Administrative Agent in consultation with the Borrowers.

(g) "Tariff Base" has the meaning given to it in, and will be calculated in accordance with, the Fees Rules.

(h) "Unpaid Sum" means any sum due and payable but unpaid by a Borrower under the Loan Documents.

6. In application of the above formulae, A, B, C and D will be included in the formulae as percentages (i.e. 5 per cent. will be included in the formula as 5 and not as 0.05). A negative result obtained by subtracting D from B shall be taken as zero. The resulting figures shall be rounded to four decimal places.

7. If requested by the Global Administrative Agent, each Reference Bank shall, as soon as practicable after publication by the Financial Services Authority, supply to the Global

Administrative Agent, the rate of charge payable by that Reference Bank to the Financial Services Authority pursuant to the Fees Rules in respect of the relevant financial year of the Financial Services Authority (calculated for this purpose by that Reference Bank as being the average of the Fee Tariffs applicable to that Reference Bank for that financial year) and expressed in pounds per œ1,000,000 of the Tariff Base of that Reference Bank.

8. Each Lender shall supply any information required by the Global Administrative Agent for the purpose of calculating its Associated Costs Rate. In particular, but without limitation, each Lender shall supply the following information on or prior to the date on which it becomes a Lender:

(a) the jurisdiction of its Facility Office; and

(b) any other information that the Global Administrative Agent may reasonably require for such purpose.

Each Lender shall promptly notify the Global Administrative Agent of any change to the information provided by it pursuant to this paragraph.

9. The percentages of each Lender for the purpose of A and C above and the rates of charge of each Reference Bank for the purpose of E above shall be determined by the Global Administrative Agent based upon the information supplied to it pursuant to paragraphs 7 and 8 above and on the assumption that, unless a Lender notifies the Global Administrative Agent to the contrary, each Lender's obligations in relation to cash ratio deposits and Special Deposits are the same as those of a typical bank from its jurisdiction of incorporation with a Facility Office in the same jurisdiction as its Facility Office.

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10. The Global Administrative Agent shall have no liability to any person if such determination results in an Associated Costs Rate which over or under compensates any Lender and shall be entitled to assume that the information provided by any Lender or Reference Bank pursuant to paragraphs 3, 7 and 8 above is true and correct in all respects.

11. The Global Administrative Agent shall distribute the additional amounts received as a result of the Mandatory Cost to the Lenders on the basis of the Associated Costs Rate for each Lender based on the information provided by each Lender and each Reference Bank pursuant to paragraphs 3, 7 and 8 above.

12. Any determination by the Global Administrative Agent pursuant to this Schedule in relation to a formula, the Mandatory Cost, an Associated Costs Rate or any amount payable to a Lender shall, in the absence of manifest error, be conclusive and binding on all parties hereto.

13. The Global Administrative Agent may from time to time, after consultation with the relevant Borrowers and Lenders, determine and notify to all parties hereto any amendments which are required to be made to this Schedule in order to comply with any change in law, regulation or any requirements from time to time imposed by the Bank of England, the Financial Services Authority or the European Central Bank (or, in any case, any other authority which replaces all or any of its functions) and any such determination shall, in the absence of manifest error, be conclusive and binding on all parties hereto.

EXHIBIT 10.18

HARLEY-DAVIDSON, INC.

Director Compensation Policy

Effective May 3, 2003

This compensation policy has been developed to compensate non-employee directors ("Directors") of Harley-Davidson, Inc. (the "Company") for their time, commitment and contributions to the Board of Directors (the "Board") of the Company. The Annual Retainer Fee has been increased based on the following: Directors will no longer receive meeting fees for each Board meeting and Committee meeting attended; Directors will no longer receive annual grants of stock options; and the number of meetings of the Directors, particularly meetings of the Committees of the Board, has increased. It is expected that Directors will attend all meetings of the Board and of its Committees.

I. Annual Retainer Fee for Non-Employee Directors

Annual Retainer Fee for Non-Employee Directors	$ 100,000
Annual Retainer Fee for Audit Committee Chair	10,000
Annual Retainer Fee for Other Committee Chairs	5,000
Annual Retainer Fee for Audit Committee Members	5,000

Annual Retainer Fees paid to Directors of the Board will be paid within ten (10) business days after the first business day following the annual meeting of the shareholders of the Company ("Annual Meeting"). In the event a Director is elected to the Board at a time other than at the Annual Meeting, the Annual Retainer Fee will be prorated on a quarterly basis based on the quarter a Director is elected to the Board and paid within ten (10) business days after the first business day after the Director's first Board or committee meeting.

Directors will be eligible to elect to receive Annual Retainer Fees in cash or Company Common Stock (based upon the fair market value of the Common Stock on the first business day after the Annual Meeting or the first business day after the Director's first Board or committee meeting) and to defer all Annual Retainer Fees paid in cash or Company Common Stock pursuant to plans adopted by the Company from time to time. Directors must receive a minimum of one-half (1/2) of their Annual Retainer Fees in Company Common Stock until the Director reaches the stock ownership goals established in the Director and Senior Executive Stock Ownership Guidelines for Harley-Davidson, Inc.

II. Additional Compensation for and Payments to Non-Employee Directors

Clothing Allowance. Each Director shall receive an annual clothing allowance of $1,500 to purchase Harley-Davidson MotorClothes(R) apparel and accessories.

Discount on Company Products. Each Director shall receive the same discount on Company products that is available to all Company employees.

Expenses. The Company will reimburse reasonable travel and related business expenses that a Director incurs for attendance at all meetings of the Board and committees and in connection with other Board of Directors or Company business.

Exhibit 21

HARLEY-DAVIDSON, INC.

SUBSIDIARIES

Name	State/Country Of Incorporation
H-D Michigan, Inc.	Michigan
Harley-Davidson Motor Company Group, Inc.	Wisconsin
Harley-Davidson Motor Company Operations, Inc.	Wisconsin
Harley-Davidson Motor Company, Inc.	Wisconsin
H-D Milwaukee, LLC	Wisconsin
Buell Distribution Company, LLC	Wisconsin
H-D F&R, LLC	Wisconsin
HASC, LLC	Wisconsin
H-D Group LLC	Illinois
Revolution PowerTrain LLC	Delaware
Buell Motorcycle Company, LLC	Wisconsin
Harley-Davidson Transportation Co., Inc.	Delaware
HDWA, LLC	Wisconsin
HDMC, LLC	Illinois
Harley-Davidson Foreign Sales Corporation	Barbados
Harley-Davidson Dealer Systems, Inc.	Ohio
Harley-Davidson International Holding Co., Inc.	Wisconsin
Harley-Davidson Holding Co., Inc.	Delaware
Harley-Davidson Benelux B.V.	Netherlands
Harley-Davidson France SAS	France
Harley-Davidson GmbH	Germany
Harley-Davidson Japan KK	Japan
Harley-Davidson Europe Limited	England
Harley-Davidson do Brazil Ltda.	Brazil
Harley-Davidson Italia S.r.l.	Italy
Harley-Davidson Singapore Inc.	Delaware
Harley-Davidson Australia Pty Limited	Australia
Harley-Davidson Hong Kong Limited	Hong Kong
Lockglade Limited	England
Harley-Davidson Espana S.L.	Spain
Harley-Davidson Switzerland GmbH	Switzerland
Harley-Davidson Asia, Inc.	Wisconsin
Renovation Realty Investment Services, Inc.	Wisconsin
Highland Insurance Service, Inc.	Wisconsin
HR LLC	Indiana
Harley-Davidson Financial Services, Inc.	Delaware
Harley-Davidson Insurance Services, Inc.	Nevada
Harley-Davidson Insurance Services of Illinois, Inc.	Illinois
Harley-Davidson Credit Corp.	Nevada
Harley-Davidson Customer Funding Corp	Nevada
Harley-Davidson Funding Corp.	Nevada
Eaglemark Savings Bank	Nevada
Harley-Davidson Leasing, Inc.	Nevada
Harley-Davidson Mortgage, Inc.	Nevada

Eaglemark Customer Funding Corporation-IV	Nevada
Harley-Davidson Financial Services International, Inc.	Delaware
Harley-Davidson Financial Services Europe Limited	England
Harley-Davidson Financial Services Canada, Inc.	Canada

Exhibit 23

Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 33-35311, No. 333-07551, No. 333-51741, No. 333-75347, No. 333-93879 and No. 333-60840) pertaining (a) the Harley-Davidson Retirement Savings Plan for Salaried Employees, the Harley-Davidson Retirement Savings Plan for Milwaukee and Tomahawk Hourly Bargaining Unit Employees, and the Holiday Rambler LLC Employees Retirement Plan; (b) the Harley-Davidson, Inc. 1995 Stock Option Plan; (c) the Harley-Davidson, Inc. Director Stock Plan; (d) the Harley-Davidson, Inc. 1998 Non-Exempt Employee Stock Option Plan (e) the Harley-Davidson Retirement Savings Plan for Salaried Employees, the Harley-Davidson Retirement Savings Plan for Milwaukee and Tomahawk Hourly Bargaining Unit Employees, the Harley-Davidson Retirement Savings Plan for Kansas City Hourly Bargaining Unit Employees, the Harley-Davidson Retirement Savings Plan for York Hourly Bargaining Unit Employees and the Buell Motorcycle Company Retirement Savings Plan, and (f) the Harley-Davidson, Inc. 2001 York Hourly-Paid Employees Stock Option Plan, of our report dated February 10, 2005, with respect to the consolidated financial statements and schedule of Harley-Davidson, Inc., Harley-Davidson, Inc.'s management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Harley-Davidson, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2004.

ERNST & YOUNG LLP

Milwaukee, Wisconsin

March 11, 2005

Exhibit 31.1

Chief Executive Officer Certification

Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

I, Jeffrey L. Bleustein, certify that:

1. I have reviewed this annual report on Form 10-K of Harley-Davidson, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its

consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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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: March 11, 2005 /s/ Jeffrey L. Bleustein
Jeffrey L. Bleustein
Chief Executive Officer

Exhibit 31.2

Chief Financial Officer Certification

Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

I, James L. Ziemer, certify that:

1. I have reviewed this annual report on Form 10-K of Harley-Davidson, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for

establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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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:

c) 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

d) 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: March 11, 2005 /s/ James L. Ziemer
James L. Ziemer, Vice President and
Chief Financial Officer

Exhibit 32.1

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. (s)1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned Chief Executive Officer and the Vice President and Chief Financial Officer of Harley-Davidson, Inc. (the "Company"), hereby certify, based on our knowledge, that the Annual Report on Form 10-K of the Company for the year ended December 31, 2004 (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: March 11, 2005

/s/ Jeffrey L. Bleustein
Jeffrey L. Bleustein
Chief Executive Officer
/s/ James L. Ziemer
James L. Ziemer
Vice President and Chief Financial Officer

{graphic omitted}

{graphic omitted}

U.S. Trademark Opposition No. 91177156
H-D Michigan, Inc. v. Bryan Broehm
Serial No. 78896325

Mark:

Exhibit 2

UNITED STATES OF AMERICA

SECURITIES AND EXCHANGE COMMISSION

ATTESTATION

I HEREBY ATTEST

that:

Attached is a copy of, annual report on Form 10-K, for the fiscal year ended December 31, 2005, received in this Commission March 3, 2006, under the name Harley-Davidson, Inc., File No. 1-9183, pursuant to the provisions of the Securities Exchange Act of 1934.

on file in this Commission

May 6, 2008
(Date)

Larry Mills
Records Officer

It is hereby certified that the Secretary of the U.S. Securities and Exchange Commission, Washington, D.C., which Commission was created by the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is official custodian of the records and files of said Commission, and all records and files created or established by the Federal Trade Commission pursuant to the provisions of the Securities Act of 1933 and transferred to this Commission in accordance with Section 210 of the Securities Exchange Act of 1934, and was such official custodian at the time of executing the above attestation, and that he/she, and persons holding the positions of Deputy Secretary, Assistant Director, Records Officer, Branch Chief of Records Management, and the Program Analyst for the Records Officer, or any one of them, are authorized to execute the above attestation.

For the Commission

Nancy M. Morris
Secretary

SEC 334 (10/07)

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

FORM 10-K

y ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2005
o 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	39-1382325
(State of organization)	(I.R.S. Employer Identification No.)
3700 West Juneau Avenue	53208
Milwaukee, Wisconsin	
(Address of principal executive offices)	(Zip code)

Registrants telephone number: (414) 342-4680

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

Title of each class	Name of each exchange on which registered
COMMON STOCK, $.01 PAR VALUE PER SHARE	NEW YORK STOCK EXCHANGE
PREFERRED STOCK PURCHASE RIGHTS	NEW YORK STOCK EXCHANGE

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an

accelerated filer, or a non-accelerated filer, as defined in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer y Accelerated filer o Non-accelerated filer o

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

Aggregate market value of the voting stock held by non-affiliates of the registrant at June 24, 2005: $13,857,838,390

Number of shares of the registrant's common stock outstanding at February 21, 2006: 272,533,373 shares

Documents Incorporated by Reference

Part III of this report incorporates information by reference from registrant's Proxy Statement for the annual meeting of its shareholders to be held on April 29, 2006.

Harley-Davidson, Inc.

Form 10-K

For The Year Ended December 31, 2005

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Part I

Note regarding forward-looking statements

Certain matters discussed by the Company are "forward-looking statements" intended to qualify for the safe harbors 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 "Risk Factors" in Item 1A of this report and under "Cautionary Statements" in Item 7 of this report. Shareholders, potential investors, and other readers are urged to consider these factors in evaluating the forward-looking statements and cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included in this report are made only as of the date of the filing of this report (March 3, 2006), and the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Item 1. Business

Harley-Davidson, Inc. was incorporated in 1981, at which time it purchased the Harley-Davidson(R)motorcycle business from AMF Incorporated in a management buyout. In 1986, Harley-Davidson, Inc. became publicly held. Unless the context otherwise requires, all references to the "Company" include Harley-Davidson, Inc. and all of its subsidiaries. The Company operates in two segments: the Motorcycles & Related Products segment and the Financial Services segment. The Company's reportable segments are strategic business units that offer different products and services. They are managed separately based on the fundamental differences in their operations.

The Motorcycles & Related Products (Motorcycles) segment includes the group of companies doing business as Harley-Davidson Motor Company (Motor Company) and the group of companies doing business as Buell Motorcycle Company (BMC). The Motorcycles segment designs, manufactures and sells at wholesale primarily heavyweight (engine displacement of 651+cc) touring, custom and performance motorcycles as well as a complete line of motorcycle parts, accessories, clothing and collectibles. The Company, which is the only major American motorcycle manufacturer, has had the largest share of the United States heavyweight (651+cc) motorcycle market since 1986. During 2005, the Company's market share, based on retail registrations of new Harley-Davidson motorcycles, was 48.9% in the United States (Data provided by the Motorcycle Industry Council).

The Financial Services (Financial Services) segment includes the group of companies doing business as Harley-Davidson Financial Services (HDFS). HDFS provides wholesale and retail financing and insurance programs primarily to Harley-Davidson and Buell dealers and their retail customers. HDFS conducts business in the United States, Canada and Europe.

See Note 12 to the Consolidated Financial Statements for financial information related to the Company's business segments.

Motorcycles and Related Products

Motorcycles. The primary business of the Motorcycles segment is to design, manufacture and sell premium motorcycles at wholesale for the heavyweight market. The Company is best known for its Harley-Davidson motorcycle products, but also offers a line of motorcycles and related products under the Buell

brand name. The Company's worldwide motorcycle sales generated 80.0% of the total net revenue in the Motorcycles segment during each of the years 2005, 2004 and 2003, respectively.

The Motor Company's Harley-Davidson branded motorcycle products emphasize traditional styling, design simplicity, durability and quality. The Motor Company manufactures five families of motorcycles: Sportster(R), DynaTM, Softail(R), Touring and VRSCTM. The first four of these motorcycle families are powered by an air-cooled, twin-cylinder engine with a 45-degree "V" configuration. The VRSC family is powered by a liquid-cooled, twin-cylinder engine with a 60-degree "V" configuration. The Motor Company's Harley-Davidson engines range in size from 883cc's to 1690cc's.

The Motor Company's 2006 model year line up includes 33 models of Harley-Davidson heavyweight motorcycles, with domestic manufacturer's suggested retail prices ranging from $6,595 to $20,685. The Motor Company also offers limited-edition, factory-custom motorcycles through its Custom Vehicle Operation (CVO) program. Motorcycles sold through the CVO program are available in limited quantities and offer unique features, paint schemes and accessories. The Motor Company currently has three motorcycle model offerings available through the CVO program with domestic manufacturer's suggested retail prices ranging from $26,495 to $31,995.

Research that the Company completed in 2005 shows the following: The average retail purchaser of a new Harley-Davidson motorcycle in the United States is in their mid-forties (two-thirds of these purchasers are between the ages of 35 and 54) and has a household income of approximately $83,000. These customers generally purchase a motorcycle for recreational purposes rather than to provide transportation. Over two-thirds of retail sales of new Harley-Davidson motorcycles in the United States are to buyers with at least one year of education beyond high school and 31% of the buyers have college degrees. Approximately 11% of retail sales of new Harley-Davidson motorcycles in the United States are to female buyers.

The Company's Buell(R) motorcycle products emphasize innovative design, responsive handling and overall performance. Buell Motorcycle Company currently manufactures and sells eight models, including seven heavyweight models in its XB family, and the Blast(R). The Buell XB motorcycles focus on superior handling and are powered by either a 984cc (XB9) or a 1203cc (XB12) air-cooled, twin-cylinder engine with a 45-degree "V" configuration. The Buell XB motorcycle models have domestic manufacturer's suggested retail prices ranging from $8,695 to $11,495. The Buell Blast is smaller and less expensive than the Buell XB models and is powered by a 492cc single-cylinder engine. The Blast, which competes in the standard market segment, has a domestic manufacturer's suggested retail price of $4,695.

Research that the Company completed in 2004 shows the following: The average retail purchaser of a new Buell XB motorcycle in the United States is 37 years old with a household income of approximately $78,500. Approximately 9% of retail sales of new Buell XB's in the United States are to women. The average age of a retail purchaser of a new Buell Blast in the United States is 37 years old, with over one-half of them being women. Approximately 57% of new Buell Blast purchasers have never owned a motorcycle before and in excess of 97% of them had never owned a Buell motorcycle before.

The total motorcycle market, including the heavyweight portion of the market, is comprised of the following four segments:

- ù standard (emphasizes simplicity and cost)
- ù performance (emphasizes handling and acceleration)

ù custom (emphasizes styling and individual owner customization)

ù touring (emphasizes comfort and amenities for long-distance travel)

The touring segment of the market was pioneered by the Company and includes the Harley-Davidson Touring family of motorcycles which are equipped with fairings, windshields, saddlebags and Tour Pak(R) luggage carriers. The custom segment of the market includes motorcycles featuring the distinctive styling associated with classic Harley-Davidson motorcycles and includes the Company's Dyna, Softail, VRSC and Sportster families of motorcycles. The Company serves the standard and performance segments of the market primarily with its Buell motorcycle line.

In the United States, suggested retail prices for the Company's Harley-Davidson motorcycles generally range from being comparable to moderately higher than suggested retail prices for competing motorcycles available in the market. Although there are some differences in accessories between the Company's top-of-the line touring motorcycles and those of its competitors, suggested retail prices for these motorcycles are generally comparable. The Company's larger-displacement custom motorcycles (Dyna, Softail and VRSC) represent its highest unit volumes. The Company believes its larger-displacement custom products continue to command retail prices that are higher than retail prices of its competitors' motorcycles because of the features, styling and higher resale value associated with Harley-Davidson custom products. The Company's smaller-displacement custom motorcycles (the Sportster family) are generally price competitive with comparable motorcycles available in the market.

The Company's 2005 surveys of retail purchasers in the United States indicate that 82% of the retail purchasers of its Sportster models either have previously owned competitive-brand motorcycles, are completely new to the sport of motorcycling or have not participated in the sport for at least five years. The Company believes that sales of its Sportster models will lead to future sales of its higher-priced models.

Since 1988, the Company's research has consistently shown that purchasers of new Harley-Davidson motorcycles in the United States have a repurchase intent at or in excess of 90%. Research completed by the Company in 2005 shows that approximately 51% of all retail purchasers of new Harley-Davidson motorcycles in the United States had previously owned a Harley-Davidson motorcycle.

Parts & Accessories. The major Parts and Accessories (P&A) products are replacement parts (Genuine Motor Parts) and mechanical and cosmetic accessories (Genuine Motor Accessories). Worldwide P&A net revenue comprised 15.3%, 15.6% and 15.4% of net revenue in the Motorcycles segment in 2005, 2004 and 2003, respectively.

General Merchandise. Worldwide General Merchandise net revenue, which includes MotorClothesTMapparel and collectibles, comprised 4.6%, 4.5% and 4.6% of net revenue in the Motorcycles segment in 2005, 2004 and 2003, respectively.

Licensing. The Company creates an awareness of the Harley-Davidson brand among its customers and the non-riding public through a wide range of products for enthusiasts by licensing the name "Harley-Davidson" and other trademarks owned by the Company. The Company's licensed products include t-shirts, jewelry, small leather goods, toys and numerous other products. The Company also licenses the use of its name in connection with a cafe located in Las Vegas, Nevada. Although the majority of licensing activity occurs in the U.S., the Company continues to expand these activities in international markets. Royalty revenues from licensing, included in Motorcycles segment net revenue, were approximately $43 million, $41 million and $38 million in 2005, 2004 and 2003, respectively.

Other Services. The Company also provides a variety of services to its independent dealers including service and business management training programs, customized dealer software packages, delivery of its motorcycles, a motorcycle rental and tour program and Riders Edge(R), the Company's rider training program.

Patents and Trademarks. The Company owns certain patents that relate to its motorcycles and related products and processes for their production. The Company diligently protects its intellectual property and its rights to innovative and proprietary technology. This protection, including enforcement, is important as the Company moves forward with investments in new products, designs and technologies.

Trademarks are important to the Company's motorcycle business and licensing activities. The Company has a vigorous worldwide program of trademark registration and enforcement to maintain and strengthen the value of the trademarks and prevent the unauthorized use of those trademarks. The Company believes the HARLEY-DAVIDSON trademark and the Company's Bar and Shield trademark are each highly recognizable to the public and are very valuable assets. The BUELL trademark is well-known in performance motorcycle circles, as is the associated Pegasus logo. Additionally, the Company uses numerous other trademarks, trade names and logos, which are registered worldwide, where the Company conducts business. The following are among the Company's trademarks: Harley-Davidson, H-D, Harley, the Bar & Shield Logo, MotorClothes, the MotorClothes Logo, Rider's Edge, Harley Owners Group, H.O.G., the H.O.G. Logo, Softail, Sportster, V-Rod, Buell, the Pegasus Logo and BRAG. The HARLEY-DAVIDSON trademark has been used since 1903 and the Bar and Shield trademark since at least 1910. The BUELL trademark has been used since 1984. All of the Company's trademarks are owned by H-D Michigan, Inc, a subsidiary of the Company.

Marketing. The Company's products are marketed to retail customers primarily through dealer promotions, customer events and advertising through national television, print, radio and direct mailings. Many of the Company's marketing efforts are accomplished through a cooperative program with its independent dealers. The Company also sponsors racing activities and special promotional events and participates in many major motorcycle consumer shows and rallies.

On an ongoing basis, the Company promotes its products and the related lifestyle through the Harley Owners Group(R), or H.O.G.(R) H.O.G. has over one million members worldwide and is the industry's largest company-sponsored motorcycle enthusiast organization. The Company formed the Harley Owners Group in 1983 in an effort to encourage Harley-Davidson owners to become more actively involved in the sport of motorcycling. The Company has also formed the Buell Riders Adventure Group, or BRAG(R), which has approximately 11,000 members. These groups sponsor many motorcycle events, including world wide rallies and rides for Harley-Davidson and Buell motorcycle enthusiasts.

The Company website (www.harley-davidson.com) is also utilized to market its products and services. The Web site features an online catalog which allows customers to create and share product wish lists, utilize a dealer locator and place catalog orders. Internet orders are sold and fulfilled by the participating authorized Harley-Davidson dealer selected by the customer. Dealers also handle any after-sale services that customers may require.

International Sales. The Company's revenue from the sale of motorcycles and related products to independent dealers and distributors located outside of the United States was approximately $1.04 billion, $917 million and $816 million, or approximately 19%, 18% and 18% of net revenue of the Motorcycles segment, during 2005, 2004 and 2003, respectively.

Distribution-United States. In the United States the Company sells its motorcycles and related products at wholesale to a network of approximately 667 independently-owned full-service Harley-Davidson dealerships. In addition, the Company sells at wholesale to the Overseas Military Sales Corporation, an entity that retails the Company's products to members of the U.S. military. The U.S. independent dealer network includes 318 combined Harley-Davidson and Buell dealerships. With respect to sales of new motorcycles, approximately 82% of the U.S. dealerships sell the Company's motorcycles exclusively. All independent dealerships stock and sell the Company's P&A, general merchandise and licensed products, and perform service for the Company's motorcycles. The Company's independent dealers also sell a smaller portion of P&A, general merchandise and licensed products through "non-traditional" retail outlets. The "non-traditional" outlets, which are extensions of

the main dealership, consist of Secondary Retail Locations (SRLs), Alternate Retail Outlets (AROs), and Seasonal Retail Outlets (SROs). SRLs are satellites of the main dealership and are developed to meet the service needs of the Company's riding customers. SRLs also provide P&A, general merchandise and licensed products and are authorized to sell and service new motorcycles. AROs are located primarily in high traffic locations such as malls, airports or popular vacation destinations and focus on selling the Company's general merchandise and licensed products. SROs are located in similar high traffic areas, but operate on a seasonal basis out of temporary locations such as vendor kiosks. AROs and SROs are not authorized to sell new motorcycles. There are approximately 90 SRLs, 65 AROs, and 10 SROs located in the United States.

Distribution-Europe. In the European region, the Company sells its motorcycles and related products at wholesale to independent dealers and distributors. The Company's European management team is located in Oxford, England and is responsible for all of the Company's sales, marketing and distribution activities in Europe, the Middle East and Africa and is further represented by the Company's sales offices in the United Kingdom, France, Germany, Italy, the Netherlands, Spain and Switzerland. In the European region, there are seven independent distributors and 359 independent Harley-Davidson dealerships serving 32 country markets. This includes 292 combined Harley-Davidson and Buell dealerships. Buell is further represented by 7 dealerships that do not sell Harley-Davidson motorcycles. In addition, the Company's dealer network includes 23 ARO's across Europe.

Distribution-Asia/Pacific.In the Asia/Pacific region, the Company sells its motorcycles and related products at wholesale to independent dealers and distributors. In Japan, the Company's sales, marketing, and distribution of product is managed from its subsidiary in Tokyo, which sells motorcycles and related products at wholesale to a network of 118 independent Harley-Davidson dealers. This includes 51 combined Harley-Davidson and Buell dealerships. Buell is further represented by 3 dealerships that do not sell Harley-Davidson motorcycles.

In Australia and New Zealand, the distribution of Harley-Davidson products is currently managed by independent distributors that purchase product at wholesale directly from the Company's U.S. operation. In 2005, the Company's subsidiary in Sydney, Australia began managing the Company's sales, marketing, and distribution of Buell products in this market and is expected to begin managing the distribution of Harley-Davidson products in the later part of 2006. The Australia/New Zealand market is served at retail by a network of 51 independent Harley-Davidson dealerships, including 26 that sell both Harley-Davidson and Buell products.

The Company supplies product directly from its U.S. operations to the remaining Asia/Pacific dealers, which includes 10 Harley-Davidson dealers located in East and Southeast Asia.

Distribution-Latin America. In the Latin America region the Company sells its motorcycles and related products at wholesale to independent dealers. The Company supplies all products sold in the Latin America region directly to independent dealers from its U.S. operations, with the exception of certain motorcycles sold in Brazil which are assembled and distributed by the Company's subsidiary in Manaus, Brazil. In Latin America, 12 countries are served by 31 independent dealers. Brazil is the Company's largest market in Latin America and is served by 10 independent dealers. Mexico, the region's second largest market has 11 independent dealers. In the remaining countries in the Latin America region there are 10 independent dealers.

Distribution-Canada. In Canada the Company sells its motorcycles and related products at wholesale to a single independent distributor, Deeley Harley-Davidson Canada/Fred Deeley Imports Ltd. In Canada, there are approximately 75 independent Harley-Davidson dealerships and three AROs. In Canada, 43 of the 75 dealerships are combined Harley-Davidson and Buell dealerships.

Seasonality. In general, the Motor Company has not experienced seasonal fluctuations in its wholesale sales. The Company's independent dealers typically build their inventory levels in the late fall and winter in anticipation of the spring and summer selling seasons. The availability of floor plan financing helps allow dealers to manage these seasonal increases in inventory. The Company also offers financing assistance to its dealers in the United States as a way to manage seasonal increases in inventory..

The Company believes its efforts to increase the availability of its motorcycles has resulted in an increase in

seasonality at its independent dealers.Over the last several years the Company has been working to increase the availability of its motorcycles at dealers to improve the customer experience. The Company also believes that increased availability will lead to independent dealers providing wider selections of motorcycles at manufacturer's suggested retail prices so that the Company will be better positioned to attract retail buyers that are new to the brand or new to the sport of motorcycling. The Company understands that improving the availability of its motorcycles to customers may result in the timing of retail purchases tracking more closely with the riding season, requiring the Company and its independent dealers to balance the economies of level production with a more seasonal retail sales pattern.

Retail Customer and Dealer Financing. The Company believes that HDFS, as well as other financial services companies, provide adequate financing to the Company's independent distributors, dealers and their retail customers. HDFS provides financing to the Company's independent distributors, dealers and to the retail customers of those dealers in the U.S. and Canada. HDFS also provides wholesale financing to many of the Company's independent dealers in Europe. The Company's customers in the Asia/Pacific and Latin America regions are not serviced by HDFS, but have access to financing though other established financial services companies.

Competition. The heavyweight (651+cc) motorcycle market is highly competitive. The Company's major competitors are based outside the U.S. and generally have financial and marketing resources that are substantially greater than those of the Company. They also have larger worldwide revenue and are more diversified than the Company and compete in all four segments of the market. In addition to these larger, established competitors, the Company has competitors headquartered in the United States. These competitors generally offer heavyweight motorcycles with traditional styling that compete directly with many of the Company's products. These competitors currently have production and sales volumes that are lower than the Company's and have considerably lower

market share than the Company.

Competition in the heavyweight motorcycle market is based upon a number of factors, including price, quality, reliability, styling, product features, customer preference and warranties. The Company emphasizes quality, reliability and styling in its products and offers a two-year warranty for its motorcycles. The Company regards its support of the motorcycling lifestyle in the form of events, rides, rallies and H.O.G.(R) and its financing through HDFS as competitive advantages. In general, the Company believes that resale values for used Harley-Davidson motorcycles, measured by reflecting the used motorcycle price as a percentage of the manufacturer's suggested retail price when new, are higher than resale values for used motorcycles of its competitors (source: 2005 Company data).

Domestically, the Company competes most heavily in the touring and custom segments of the heavyweight motorcycle market. According to the Motorcycle Industry Council, these segments accounted for 81%, 81% and 82% of total heavyweight retail unit registrations in the United States during 2005, 2004 and 2003, respectively. The larger-displacement custom and touring motorcycles are generally the most expensive vehicles in the market and the most profitable for the Company. During 2005, the heavyweight portion of the market represented approximately one-half of the total U.S. motorcycle market (on- and off-highway motorcycles and scooters) in terms of new units registered.

For the last 18 years, the Company has led the industry in the United States for retail unit registrations of new heavyweight motorcycles. The Company's (Harley-Davidson motorcycles only) share of the heavyweight market was 48.9% and 49.5% in 2005 and 2004, respectively. This share is significantly greater than that of the Company's largest competitor in the domestic market which had a 16.6% market share in 2005.

The following chart includes U.S. retail registration data for the Company and its major competitors for the years 2001 through 2005.

U.S. Heavyweight Motorcycle Registration Data (a)
(Engine Displacement of 651+cc)
(Units in thousands)

	Year Ended December 31				
	2005	2004	2003	2002	2001
Total market new registrations	517.6	494.0	461.2	442.3	394.3
Harley-Davidson new registrations	252.9	244.5	228.4	209.3	177.4
Buell new registrations	3.6	3.6	3.5	2.9	2.6
Total Company new registrations	256.5	248.1	231.9	212.2	180.0
Percentage Market Share:					
Harley-Davidson motorcycles	48.9 %	49.5 %	49.5 %	47.5 %	45.0 %
Buell motorcycles	0.7	0.7	0.8	0.7	0.7
Total Company	49.6	50.2	50.3	48.2	45.7
Honda	16.6	18.7	18.4	19.8	20.5
Suzuki	12.4	10.2	9.8	9.6	10.8
Yamaha	8.9	8.7	8.5	8.9	7.9
Kawasaki	6.5	6.4	6.7	6.9	8.0
Other	6.0	5.8	6.3	6.6	7.1
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

(a) Motorcycle registration data provided by the Motorcycle Industry

Council. The Company must rely on data compiled by independent agencies to obtain industry-wide retail registration data necessary for calculating market share. The retail registration data for Harley-Davidson motorcycles presented in this table may differ slightly from the Harley-Davidson retail sales data presented in Item 7 of this report. The Company's source for retail sales data in Item 7 of this report is sales and warranty registrations provided by Harley-Davidson dealers as compiled by the Company. The differences are not significant and generally relate to the timing of data submissions to the independent sources.

The European heavyweight motorcycle market (as defined below) is roughly two-thirds of the size of the U.S. market; but unlike the domestic market, it is comprised of the unique tastes of many individual countries. In addition, the standard and performance segments represented over 75% of the European heavyweight (651+cc) motorcycle market in 2005. The Company continues to expand its product offerings to compete in these segments with motorcycles like the VRSC and the Buell XB. The Company's traditional Harley-Davidson products compete primarily in the custom and touring segments. The following chart includes European retail registration data for the Company for the years 2003 through 2005.

European Heavyweight Motorcycle Registration Data (a)
(Engine Displacement of 651+cc)
(Units in thousands)

	2005		2004		2003	
	Units	%Share	Units	%Share	Units	%Share
Total market new registrations	332.8		336.2		323.1	
Harley-Davidson new registrations	29.7	8.9 %	25.9	7.7 %	26.3	8.1 %
Buell new registrations	4.6	1.4	4.5	1.3	3.1	1.0
Total Company registrations	34.3	10.3 %	30.4	9.0 %	29.4	9.1 %

(a) Europe data, provided by Giral S.A., includes retail sales in Austria, Belgium, France, Germany, Italy, The Netherlands, Spain, Switzerland, United Kingdom, Denmark, Finland, Greece, Norway, Portugal and Sweden. The Company must rely on data compiled by independent agencies to obtain industry-wide retail registration data necessary for calculating market share. The retail registration data for Harley-Davidson motorcycles presented in this table may differ slightly from the Harley-Davidson retail sales data presented in Item 7 of this report. The Company's source for retail sales data in Item 7 of this report is sales and warranty registrations provided by Harley-Davidson dealers as compiled by the Company. The differences are not significant and generally relate to the timing of data submissions to the independent sources.

The Company also competes internationally in several other markets around the world. The most significant of these markets, based on Company data, are Canada, Japan and Australia. In Canada the Company's market share based on registrations was 32.7%, 30.7% and 28.7% during 2005, 2004 and 2003 respectively (Source: Moped and Motorcycle Industry of Canada). Market share information for the remaining international markets has not been presented because the Company does not believe that definitive and reliable registration data is available at this time.

Motorcycle Manufacturing. The Motor Company's ongoing manufacturing strategy is designed to increase capacity, improve product quality, reduce costs and

increase flexibility to respond to changes in the marketplace. The Motor Company incorporates manufacturing techniques focused on continuous improvement. These techniques, which include employee involvement, just-in-time inventory and lean manufacturing principles, partnering agreements with the local unions, high performance work organizations and statistical process control, are designed to improve product quality, productivity and asset utilization in the production of Harley-Davidson motorcycles.

The Motor Company's use of just-in-time inventory principles allows it to minimize its inventories of raw materials and work in process, and minimize scrap and rework costs. This system also allows quicker reaction to engineering design changes, quality improvements and market demands. The Motor Company continues to train the majority of its manufacturing employees in problem solving and statistical methods.

Raw Material and Purchased Components. The Company continues to establish and/or reinforce long-term, mutually beneficial relationships with its suppliers. Through these collaborative relationships, the Company gains access to technical and commercial resources for application directly to product design, development and manufacturing initiatives and gains commitment from suppliers to advance Company interests efficiently and effectively. This strategy has resulted in improved product quality, technical integrity, application of new features and innovations, reduced lead times for product development, and smoother/faster manufacturing ramp-up of new vehicle introductions. The Company's continuing initiative to improve supplier productivity and component cost has been instrumental in delivering improvement in cost and in offsetting raw material commodity price pressures. The Company anticipates that its focus on collaboration and strong supplier relationships will be beneficial to achieving cost improvement over the long-term.

The Company purchases all of its raw materials, principally steel and aluminum castings, forgings, steel sheets and bars, and certain motorcycle components, including carburetors, batteries, tires, seats, electrical components and instruments. Given current economic conditions in certain raw material commodity markets, and pressure on certain suppliers due to difficulties in the automotive industry, the Company is closely monitoring supply, availability and pricing for both its suppliers and in-house operations. However, at this time, the Company does not anticipate any significant difficulties in obtaining raw materials or components.

Research and Development. The Company believes research and development are significant factors in its ability to lead the custom and touring motorcycling market and to develop products for the performance segment. The Company's Product Development Center (PDC) brings employees from styling, purchasing and manufacturing together with regulatory professionals and supplier representatives to create a concurrent product and process development team. The Company incurred research and development expenses of $178.5 million, $170.7 million and $150.3 million during 2005, 2004 and 2003, respectively.

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

The Company's motorcycles are subject to certification by the U.S. Environmental Protection Agency (EPA) for compliance with applicable emissions and noise standards and by the State of California Air Resources Board (CARB) with respect to CARB's more stringent emissions standards. Company motorcycles sold in California are also subject to evaporative emissions standards that are unique to California. The Company's motorcycle products have been certified to

comply fully with all such applicable standards. CARB's motorcycle emissions standards will become more stringent with model year 2008. The EPA has finalized new tail pipe emission standards for 2006 and 2010, respectively, which are harmonized with the California emissions standards. Harley-Davidson motorcycle products have been certified to the new EPA standards for 2006 and the Company believes it will comply with future requirements when they go into effect. Additionally, the European Union, Japan and certain emerging markets are considering making motorcycle emissions and noise standards more stringent, which in the European Union are already more stringent than those of the EPA. Consequently, the Company will continue to incur some level of research and development and production costs related to motorcycle emissions and noise for the foreseeable future. The Company does not anticipate that any of these standards will have a materially adverse impact on its capital expenditures, earnings or competitive position.

The Company, as a manufacturer of motorcycle products, is subject to the National Traffic and Motor Vehicle Safety Act, which is administered by the National Highway Traffic Safety Administration (NHTSA). The Company has certified to NHTSA that its motorcycle products comply fully with all applicable federal motor vehicle safety standards and related regulations. The Company has from time to time initiated certain voluntary recalls. During the last three years, the Company has initiated 18 voluntary recalls at a total cost of $12.5 million. The Company reserves for all estimated costs associated with recalls in the period that the recalls are announced.

Employees. As of December 31, 2005, the Motorcycles segment had approximately 9,000 employees. Unionized employees at the motorcycle manufacturing facilities in Wauwatosa and Menomonee Falls, Wisconsin and Kansas City, Missouri are represented by the United Steelworkers of America (USW), as well as the International Association of Machinist and Aerospace Workers (IAM). Unionized employees at the distribution and manufacturing facilities in Franklin and Tomahawk, Wisconsin are represented by the USW. Production workers at the motorcycle manufacturing facility in York, Pennsylvania, are represented principally by the IAM. The collective bargaining agreement with the Pennsylvania-IAM will expire on February 2, 2007, the collective bargaining agreement with the Kansas City-USW and IAM will expire on August 1, 2007, and the collective bargaining agreement with the Wisconsin-USW and IAM will expire on March 31, 2008.

Internet Access. The Company's Internet address is www.harley-davidson.com. The Company makes available free of charge (other than an investor's own Internet access charges) through its Internet website the Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after it electronically files such material with, or furnishes such

material to, the Securities and Exchange Commission. In addition, the Company makes available, through its website, the following corporate governance materials: (a) the Harley-Davidson, Inc. Corporate Governance Policy, (b) Committee Charters approved by the Harley-Davidson, Inc. Board of Directors for the Audit Committee, Human Resources Committee and Nominating and Corporate Governance Committee, (c) the Company's Financial Code of Ethics, (d) the Company's Code of Business Conduct (the "Code of Conduct") in seven languages including English, (e) the Conflict of Interest Process for Directors and Executive Officers of Harley-Davidson, Inc. (the "Conflict Process"), (f) a list of the Company's Board of Directors and (g) the Company's By-laws. This information is also available from the Company upon request. The Company satisfies the disclosure requirements under the Code of Conduct, the Conflict Process and applicable New York Stock Exchange listing requirements regarding waivers of the Code of Conduct or the Conflict Process by posting such information on its website at www.harley-davidson.com and by disclosing the

information in the Company's proxy statement for its annual meeting of shareholders. The Company is not including the information contained on or available through its website as a part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

Financial Services

HDFS is engaged in the business of financing and servicing wholesale inventory receivables and consumer retail loans (primarily for the purchase of motorcycles). Additionally HDFS is an agent for certain unaffiliated insurance carriers providing property/casualty insurance and also sells extended service contracts, gap coverage and debt protection products to motorcycle owners. HDFS conducts business in the United States, Canada and Europe.

Harley-Davidson and Buell. HDFS, operating under the trade name Harley-Davidson Credit, provides wholesale financial services to Harley-Davidson and Buell dealers and retail financing to consumers. HDFS, operating under the trade name Harley-Davidson Insurance, is an agent for the sale of motorcycle insurance policies and also sells extended service warranty agreements, gap contracts and debt protection products.

Wholesale financial services include floorplan and open account financing of motorcycles and motorcycle parts and accessories, real estate loans, computer loans and showroom remodeling loans. HDFS offers wholesale financial services to Harley-Davidson dealers in the U.S., Canada, and Europe and during 2005, approximately 97% of such dealers utilized those services. Prior to August 2002, HDFS offered wholesale financing to some of the Company's European motorcycle dealers through a joint venture with Transamerica Distribution Finance. In August 2002, HDFS terminated this joint venture relationship and began directly serving the wholesale financing needs of some European dealers. The wholesale finance operations of HDFS are located in Plano, Texas and Oxford, England.

Retail financial services include installment lending for new and used Harley-Davidson and Buell motorcycles. HDFS' retail financial services are available through most Harley-Davidson and Buell dealers in the United States and Canada. HDFS' retail finance operations are located in Carson City, Nevada and Plano, Texas.

Motorcycle insurance, extended service contracts, gap coverage and debt protection products are available through most Harley-Davidson and Buell dealers in the United States and Canada. Motorcycle insurance is also marketed on a direct basis to motorcycle riders. HDFS insurance operations are located in Carson City, Nevada and Plano, Texas.

Other Manufacturers. HDFS' retail aircraft financial service programs are similar to programs for Harley-Davidson and Buell consumers described above. HDFS' aircraft business is a small portion of its total business and made up less than 4% of total managed loans as of the end of 2005.

Funding. HDFS is financed by operating cash flow, asset-backed securitizations, the issuance of commercial paper, revolving credit facilities, medium term notes, senior subordinated debt and the availability of advances and loans from the Company. In asset-backed securitizations, HDFS sells retail motorcycle loans and records a gain on the sale of those loans. HDFS also retains an interest in the excess cash flows from the receivable and recognizes income on this retained interest. After the sale HDFS performs billing and portfolio management services for these loans and receives a servicing fee for providing these services.

Competition. The ability to offer a package of wholesale and retail financial

services is a significant competitive advantage for HDFS. Competitors compete for business based largely on price and, to a lesser extent, service. HDFS competes based on convenience, service, brand association, strong dealer relations, industry experience, terms, and price.

During 2005, HDFS financed 45% of the new Harley-Davidson motorcycles retailed by independent dealers in the United States, as compared to 40% in 2004. Competitors for retail motorcycle finance business are primarily banks, credit unions, other financial institutions. In the motorcycle insurance business, competition primarily comes from national insurance companies and from insurance agencies serving local or regional markets. For insurance-related products such as extended service warranty agreements, HDFS faces competition from certain regional and national industry participants.

HDFS faces limited national competition for wholesale motorcycle finance business. Competitors are primarily regional and local banks and other financial institutions providing wholesale financing to Harley-Davidson and Buell dealers in their local markets.

Trademarks. HDFS uses various trademarks and trade names for its financial services and products which are licensed from H-D Michigan, Inc., including HARLEY-DAVIDSON, H-D and the Bar & Shield logo.

Seasonality. In the northern United States and Canada, motorcycles are primarily used during warmer months. Accordingly, HDFS experiences seasonal variations. From mid-March through August, retail financing volume increases and wholesale financing volume decreases as dealers inventories decline. From September through mid-March, there is a decrease in retail financing volume while dealer inventories build and turn over more slowly, substantially increasing wholesale financing volume.

Regulation. The operations of HDFS (both domestic and foreign) are subject, in certain instances, to supervision and regulation by state, federal, and various foreign governmental authorities. Many of the statutory and regulatory requirements imposed by such agencies are in place to provide consumer protection as it pertains to the selling of financial products and services. Therefore, operations may be subject to various laws and judicial and administrative decisions imposing requirements and restrictions, which among other things, (1) regulate credit granting activities, including establishing licensing requirements, in applicable jurisdictions, (2) establish maximum interest rates, finance charges and other charges, (3) regulate customers' insurance coverage, (4) require disclosure of credit and insurance terms to customers, (5) govern secured transactions, (6) set collection, foreclosure, repossession and claims handling procedures and other trade practices, (7) prohibit discrimination in the extension of credit and administration of loans, (8) regulate the use and reporting of information related to a borrower, or (9) require certain periodic reporting.

Depending on the provisions of the applicable laws and regulations and the specific facts and circumstances involved, violations of these laws may limit the ability of HDFS to collect all or part of the principal or interest on applicable loans, may entitle the borrower to rescind the loan or to obtain a refund of amounts previously paid, and in addition, could subject HDFS to damages and administrative sanctions, including "cease and desist" orders.

Such regulatory requirements and associated supervision could limit the discretion of HDFS in operating its business. Noncompliance with applicable statutes or regulations could result in the suspension or revocation of any license or registration at issue, as well as the imposition of civil fines, criminal penalties and administrative sanctions. The Company cannot assure that the applicable laws or regulations will not be amended or construed

differently, that new laws and regulations will not be adopted or that interest rates charged by HDFS will not rise to maximum levels permitted by law, the effect of any of which could be to adversely affect the business of HDFS or its results of operations.

A subsidiary of HDFS, Eaglemark Savings Bank (ESB), is a Nevada state thrift chartered under an Industry Loan Charter. As such, the activities of this subsidiary are governed by federal and State of Nevada banking laws and are subject to examination by federal and state examiners. During 2002, ESB began to originate retail motorcycle and aircraft loans and sell the loans to a non-banking subsidiary of HDFS. This process allows HDFS to offer retail products with common characteristics across the United States and uniformly manage all domestic retail customers.

Employees. As of December 31, 2005, the Financial Services segment had approximately 700 employees. No employees of HDFS are represented by labor unions.

Item 1A. Risk Factors

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

ù The Company has a number of competitors of varying sizes that are based both inside and outside the United States some of which have greater financial resources than the Company. Many of the Company's competitors are more diversified than the Company, and they may compete in the automotive market or all segments of the motorcycle market. Also, if price becomes a more important competitive factor for consumers in the heavyweight motorcycle market, the Company may have a competitive disadvantage. Failure to adequately address and respond to these competitive pressures worldwide could have a material adverse effect on the Company's business and results of operations.

ù The Company's marketing strategy of associating its motorcycle products with a motorcycling lifestyle may not be successful with future customers. The Company has been successful in marketing its products in large part by promoting the experience of motorcycling. This lifestyle is now more typically associated with a retail customer base comprised of individuals who are, on average, in their mid-forties. To sustain long-term growth, the Company must continue to be successful in promoting motorcycling to customers new to the sport of motorcycling including women, younger riders and more ethnically diverse riders.

ù The Company's success depends upon the continued strength of the Harley-Davidson brand. The Company believes that the Harley-Davidson brand has significantly contributed to the success of its business and that maintaining and enhancing the brand is critical to expanding its customer base. Failure to protect the brand from infringers or to grow the value of the Harley-Davidson brand could have a material adverse effect on the Company's business and results of operations.

ù The Company's prospects for future growth are largely dependent upon its ability to develop and successfully introduce new, innovative and compliant products.The motorcycle market continues to advance in terms of cutting edge styling and new technology and, at the same time, be subject to increasing regulations related to safety and emissions. The Company must continue to distinguish its products from its competitors' products with unique styling and new technologies and to protect its intellectual property from imitators. In addition, these new products must comply with applicable regulations worldwide. The Company must make product advancements while

maintaining the classic look, sound and feel associated with Harley-Davidson products. The Company must also be able to design and manufacture these products and deliver them to the marketplace in a timely manner. There can be no assurances that the Company will be successful in these endeavors or that existing and prospective customers will favorably receive the Company's new products.

ù The Company's Motorcycles segment is dependent upon unionized labor. Substantially all of the hourly employees working in the Motorcycles segment are represented by unions and covered by collective bargaining agreements. Harley-Davidson Motor Company is currently a party to five collective bargaining agreements with local affiliates of the International Association of Machinists and Aerospace Workers and the United Steelworkers of America that expire during 2007 and 2008. These collective bargaining agreements generally cover wages, healthcare benefits and retirement plans, seniority, job classes and

work rules. There is no certainty that the Company will be successful in negotiating new agreements with these unions that extend beyond the current expiration dates or that these new agreements will be on terms as favorable to the Company as past labor agreements. Failure to renew these agreements when they expire or to establish new collective bargaining agreements on terms acceptable to the Company and the unions could result in work stoppages or other labor disruptions which could have a material adverse effect on customer relationships and the Company's business and results of operations.

ù The Company's operations are dependent upon attracting and retaining skilled employees. The Company's future success depends on its continuing ability to identify, hire, develop, motivate and retain skilled personnel for all areas of its organization. The current and future total compensation arrangements, which include benefits and cash bonuses, may not be successful in attracting new employees and retaining and motivating the Company's existing employees. If the Company does not succeed in attracting personnel or retaining and motivating existing personnel, the Company may be unable to develop and distribute products and services and grow effectively.

ù The Company incurs substantial costs with respect to pension benefits and providing healthcare for its employees. The Company's estimates of liabilities and expenses for pensions and other post-retirement healthcare benefits require the use of assumptions. They include the rate used to discount the future estimated liability, the rate of return on plan assets and several assumptions relating to the employee workforce (salary increases, medical costs, retirement age and mortality). Actual results may differ which may have a material adverse effect on future results of operations, liquidity or shareholders' equity. In addition, rising healthcare and retirement benefit costs in the United States may put the Company under significant cost pressure as compared to our competitors.

ù The Company manufactures products that create exposure to product liability claims and litigation. To the extent plaintiffs are successful in showing that personal injury or property damage result from defects in the design or manufacture of the Company's products, the Company could be subject to claims for damages that are not covered by insurance. The costs associated with defending product liability claims, including frivolous lawsuits, and payment of damages could be substantial. The Company's reputation could also be adversely affected by such claims, whether or not successful.

ù The Company sells its products at wholesale and must rely on a network of independent dealers and distributors to manage the retail distribution of its products. The Company depends on the capability of its independent dealers and distributors to develop and implement effective retail

sales plans to create demand for the motorcycles and related products and services they purchase from the Company. If the Company's independent dealers and distributors are not successful in these endeavors, then the Company will be unable to maintain or grow its revenues.

ù The Company and its independent dealers must balance the economies of level production with a more seasonal retail sales pattern. The Company generally records the sale of a motorcycle when it is shipped to the Company's independent dealers and distributors. In the past, the Company has not experienced seasonal fluctuations in its wholesale motorcycle sales, and as a result, the Company has been able to maintain production that is relatively level. Over the last several years, the Company has been working to increase the availability of its motorcycles at dealerships to help improve the

customer experience. The increased availability of motorcycles has resulted in the timing of retail purchases tracking more closely with regional motorcycle riding seasons. This requires the Company's independent dealers and distributors to manage seasonal increases in inventory. As a result, the Company and its independent dealers and distributors must balance the economies of level production with the inventory costs associated with a more seasonal retail sales pattern. Failure to balance the two could have a material adverse effect on the Company's business and results of operations.

ù The Company relies on third party suppliers to obtain raw materials and provide component parts for use in the manufacture of its motorcycles. The Company cannot be certain that it will not experience supply problems such as unfavorable pricing or untimely delivery of raw materials and components. In certain circumstances, the Company relies on a single supplier to provide the entire requirement of a specific part and a change in this established supply relationship may cause disruption in the Company's production schedule. In addition, the price and availability of raw materials and component parts from suppliers can be adversely affected by factors outside of the Company's control such as increased worldwide demand. Further, Company suppliers who also serve the automotive industry may be experiencing financial difficulties due to a downturn in that industry. These supplier risks may have a material adverse effect on the Company's business and results of operations.

ù The Company must maintain its reputation of being a good corporate citizen and treating customers, employees, suppliers and other stakeholders fairly. The Company has a history of good corporate governance. Prior to the enactment of the Sarbanes-Oxley Act of 2002 (the "Act"), the Company had in place many of the corporate governance procedures and processes now mandated by the Act and related rules and regulations, such as Board Committee Charters and a Corporate Governance Policy. In 1992, the Company established a Code of Business Conduct that defines how employees interact with various Company stakeholders and addresses issues such as confidentiality, conflict of interest and fair dealing. Failure to maintain this reputation could have a material adverse effect on the Company's business and results of operations.

ù The Company must invest in and successfully implement new information systems and technology. The Company is continually modifying and enhancing its systems and technology to increase productivity and efficiency. When implemented, the systems and technology may not provide the benefits anticipated and could add costs and complications to ongoing operations, which could have a material adverse effect on the Company's business and results of operations.

ù The Company is the defendant in several class action and similar lawsuits. In January 2001, the Company, on its own initiative, notified each owner of 1999 and early-2000 model year Harley-Davidson motorcycles equipped

with Twin Cam 88(R) and Twin Cam 88BTM engines that the Company was extending the warranty for a rear cam bearing to 5 years or 50,000 miles. Subsequently, putative nationwide class actions were filed against the Company relating to the cam bearing as discussed in Item 3. - Legal Proceedings.

A number of shareholder class action lawsuits were filed between May 18, 2005 and July 1, 2005 against the Company and certain Company officers. The complaints allege securities law violations and seek unspecified damages relating generally to the Company's April 13, 2005 announcement that it was reducing short-term production growth and planned increases of motorcycle shipments from 317,000 units in 2004 to a new 2005 target of 329,000 units compared to its original target of 339,000 units.

In addition, several shareholder derivative lawsuits have been filed against directors and officers of the Company. The lawsuits also name the Company as a nominal defendant. In general, the shareholder derivative complaints include factual allegations similar to those in the class action complaints and allegations that officers and directors breached their fiduciary duties to the Company.

On August 25, 2005, a class action lawsuit alleging violations of the Employee Retirement Income Security Act ("ERISA") was filed against the Company, the Administrative Committee of the Company and Company officers, directors and certain employees. In general, the ERISA complaint includes factual allegations similar to those in the shareholder class action lawsuits and alleges on behalf of participants in certain Harley-Davidson retirement savings plans that the plan fiduciaries breached their ERISA fiduciary duties.

The uncertainty associated with substantial unresolved lawsuits could harm the Company's business, financial condition and reputation. The defense of the lawsuits could result in the diversion of management's time and attention away from business operations and negative developments with respect to the lawsuits could cause a decline in the price of the Company's common stock. In addition, although we are unable to determine the amount, if any, that we may be required to pay in connection with the resolution of the lawsuits by settlement or otherwise, any such payment could have a material adverse effect on the Company's business and results of operations .

ù There is a Securities and Exchange Commission inquiry relating to the Company. On July 11, 2005, the staff of the Enforcement Division of the United States Securities and Exchange Commission ("SEC") advised the Company that it is inquiring into matters generally relating to the Company's April 13, 2005 announcement and certain allegations contained in the shareholder complaints described above. The Company is cooperating with the SEC. An inquiry of this nature ultimately could require significant management attention and result in a formal investigation, other proceedings and penalties. Any of these outcomes could damage the reputation of the Company and could have a material adverse effect on the Company's business and results of operations.

ù The Company must comply with governmental laws and regulations that are subject to change and involve significant costs. The Company's sales and operations in areas outside the U.S. may be subject to foreign laws, regulations and the legal systems of foreign courts or tribunals. These laws and policies governing operations of foreign-based companies could result in increased costs or restrictions on the ability of the Company to sell its products in certain countries. The Company's international sales operations may also be adversely affected by United States laws affecting foreign trade and taxation.

The Company's domestic sales and operations are subject to governmental

policies and regulatory actions of agencies of the United States Government, including the Environmental Protection Agency, SEC, National Highway Traffic Safety Administration, Department of

Labor and Federal Trade Commission. In addition, the Company is subject to policies and actions of the New York Stock Exchange ("NYSE") and laws and actions of state legislatures and other local regulators. Changes in regulations or the imposition of additional regulations could have a material adverse effect on the Company's business and results of operations.

The Company's financial services operations are governed by various foreign, federal and state laws that more specifically affect general financial and lending institutions. The Company's financial services operations originate the majority of its consumer loans through a subsidiary, Eaglemark Savings Bank, a Nevada thrift, which is regulated by the Federal Deposit Insurance Corporation. Changes in regulations or the imposition of additional regulations could affect the earnings of the financial services operations and have a material adverse effect on the Company's business and results of operations. Any unauthorized release of consumer data could subject the Company to liability and adversely affect the Company's reputation.

In addition, many major competitors of the Company are not subject to the requirements of the SEC or the NYSE rules. As a result, the Company may be required to disclose certain information that could put the Company at a competitive disadvantage to its principal competitors.

ù The Company's financial services operations are highly dependent on accessing capital markets to fund its operations at attractive interest rates. The Company's ability to access unsecured capital markets is influenced by its credit ratings. The Company currently has very strong credit ratings; however, if its ratings were to be downgraded, its cost of borrowing could be adversely affected resulting in reduced earnings and interest margins.

ù The Company's financial services operations are exposed to credit risk on its retail and wholesale receivables, receivables held for sale, and its investment in retained securitization interests. Credit risk is the risk of loss arising from a failure by a customer to meet the terms of any contract with the Company. Credit losses are influenced by general business and economic conditions, as well as contract terms, customer credit profiles and the new and used motorcycle market. Negative changes in general business, economic or market factors could adversely impact the Company's credit losses and future earnings. Credit exposure is significantly sensitive to any decline in new and used motorcycle prices. In addition, the frequency of losses could be negatively influenced by adverse changes in macro-economic factors, such as unemployment rates and bankruptcy filings.

ù The Company is exposed to market risk from changes in foreign exchange rates and interest rates. The Company sells its products internationally and in most markets those sales are made in the foreign country's local currency. Earnings from the Company's financial services business are affected by changes in interest rates. The Company uses derivative financial instruments to attempt to manage foreign currency exchange rates and interest rate risks. There can be no assurance that in the future the Company will successfully manage these risks.

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

Item 2. Properties

The following is a summary of the principal operating properties of the Company as of December 31, 2005.

Motorcycles and Related Products Segment

Type of Facility	Location	Approximate Square Feet	Status
Corporate Office	Milwaukee, WI	515,000	Owned
Warehouse	Milwaukee, WI	24,000	Lease expiring 2006
Airplane Hangar	Milwaukee, WI	14,600	Owned
Product Development Center	Wauwatosa, WI	409,000	Owned
Manufacturing	Wauwatosa, WI	422,000	Owned
Manufacturing	Menomonee Falls, WI	479,000	Owned
Manufacturing	Tomahawk, WI	211,000	Owned
Manufacturing	York, PA	1,321,000	Owned
Materials Velocity Center	Manchester, PA	212,000	Owned
Manufacturing and Materials Velocity Center	Kansas City, MO	450,000	Owned
Manufacturing	East Troy, WI	40,000	Lease expiring 2008
Product Development and Office	East Troy, WI	54,000	Lease expiring 2008
Distribution Center	Franklin, WI	250,000	Owned
Office	Cleveland, OH	23,000	Lease expiring 2014
Motorcycle Testing	Talladega, AL	24,000	Leases expiring 2010
Motorcycle Testing	Mesa, AZ	29,000	Lease expiring 2014
Motorcycle Testing	Naples, FL	82,000	Owned
Office	Ann Arbor, MI	3,000	Lease expiring 2009
Office	Morfelden-Waldorf, Germany	22,000	Lease expiring 2008
Office and Warehouse	Oxford, England	27,000	Lease expiring 2017
Office	Liederdorp, The Netherlands	9,000	Lease expiring 2010
Office	Paris, France	7,000	Lease expiring 2010
Office and Warehouse	Arese, Italy	17,000	Lease expiring 2009
Office	Zurich, Switzerland	2,000	Lease expiring 2009
Office	Barcelona, Spain	2,000	Lease expiring 2010
Office	Tokyo, Japan	14,000	Lease expiring 2006
Warehouse	Yokohama, Japan	15,000	Lease expiring 2006
Office and Warehouse	Sydney, Australia	2,600	Lease expiring 2011
Office	Shanghai, China	300	Lease expiring 2006
Manufacturing and Office	Manaus, Brazil	35,000	Lease expiring 2007

The Company has seven facilities that perform manufacturing operations: Wauwatosa and Menomonee Falls, Wisconsin (motorcycle powertrain production); Tomahawk, Wisconsin (fiberglass/plastic parts production and painting); York, Pennsylvania (motorcycle parts fabrication, painting and Softail(R) and touring model assembly); Kansas City, Missouri (motorcycle parts fabrication, painting and Dyna Glide, Sportster(R) and VRSC assembly); East Troy, Wisconsin (Buell(R) motorcycle assembly); Manaus, Brazil (assembly of select models for Brazilian market).

Financial Services Segment

Type of Facility	Location	Approximate Square Feet	Status
Office	Chicago, IL	35,000	Lease expiring 2007
Office	Carson City, NV	100,000	Owned
Office	Plano, TX	61,500	Lease expiring 2014
Office	Oxford, England	6,000	Lease expiring 2017

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

Item 3. Legal Proceedings

Shareholder lawsuits:

A number of shareholder class action lawsuits were filed between May 18, 2005 and July 1, 2005 in the United States District Court for the Eastern District of Wisconsin against the Company and some or all of the following Company officers: Jeffrey L. Bleustein, James M. Brostowitz, Jon R. Flickinger, John A. Hevey, Ronald M. Hutchinson, Gail A. Lione, James A. McCaslin, W. Kenneth Sutton, Jr., Donna F. Zarcone and James L. Ziemer. The complaints allege securities law violations and seek unspecified damages relating generally to the Company's April 13, 2005 announcement that it was reducing short-term production growth and planned increases of motorcycle shipments from 317,000 units in 2004 to a new 2005 target of 329,000 units (compared to its original target of 339,000 units).

Three shareholder derivative lawsuits were filed in the United States District Court for the Eastern District of Wisconsin on June 3, 2005, October 25, 2005 (this lawsuit was later voluntarily dismissed) and December 2, 2005 and two shareholder derivative lawsuits were filed in Milwaukee County Circuit Court on July 22, 2005 and November 16, 2005 against some or all of the following directors and officers of the Company: Jeffrey L. Bleustein, James L. Ziemer, James M. Brostowitz, Barry K. Allen, Richard I. Beattie, George H. Conrades, Judson C. Green, Donald A. James, Sara L. Levinson, George L. Miles, Jr., James A. Norling, James A. McCaslin, Donna F. Zarcone, Jon R. Flickinger, Gail A. Lione, Ronald M. Hutchinson, W. Kenneth Sutton, Jr., and John A. Hevey. The lawsuits also name the Company as a nominal defendant. In general, the shareholder derivative complaints include factual allegations similar to those in the class action complaints and allegations that officers and directors breached their fiduciary duties to the Company.

On July 11, 2005, the staff of the Enforcement Division of the United States Securities and Exchange Commission ("SEC") advised the Company that it is inquiring into matters relating generally to the Company's April 13, 2005 announcement and certain allegations contained in the shareholder complaints. The Company is cooperating with the SEC.

On August 25, 2005, a class action lawsuit alleging violations of the Employee Retirement Income Security Act ("ERISA") was filed in the United States District Court for the Eastern District of Wisconsin against the Company, the Administrative Committee of Harley-Davidson, Inc., and the following Company employees, officers, and directors: Harold A. Scott, James M. Brostowitz, James L. Ziemer, Gail A. Lione, Barry K. Allen, Richard I. Beattie, Jeffrey L. Bleustein, George H. Conrades, Judson C. Green, Donald A. James, Sara L. Levinson, George L. Miles, Jr., and James A. Norling. In general, the ERISA complaint includes factual allegations similar to those in the shareholder class action lawsuits and alleges on behalf of participants in certain Harley-Davidson retirement savings plans that the plan fiduciaries breached their ERISA fiduciary duties.

The Company believes the allegations against all of the defendants in the lawsuits against the Company are without merit and it intends to vigorously defend against them. Since all of these matters are in the preliminary stages, the Company is unable to predict the scope or outcome or quantify their eventual impact, if any, on the Company. At this time the Company is also unable to estimate associated expenses or possible losses. The Company maintains insurance that may limit its financial exposure for defense costs and liability for an unfavorable outcome, should it not prevail, for claims covered by the insurance coverage.

Cam bearing lawsuits:

In January 2001, the Company, on its own initiative, notified each owner of 1999 and early-2000 model year Harley-Davidson motorcycles equipped with Twin Cam 88(R) and Twin Cam 88BTM engines that the Company was extending the warranty for a rear cam bearing to 5 years or 50,000 miles. Subsequently, on June 28, 2001, a putative nationwide class action was filed against the Company in state court in Milwaukee County, Wisconsin, which was amended by a complaint filed September 28, 2001. The complaint alleged that this cam bearing is defective and asserted various legal theories. The complaint sought unspecified compensatory and punitive damages for affected owners, an order compelling the Company to repair the engines, and other relief. On February 27, 2002, the Company's motion to dismiss the amended complaint was granted by the Court and the amended complaint was dismissed in its entirety. An appeal was filed with the Wisconsin Court of Appeals.

On April 12, 2002, the same attorneys filed a second putative nationwide class action against the Company in state court in Milwaukee County, Wisconsin relating to this cam bearing issue and asserting different legal theories than in the first action. The complaint sought unspecified compensatory damages, an order compelling the Company to repair the engines and other relief. On September 23, 2002, the Company's motion to dismiss was granted by the Court, the complaint was dismissed in its entirety, and no appeal was taken. On January 14, 2003, the Wisconsin Court of Appeals reversed the trial court's February 27, 2002 dismissal of the complaint in the first action, and the Company petitioned the Wisconsin Supreme Court for review. On March 26, 2004, the Wisconsin Supreme Court reversed the Court of Appeals and dismissed the remaining claims in the action. On April 12, 2004, the same attorneys filed a third action in the state court in Milwaukee County, on behalf of the same plaintiffs from the action dismissed by the Wisconsin Supreme Court. This third action was dismissed by the court on July 26, 2004. In addition, the plaintiffs in the original case moved to reopen that matter and amend the complaint to add

new causes of action. On September 9, 2004, Milwaukee County Circuit Court refused to allow the reopening or amendment. Plaintiffs again appealed to the Wisconsin Court of Appeals, and on December 13, 2005, the Court of Appeals again reversed the trial court. The Company has filed a petition for review with the Wisconsin Supreme Court, asking it to reinstate the trial court's decision. The Company believes that the 5-year/50,000 mile warranty extension it announced in January 2001 adequately addressed the condition for affected owners, and the Company intends to continue to vigorously defend this matter.

Environmental matters:

The Company is involved with government agencies and groups of potentially responsible parties in various environmental matters, including 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 an ongoing site-wide remedial investigation/feasibility study (RI/FS).

In January 1995, the Company entered into a settlement agreement (the Agreement) with the Navy. The Agreement calls for the Navy and the Company to contribute amounts into a trust equal to 53% and 47%, respectively, of future 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.

In February 2002, the Company was advised by the U.S. Environmental Protection Agency (EPA) that it considers some of the Company's remediation activities at the York facility to be subject to the EPA's corrective action program under the Resource Conservation and Recovery Act (RCRA) and offered the Company the option of addressing corrective action under a RCRA facility lead agreement. In July 2005, the York facility was designated as the first site in Pennsylvania to be addressed under the "One Cleanup Program." The program provides a more streamlined and efficient oversight of voluntary remediation by both PADEP and EPA and will be carried out consistent with the Agreement with the Navy. As a result, the RCRA facility lead agreement has been superseded.

Although the RI/FS is still under way and substantial uncertainty exists concerning the nature and scope of the additional environmental investigation and remediation that will ultimately be required at the York facility, the Company estimates that its share of the future Response Costs at the York facility will be approximately $7.0 million. The Company has established reserves for this amount, which are included in Accrued Expenses and Other Liabilities in the Consolidated Balance Sheets.

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. Response Costs related to the remediation of soil are expected to be incurred over a period of several years ending in 2010. Response Costs related to ground water remediation may continue for some time beyond 2010. However, these Response Costs are expected to be much lower than those related to the remediation of soil.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of shareholders of the Company in the fourth quarter of 2005.

Executive Officers of the Registrant

The following sets forth, as of December 31, 2005, the name, age and business experience for the last five years for each of the executive officers of Harley-Davidson, Inc. Executive officers are defined by the Company as Corporate Officers of Harley-Davidson, Inc. plus all members of the Company's Leadership and Strategy Council (LSC). The LSC, which is comprised of selected members of senior management from various areas within the Company, makes high-level resource decisions, develops policies, and acts as an advisory group to the Chief Executive Officer.

Executive Officers

Name	Age
Joanne M. Bischmann Vice President, Marketing - Harley-Davidson Motor Company	44
James M. Brostowitz Vice President and Treasurer and Acting Chief Financial Officer Chief Accounting Officer	53
Karl M. Eberle Vice President and General Manager, Kansas City Vehicle and Powertrain - Harley-Davidson Motor Company	57
Jon R. Flickinger Vice President - Harley-Davidson Motor Company and President and Chief Operating Officer - Buell Motorcycle Company	48
Ronald M. Hutchinson Vice President, Parts and Accessories - Harley-Davidson Motor Company	58
Gail A. Lione Vice President, General Counsel and Secretary Chief Compliance Officer	56
James A. McCaslin President and Chief Operating Officer - Harley-Davidson Motor Company	57
W. Kenneth Sutton, Jr. Vice President, Engineering - Harley-Davidson Motor Company	57
Donna F. Zarcone President and Chief Operating Officer - Harley-Davidson Financial Services	48
James L. Ziemer President and Chief Executive Officer and Director	55

Except for the following persons, all such executive officers have been employed by the Company in an executive officer capacity, as defined above, for more than five years: Joanne M. Bischmann, Karl M. Eberle and Kenneth Sutton. The following is additional biographical information for at least the last five years relating to these three executive officers:

Ms. Bischmann has served as the Vice President, Marketing of the Motor Company since 1996.

Mr. Eberle has served as the Vice President and General Manager of the Motor Company's Kansas City Vehicle and Powertrain Operations since 1997.

Mr. Sutton became the Vice President, Engineering for the Motor Company in

2002. From 2000 to 2002, Mr. Sutton served as Vice President, Continuous Improvement for the Motor Company.

PART II

Item 5. Market for Harley-Davidson, Inc. Common Stock and Related Shareholder Matters

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

2005	Low	High
First quarter	$ 57.84	$ 62.49
Second quarter	45.14	59.40
Third quarter	47.50	54.25
Fourth quarter	44.40	55.93

2004	Low	High
First quarter	$ 45.20	$ 54.42
Second quarter	52.30	62.31
Third quarter	56.42	63.75
Fourth quarter	55.01	61.24

The Company paid the following dividends per share:

	2005	2004	2003
First quarter	$ .125	$ .080	$ .035
Second quarter	$ .160	.100	.040
Third quarter	$ .160	.100	.040
Fourth quarter	$ .180	.125	.080
Total year	$ .625	$ .405	$ .195

As of February 21, 2006 there were 88,499 shareholders of record of Harley-Davidson, Inc. common stock.

The following table contains detail related to the repurchase of common stock based on the date of trade during the quarter ended December 31, 2005.

2005 Fiscal Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Be Purchased Under the Plans or Programs
September 26 to October 30	8	$ 48	--	23,732,680
October 31 to November 27	758,700	$ 52	758,700	23,048,126
November 28 to December 31	--	--	--	23,119,085
Total	758,708	$ 52	758,700	

The Company has an authorization (originally adopted in December 1997) by its Board of Directors to repurchase shares of its outstanding common stock under which the cumulative number of shares repurchased, at the time of any repurchase, shall not exceed the sum of (1) the number of shares issued in connection with the exercise of stock options occurring on or after January 1, 2004 plus (2) one percent of the issued and outstanding common stock of the Company on January 1 of the current year, adjusted for any stock split. The Company repurchased 758,700 shares under this authorization during the fourth quarter ended December 31, 2005.

In addition, on April 30, 2005, the Company's Board of Directors separately authorized the Company to buy back up to 20 million shares of its common stock with no dollar limit or expiration date. No shares had been repurchased under this authorization as of December 31, 2005.

The Harley-Davidson, Inc. 2004 Incentive Stock Plan (exhibit 10.20) permits participants to satisfy all or a portion of the federal, state and local withholding tax obligations arising in connection with plan awards by electing to (a) have the Company withhold Shares otherwise issuable under the award, (b) tender back shares received in connection with such award or (c) deliver other previously owned Shares, in each case having a value equal to the amount to be withheld. During the fourth quarter of 2005, the Company acquired 8 shares of common stock that were presented to the Company by employees to satisfy withholding taxes in connection with the vesting of nonvested (restricted) stock awards.

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

Item 6. Selected Financial Data

(In thousands except per share amounts)

	2005	2004	2003	2002	2001
Income statement data:					
Net revenue	$ 5,342,214	$ 5,015,190	$ 4,624,274	$ 4,090,970	$ 3,406,786
Cost of goods sold	3,301,715	3,115,655	2,958,708	2,673,129	2,253,815
Gross profit	2,040,499	1,899,535	1,665,566	1,417,841	1,152,971
Financial services income	331,618	305,262	279,459	211,500	181,545
Financial services expense	139,998	116,662	111,586	107,273	120,272
Operating income from financial services	191,620	188,600	167,873	104,227	61,273
Selling, administrative and engineering expense	762,108	726,644	684,175	639,366	551,743
Income from operations	1,470,011	1,361,491	1,149,264	882,702	662,501
Investment income, net	22,797	23,101	23,088	16,541	17,478
Other, net	(5,049)	(5,106)	(6,317)	(13,416)	(6,524)
Income before provision for income taxes	1,487,759	1,379,486	1,166,035	885,827	673,455
Provision for income taxes	528,155	489,720	405,107	305,610	235,709
Net income	$ 959,604	$ 889,766	$ 760,928	$ 580,217	$ 437,746
Weighted-average common shares:					
Basic	280,303	295,008	302,271	302,297	302,506
Diluted	281,035	296,852	304,470	305,158	306,248
Earnings per common share:					
Basic	$ 3.42	$ 3.02	$ 2.52	$ 1.92	$ 1.45
Diluted	$ 3.41	$ 3.00	$ 2.50	$ 1.90	$ 1.43
Dividends paid per common share	$ .625	$ .405	$ .195	$ .135	$ .115
Balance sheet data:					
Working capital	$ 2,272,125	$ 2,510,490	$ 2,087,056	$ 1,354,486	$ 1,052,006
Finance receivables held for sale	299,373	456,516	347,112	306,901	114,649
Finance receivables held for investment, net	1,943,224	1,655,784	1,390,737	1,138,679	921,107
Total assets	5,255,209	5,483,293	4,923,088	3,861,217	3,118,495
Current finance debt	204,973	495,441	324,305	382,579	217,051
Long-term finance debt	1,000,000	800,000	670,000	380,000	380,000
Total finance debt	1,204,973	1,295,441	994,305	762,579	597,051
Shareholders' equity	$ 3,083,605	$ 3,218,471	$ 2,957,692	$ 2,232,915	$ 1,756,283

Note: Certain prior year amounts have been reclassified to conform to the current year presentation.

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

Harley-Davidson, Inc. is the parent company for the groups of companies doing business as Harley-Davidson Motor Company (HDMC), Buell Motorcycle Company and Harley-Davidson Financial Services (HDFS). Harley-Davidson Motor Company produces heavyweight motorcycles and offers a complete line of motorcycle parts, accessories, apparel and general merchandise. Harley-Davidson Motor Company manufactures five families of motorcycles: Touring, DynaTM, Softail(R), VRSCTM and Sportster(R). Buell Motorcycle Company produces sport motorcycles, including seven twin-cylinder XB models and the single-cylinder Buell(R) Blast(R). Buell also offers a line of motorcycle parts, accessories, apparel and general merchandise. Harley-Davidson Financial Services provides wholesale and retail financing and insurance programs primarily to Harley-Davidson/Buell dealers and customers. The Company operates in two principal business segments: Motorcycles and Related Products (Motorcycles) and Financial Services (Financial Services).

Overview(1)

The Company's net revenue for 2005 was $5.34 billion, up 6.5% over last year, on 329,017 wholesale shipments of Harley-Davidson motorcycles. Revenue growth during 2005 was due primarily to a 3.7% increase in shipments of Harley-Davidson motorcycles combined with a favorable change in the mix of motorcycles shipped when compared to 2004. Net income and diluted earnings per share also grew during 2005 with increases over prior year of 7.8% and 13.7%, respectively. The increase in diluted earnings per share includes the benefit of fewer weighted-average shares outstanding when compared to the prior year. The Company's outstanding shares have decreased as a result of common stock repurchases totaling 21.4 million shares during 2005.

The Company's independent dealer network also reported increases in retail motorcycle unit sales during 2005 with worldwide retail sales of Harley-Davidson(R) motorcycles increasing 6.2% over the prior year. Management believes the Company's lineup of 2006 model year motorcycles, introduced in July 2005, helped drive worldwide retail sales growth during 2005. In the United States, 2005 retail sales of Harley-Davidson motorcycles grew 4.2% over 2004. Outside of the United States, retail sales of Harley-Davidson motorcycles grew 15.0% during 2005 when compared with 2004. During 2005, retail sales increased in all of the Company's major international markets. The retail sales data reported above is compiled by the Company from sales and warranty registrations provided by the Company's independent dealers.

Management believes the prospects for growth in retail sales of Harley-Davidson motorcycles remain strong and support a wholesale unit growth rate in the range of 5% to 9% annually and an annual EPS growth rate of 11% to 17%. The Harley-Davidson motorcycle shipment target for 2006 is in the range of 348,000 to 352,000 units, with planned wholesale shipments of 79,000 motorcycles during the first quarter of 2006.

Over the last several years the Company has been working to increase the availability of its motorcycles at dealers to improve the customer experience. The Company believes that increased availability will lead to independent dealers providing wider selections of motorcycles at manufacturer's suggested retail prices and, as a result, the Company will be better positioned to attract retail buyers that are new to the brand or new to the sport of motorcycling. The Company understands that improving the availability of its motorcycles to customers may result in retail purchases that will track more

closely with the riding season, requiring the Company and its independent dealers to balance the economies of level production with a more seasonal retail sales pattern.

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(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 "Risk Factors" in Item 1A and under "Cautionary Statements" in Item 7 of this report. Shareholders, potential investors, and other readers are urged to consider these factors in evaluating the forward-looking statements and cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included in this report are made only as of the date of the filing of this report (March 3, 2006), and the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

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

Results of Operations 2005 Compared to 2004

Overall

Net revenue for 2005 totaled $5.34 billion, a $327.0 million or 6.5% increase over the prior year. Net income for 2005 was $959.6 million compared to $889.8 million in 2004, an increase of 7.8%. Diluted earnings per share for 2005 were $3.41 representing a 13.7% increase over 2004 earnings per share of $3.00. Diluted earnings per share were positively impacted during 2005 by a decrease in the weighted-average shares outstanding, which were 281.0 million in 2005 compared to 296.9 million in 2004. The decrease in weighted-average shares outstanding was due primarily to the Company's repurchase of 21.4 million shares of common stock that occurred during 2005. The Company's share repurchases are discussed in further detail under "Liquidity and Capital Resources."

The Company paid dividends in 2005 of $.125 per share in March, $.16 per share in June and September and $.18 per share in December. The aggregate annual dividend paid in 2005 was $.625 per share, representing a 54.3% increase over the aggregate annual dividend of $.405 per share in 2004.

Motorcycle Unit Shipments and Net Revenue

The following table includes wholesale motorcycle unit shipments and net revenue for the Motorcycles segment for 2005 and 2004 (dollars in millions):

	2005	2004	Increase (Decrease)	% Change
Motorcycle Unit Shipments				
Touring motorcycle units	110,193	93,305	16,888	18.1 %
Custom motorcycle units*	148,609	154,163	(5,554)	(3.6)
Sportster motorcycle units	70,215	69,821	394	0.5
Harley-Davidson motorcycle units	329,017	317,289	11,728	3.7
Buell motorcycle units	11,166	9,857	1,309	13.3
Total motorcycle units	340,183	327,146	13,037	4.0 %
Net Revenue				
Harley-Davidson motorcycles	$ 4,183.5	$ 3,928.2	$ 255.3	6.5 %
Buell motorcycles	93.1	79.0	14.1	17.8
Total motorcycles	4,276.6	4,007.2	269.4	6.7
Parts & Accessories	815.7	781.6	34.1	4.4
General Merchandise	247.9	223.7	24.2	10.8
Other	2.0	2.7	(0.7)	(19.5)
Net revenue	$ 5,342.2	$ 5,015.2	$ 327.0	6.5 %

*Custom motorcycle units, as used in this table, include Softail, Dyna, VRSC and other custom models.

During 2005, Harley-Davidson motorcycle revenue was up 6.5% over 2004 due primarily to an increase in Harley-Davidson motorcycle shipments of 11,728 units. Harley-Davidson motorcycle revenue also benefited during 2005 from a favorable change in product mix which related primarily to an increase in the percentage of shipments consisting of higher-priced touring motorcycles. Touring motorcycles made up 33.5% of shipments in 2005 compared to 29.4% in 2004.

Harley-Davidson motorcycle revenue was also impacted during 2005 by changes in average wholesale prices and fluctuations in foreign exchange rates. Wholesale price increases on 2006 model year motorcycles averaged approximately 1% and resulted in approximately $17.0 million of higher revenue during 2005 when compared to 2004. Changes in foreign currency exchange rates, related primarily to European currencies, resulted in approximately $7.0 million of higher revenue during 2005 when compared to 2004.

During 2005, net revenue from Parts and Accessories (P&A) was up 4.4% over 2004. P&A revenue growth in 2005 was driven by the increase in Harley-Davidson motorcycle shipments. On a long-term basis, the Company expects the growth rate for P&A revenue to be slightly higher than the growth rate for Harley-Davidson motorcycle units.(1)

General Merchandise revenue during 2005 was 10.8% higher than the prior year. The Company expects that the long-term growth rate for General Merchandise revenue will be lower than the growth rate for Harley-Davidson motorcycle units.(1)

Harley-Davidson Motorcycle Retail Sales

The Company's wholesale motorcycle unit shipments are retailed through an independent worldwide dealer network. Worldwide retail sales of Harley-Davidson motorcycles grew 6.2% during 2005 over the prior year. Retail sales of Harley-Davidson motorcycles increased 4.2% in the United States and 15.0% internationally, when compared to 2004. On an industry-wide basis the heavyweight (651+cc) portion of the market was up 4.8% in the United States and

down 1.0% in Europe, when compared to 2004. The following table includes retail unit sales of Harley-Davidson motorcycles for 2005 and 2004 (units in thousands):

Harley-Davidson Motorcycle Retail Sales (a)

Heavyweight (651+cc)

	2005	2004	% Change
United States	253.4	243.2	4.2 %
Europe (b)	29.5	24.6	19.9
Japan	11.4	10.3	11.1
Canada	11.7	11.2	4.1
All other markets	11.2	9.3	19.4
Total Harley-Davidson retail sales	317.2	298.6	6.2 %

(a) Data source for all 2005 retail sales figures shown above is sales and warranty registrations provided by Harley-Davidson dealers and compiled by the Company. The Company must rely on information that its dealers supply concerning retail sales and this information is subject to revision. 2004 retail sales figures shown above conform to sales and warranty registration information as of December 31, 2004 and vary from previously published Motorcycle Industry Council, Giral S.A. and Japan Industry source data.

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

The following table includes industry retail motorcycle registration data (units in thousands):

Motorcycle Industry Retail Registrations

Heavyweight (651+cc)

	2005	2004	% Change
United States (a)	517.6	494.0	4.8 %
Europe (b)	332.8	336.2	(1.0)

(a) U.S. data provided by the Motorcycle Industry Council.

(b) Europe data provided by Giral S.A., includes retail sales in Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

Industry retail registration data for the remaining international markets has not been presented because the Company does not believe definitive and reliable registration data is available to the Company at this time.

Gross Profit

Gross profit was $2.04 billion for the Motorcycles segment during 2005, an increase of $141.0 million or 7.4% over gross profit in 2004. Gross profit margin for 2005 was 38.2% compared to 37.9% during 2004. During 2005, the increase in gross margin was due in large part to the favorable motorcycle product mix shipped during the year. Gross margin also benefited during 2005 from 2006 model year wholesale price increases, lower costs which resulted from manufacturing efficiencies and a decrease in cost related to the Company's short-term incentive compensation plan. However, the positive impact of these changes was partially offset by an increase in raw material costs which were $34.0 million higher in 2005 than in 2004. The Company will continue to closely monitor raw material prices in 2006.

Financial Services

The following table includes the condensed statements of operations for the Financial Services segment (which consists of HDFS) for 2005 and 2004 (in millions):

	2005	2004	Increase (Decrease)	% Change
Interest income	$ 129.9	$ 102.2	$ 27.7	27.1 %
Income from securitizations	123.1	115.1	8.0	7.0
Other income	78.6	88.0	(9.4)	(10.6)
Financial services income	331.6	305.3	26.3	8.6
Interest expense	36.2	22.7	13.5	59.1
Operating expenses	103.8	94.0	9.8	10.5
Financial services expense	140.0	116.7	23.3	20.0
Operating income from financial services	$ 191.6	$ 188.6	$ 3.0	1.6 %

Operating income from financial services in 2005 increased slightly over 2004 driven by higher interest and securitization income, partially offset by lower other income and higher interest and operating expenses. During 2005, interest income benefited from increased retail and wholesale average outstanding receivables and higher wholesale lending rates as compared to 2004. The reduction in other income was primarily due to lower revenues from insurance commissions and related products. Interest expense was higher in 2005 due to increased borrowings, in support of higher average outstanding receivables, and higher borrowing costs as compared to 2004.

Income from securitizations in 2005 was higher due to an increase in income on the investment in retained securitization interests, partially offset by lower gains on 2005 securitization transactions. During 2005, income on the investment in retained securitization interests was $76.6 million, an increase of $19.8 million over 2004, due primarily to higher income on prior years' securitization transactions.

During 2005, HDFS sold $2.48 billion in retail motorcycle loans through securitization transactions resulting in gains of $46.6 million. This compares with gains of $58.3 million on $1.88 billion of loans securitized during 2004. The 2005 gain as a percentage of loans sold was 1.9% as compared to 3.1% for 2004. The 2005 gain as a percentage of the amount of loans securitized was lower than the prior year due to rising market interest rates, the competitive environment for motorcycle lending and the full year cost of an enhanced dealer participation program introduced in May 2004. Under HDFS' dealer participation program, HDFS pays Harley-Davidson dealers for originating retail motorcycle loans. HDFS expects that the gain on the first quarter 2006 securitization transaction, as a percentage of loans sold, will be in the range of 1.0% to 1.4%.(1)

Over the long term, the Company expects that the Financial Services operating income growth rate will be slightly higher than the Company's wholesale unit shipment growth rate.(1)

Changes in the allowance for credit losses during 2005 and 2004 were as follows (in millions):

	2005	2004
Balance, beginning of period	$ 30.3	$ 31.3
Provision for credit losses	3.3	3.1
Charge-offs, net of recoveries	(7.4)	(4.1)
Balance, end of period	$ 26.2	$ 30.3

HDFS' periodic evaluation of the adequacy of the allowance for credit losses is generally based on HDFS' past loan loss experience, known and inherent risks in the portfolio, and current economic conditions. HDFS believes the allowance is adequate to cover the losses of principal and accrued interest in the existing portfolio.

Included in charge-offs, net of recoveries are $1.8 million and $3.7 million of recoveries in 2005 and 2004, respectively, received by HDFS from HDMC. These recoveries relate to guarantees provided by HDMC on wholesale loans to independent European Harley-Davidson dealers.

Operating Expenses

The following table includes operating expenses for the Motorcycles segment and Corporate for 2005 and 2004 (in millions):

	2005	2004	Increase	% Change
Motorcycles	$ 740.6	$ 710.0	$ 30.6	4.3 %
Corporate	21.5	16.6	4.9	29.1
Total operating expenses	$ 762.1	$ 726.6	$ 35.5	4.9 %

The increase in operating expenses during 2005 was driven primarily by higher costs related to marketing and advertising activities and stock compensation expense, partially offset by a decrease in expense related to the Company's short-term incentive compensation plan. As discussed in Note 1 to the Consolidated Financial Statements, the Company began expensing the cost of its employee stock option awards on January 1, 2005. As a result, the Company recorded $23.0 million of stock compensation expense in 2005 of which $18.9 million was included in operating expenses. Operating expenses, which includes selling, administrative and engineering expenses, were 14.3% and 14.5% of net revenue for 2005 and 2004, respectively.

Investment Income, net

Investment income, net in 2005 was $22.8 million, compared to $23.1 million in 2004. Net investment income was lower in 2005 due to a decrease in the average balance of cash and marketable securities on hand; however, this impact was mostly offset by the effect of a higher average return in 2005 when compared to 2004.

Other, net

Other, net expense was $5.0 million and $5.1 million in 2005 and 2004, respectively. Other net expense consists of charitable contributions.

Consolidated Income Taxes

The Company's effective income tax rate was 35.5% during both 2005 and 2004. The Company expects that the income tax rate will be 35.5% during 2006.(1)

Results of Operations 2004 Compared to 2003

Overall

Net revenue for 2004 totaled $5.02 billion, a $390.9 million or 8.5% increase over 2003. Net income for 2004 was $889.8 million compared to $760.9 million in 2003, an increase of 16.9%. Diluted earnings per share for 2004 were $3.00 on 296.9 million weighted-average shares outstanding, compared to $2.50 on 304.5 million weighted-average shares outstanding in 2003, an increase in earnings per share of 20.0%.

The Company paid dividends in 2004 of $.08 per share in March, $.10 per share in June and September and $.125 per share in December. The aggregate annual dividend paid in 2004 was $.405 per share, representing a 108% increase over the aggregate annual dividend of $.195 per share in 2003.

Motorcycle Unit Shipments and Net Revenue

The following table includes wholesale motorcycle unit shipments and net revenue for the Motorcycles segment for 2004 and 2003 (dollars in millions):

	2004	2003	Increase (Decrease)	% Change
Motorcycle Unit Shipments				
Touring motorcycle units	93,305	82,577	10,728	13.0 %
Custom motorcycle units*	154,163	151,405	2,758	1.8
Sportster motorcycle units	69,821	57,165	12,656	22.1
Harley-Davidson motorcycle units	317,289	291,147	26,142	9.0
Buell motorcycle units	9,857	9,974	(117)	(1.2)
Total motorcycle units	327,146	301,121	26,025	8.6 %
Net Revenue				
Harley-Davidson motorcycles	$ 3,928.2	$ 3,621.5	$ 306.7	8.5 %
Buell motorcycles	79.0	76.1	2.9	3.9
Total motorcycles	4,007.2	3,697.6	309.6	8.4
Parts & Accessories	781.6	712.8	68.8	9.7
General Merchandise	223.7	211.4	12.3	5.8
Other	2.7	2.5	0.2	8.0
Net revenue	$ 5,015.2	$ 4,624.3	$ 390.9	8.5 %

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*Custom motorcycle units, as used in this table, include Softail, Dyna, VRSC and other custom models.

The increase in net revenue for the Motorcycles segment during 2004 was driven

by the $306.7 million or 8.5% increase in Harley-Davidson motorcycle net revenue. Harley-Davidson motorcycle revenue was higher primarily as a result of the 9.0% increase in units shipped. Harley-Davidson motorcycle revenue also benefited from changes in foreign currency exchange rates, which resulted in $46.4 million of higher revenue during 2004. However, the benefit from exchange rates was offset by lower revenue due to changes in product mix and lower average wholesale prices, as discussed below.

During 2004, Harley-Davidson motorcycle revenue was impacted by changes in product mix related primarily to an increase in the percentage of shipments consisting of lower-priced Sportster motorcycles and a decrease in the percentage of shipments consisting of more expensive Custom motorcycles. Sportsters are an important part of the Company's strategy to attract new customers to the Harley-Davidson family. The Company introduced a completely redesigned family of Sportster models in September 2003, and demand for the redesigned models has continued to drive increases in Sportster shipments throughout 2004. The percentage of shipments consisting of Sportster motorcycles was 22.0% in 2004, up from 19.6% in 2003. As a result, the percentage of shipments consisting of Custom motorcycles was also impacted during 2004.

Harley-Davidson motorcycle revenue was also impacted by changes in average wholesale prices. Wholesale prices on the 2004 models reflected the elimination of 100thAnniversary special edition features and, as a result, were slightly lower than the wholesale prices for the 100th Anniversary models sold during 2003. Wholesale prices on 2005 model year motorcycles were higher than model year 2004 prices; however, the positive revenue impact from the 2005 model year price increase only partially offset the impact of the lower 2004 model year pricing.

During 2004, net revenue from Parts and Accessories totaled $781.6 million, a 9.7% increase over 2003. P&A revenue growth in 2004 was driven by the increase in Harley-Davidson motorcycle shipments and also benefited from favorable changes in foreign currency exchange rates. General Merchandise revenue during 2004 was $223.7 million, up 5.8% over 2003.

Harley-Davidson Motorcycle Retail Sales

The Company's wholesale motorcycle unit shipments are retailed through an independent worldwide dealer network. Worldwide retail sales of Harley-Davidson motorcycles grew 6.0% during 2004 over the prior year. Retail sales of Harley-Davidson motorcycles increased 7.1% in the United States and 1.6% internationally, when compared to 2003. On an industry-wide basis the heavyweight (651+cc) portion of the market was up 7.1% in the United States and 4.1% in Europe, when compared to 2003. The following table includes retail unit sales of Harley-Davidson motorcycles for 2004 and 2003 (units in thousands):

Harley-Davidson Motorcycle Retail Sales (a)

Heavyweight (651+cc)

	2004	2003	% Change
United States	243.2	227.1	7.1 %
Europe (b)	24.6	26.0	(5.3)
Japan	10.3	10.4	(0.9)
Canada	11.2	9.8	14.6
All other markets	9.3	8.3	11.0
Total Harley-Davidson retail sales	298.6	281.6	6.0 %

(a) The Company must rely on information that its dealers supply concerning retail sales and this information is subject to revision. Data source for all 2004 and 2003 retail sales figures shown above is sales and warranty registrations provided by Harley-Davidson dealers and compiled by the Company as of December 31, 2004 and 2003, respectively. The retail sales figures shown above vary from previously published Motorcycle Industry Council, Giral S.A. and Japan Automobile Importers Association data.

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

The following table includes industry retail motorcycle registration data (units in thousands):

Motorcycle Industry Retail Registrations

Heavyweight (651+cc)

	2004	2003	% Change
United States (a)	494.0	461.2	7.1 %
Europe (b)	336.2	323.1	4.1 %

(a) U.S. data provided by the Motorcycle Industry Council.

(b) Europe data provided by Giral S.A., includes retail sales in Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

Gross Profit

Gross profit for 2004 totaled $1.90 billion, an increase of $234.0 million or 14.0% over 2003. Gross margin was 37.9% in 2004, up from 36.0% for 2003. During 2004, gross margin was positively impacted by lower production costs and changes in foreign currency exchange rates, which more than offset the impact of product mix changes discussed under "Net Revenue." In 2004, production costs were lower due to manufacturing efficiencies, but also benefited from a new and fully integrated Softail(R) factory in York, Pennsylvania. During the second half of 2003, the Company experienced higher costs and inefficiencies associated with the rampup of the new Softail factory. Finally, during 2004, changes in foreign currency exchange rates resulted in $38.5 million of higher gross profit when compared to 2003.

Price increases in the metal markets during 2004 did not have a significant impact on the Company's gross profit. The majority of the metal market price increases were managed by the Company's suppliers. During 2004, the Company incurred metal surcharges from some of its suppliers of approximately $9 million.

Financial Services

The following table includes the condensed statements of operations for the Financial Services segment for 2004 and 2003 (in millions):

	2004	2003	Increase	% Change
Interest income	$ 102.2	$ 87.1	$ 15.1	17.4 %
Income from securitizations	115.1	114.4	0.7	0.6
Other income	88.0	78.0	10.0	12.8
Financial services income	305.3	279.5	25.8	9.2
Interest expense	22.7	17.6	5.1	28.9
Operating expenses	94.0	94.0	0.0	--
Financial services expense	116.7	111.6	5.1	4.5
Operating income from financial services	$ 188.6	$ 167.9	$ 20.7	12.3 %

The increase in operating income from financial services in 2004 was driven by continued strong marketplace acceptance of HDFS' finance and insurance products.

During 2004, income from securitizations was up slightly over 2003 as the increase in income on investment in retained securitization interests was mostly offset by lower gains on current year securitization transactions.

During 2004, income on investment in retained securitization interests was $56.8 million, an increase of $24.6 million over 2003, due primarily to higher income on prior years' securitization transactions.

During 2004, HDFS sold $1.88 billion of retail motorcycle loans through securitization transactions resulting in gains of $58.3 million. During 2003, HDFS sold approximately $1.75 billion of retail motorcycle loans resulting in gains of $82.2 million. The gain as a percentage of the amount of loans securitized was lower when compared with the prior year's gain due to rising market interest rates during 2004 and the cost of an enhanced dealer participation program that was introduced in May 2004.

Changes in the allowance for credit losses during 2004 and 2003 were as follows (in millions):

	2004	2003
Balance, beginning of period	$ 31.3	$ 31.0
Provision for credit losses	3.1	4.1
Charge-offs, net of recoveries	(4.1)	(3.8)
Balance, end of period	$ 30.3	$ 31.3

HDFS' periodic evaluation of the adequacy of the allowance for credit losses is generally based on HDFS' past loan loss experience, known and inherent risks in the portfolio, and current economic conditions. HDFS believes the allowance is adequate to cover the losses of principal and accrued interest in the existing portfolio.

Included in charge-offs, net of recoveries are $3.7 million and $1.3 million of recoveries in 2004 and 2003, respectively, received by HDFS from HDMC. These recoveries relate to guarantees provided by HDMC on wholesale loans to independent European Harley-Davidson dealers.

Operating Expenses

The following table includes operating expenses for the Motorcycles segment and

Corporate for 2004 and 2003 (in millions):

	2004	2003	Increase	% Change
Motorcycles	$ 710.0	$ 668.7	$ 41.3	6.2 %
Corporate	16.6	15.5	1.1	7.3
Total operating expenses	$ 726.6	$ 684.2	$ 42.4	6.2 %

The increase in operating expenses in 2004 was driven by overall growth in the Motorcycles business combined with the Company's ongoing investment in specific initiatives designed to support its growth objectives. Operating expenses, which include selling, administrative and engineering expenses, were 14.5% and 14.8% of net revenue for 2004 and 2003, respectively.

Investment Income, net

Investment income, net in 2004 was $23.1 million, even with $23.1 million in 2003. In connection with the Company's capacity expansion efforts, $3.9 million of interest cost was capitalized during 2003; no amounts were capitalized during 2004.

Other, net

Other, net expense was $5.1 million and $6.3 million in 2004 and 2003, respectively. Other, net expense consists primarily of charitable contributions in 2004 and 2003.

Consolidated Income Taxes

The Company's effective income tax rate was 35.5% and 34.7.% during 2004 and 2003, respectively. The Company's effective income tax rate increased as pretax income grew faster than certain permanent tax differences.

Other Matters

Accounting Changes

As discussed in Note 1 to the Consolidated Financial Statements, the Company began expensing the cost of stock options on January 1, 2005, when it adopted Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004) "Share-Based Payment." The Company's total 2005 stock compensation expense, including stock option and nonvested stock awards, was $23.0 million, or $14.5 million net of taxes.

Critical Accounting Policies

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

Finance Receivable Securitizations - The Company sells retail motorcycle loans through securitization transactions utilizing qualifying special purpose entities (QSPEs) as defined by SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Upon sale

of retail loans in a securitization transaction, HDFS receives cash and retains an interest in excess cash flows, servicing rights and cash reserve account deposits, all of which are collectively referred to as retained interests in the securitized receivables. Retained interests are carried at fair value and periodically reviewed for impairment. Market value quotes are generally not available for retained interests; therefore, HDFS estimates fair value based on the present value of future expected cash flows using management's best estimates of the key assumptions for credit losses, prepayment speeds and discount rates. The impact of changes to key assumptions is shown in Note 4 to the Consolidated Financial Statements.

Gains on current year securitizations from the sale of retail loans are recorded as a component of financial services income and are based in part on certain assumptions including expected credit losses, prepayment speed, and discount rates. Gains on sales of retail loans also depend on the original carrying amount of the retail loans, which is allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer.

Finance Receivable Credit Losses- The allowance for uncollectible accounts is maintained at a level management believes is adequate to cover the losses of principal and accrued interest in the existing finance receivables portfolio. Management's periodic evaluation of the adequacy of the allowance is generally based on HDFS' past loan loss experience, known and inherent risks in the portfolio, current economic conditions, specific borrower's ability to repay and the estimated value of any underlying collateral.

Pensions and Other Postretirement Benefits- Retirement Plan (Pension, SERPA and Postretirement health care) obligations and costs are developed from actuarial valuations. The valuation of benefit obligations and net periodic benefit costs relies on key assumptions including discount rates, long-term expected return on plan assets, future compensation and healthcare cost trend rates. The Company evaluates and updates all of its assumptions annually on September 30, the actuarial measurement date. As of its most recent measurement date the Company lowered its discount rate assumption from 6.25% to 5.5%, and reset its assumption for healthcare cost trend rates. These changes were reflected immediately in the benefit obligation and will be amortized into net periodic benefit costs over future periods, resulting in an increase in future service and interest costs.

Pensions and Other Postretirement Benefits (continued)- The discount rate and healthcare cost trend rate assumptions are impacted by short-term changes in external economic factors and as result they can be volatile. The Company's 2006 Retirement Plan costs have already been determined in connection with the September 30, 2005 measurement process. However, a change in either of these two assumptions could have an impact on the valuation of costs as of the Company's next measurement date, September 30, 2006. The following information is provided to illustrate the sensitivity of these obligations and costs to changes in these major assumptions (in thousands).

	Amounts based on current assumptions	Impact of a 1% decrease in the discount rate	Impact of a 1% increase in the healthcare cost trend rate
2005 Net periodic benefit costs			
Pension and SERPA	$ 47,845	$ 19,004	n/a
Postretirement healthcare	$ 24,521	$ 3,626	$ 1,606
2005 Benefit obligations			
Pension and SERPA	$ 963,824	$ 166,366	n/a
Postretirement healthcare	$ 298,340	$ 38,820	$ 15,639

This information should not be viewed as predictive of future amounts. The calculation of Retirement Plan obligations and costs is based on many factors in addition to those discussed here. This information should be considered in combination with the information provided in Note 7 to the Consolidated Financial Statements.

Contractual Obligations

A summary of the Company's expected payments for significant contractual obligations as of December 31, 2005 is as follows (in thousands):

	2006	2007-2008	2009-2010	Thereafter	Total
Principal payments on finance debt	$ 204,973	$ 415,288	$ 584,712	$ --	$ 1,204,973
Interest payments on finance debt	49,999	86,337	30,415	--	166,751
Operating lease payments	7,449	8,055	6,669	12,852	35,025
	$ 262,421	$ 509,680	$ 621,796	$ 12,852	$ 1,406,749

ù As described in Note 4 to the Consolidated Financial Statements, as of December 31, 2005, long term finance debt issued by HDFS included outstanding commercial paper and advances under the Global Credit Facility totaling $385 million. The amount classified as long term is supported by the Global Credit Facility, due September 2009; accordingly, the Company has assumed that this amount will be repaid in 2009.

ù Interest obligations include the impact of interest rate hedges outstanding as of December 31, 2005. Interest for floating rate instruments, as calculated above, assumes December 31, 2005 rates remain constant.

ù As of December 31, 2005, the Company had no material purchase obligations other than those created in the ordinary course of business related to inventory and property, plant and equipment which generally have terms of less than 90 days.

ù The Company has long-term obligations related to its pension and postretirement plans at December 31, 2005. Due to the current funded status of the pension plans, the Company has no minimum funding requirements for 2006. The Company's expected future contributions to these plans are provided in Note 7 to the Consolidated Financial Statements.

Off-Balance Sheet Arrangements

As part of its securitization program, HDFS transfers retail motorcycle loans to a special purpose bankruptcy-remote wholly-owned subsidiary. The subsidiary sells the retail loans to a securitization trust in exchange for the proceeds from asset-backed securities issued by the securitization trust. The asset-backed securities, usually notes with various maturities and interest rates, are secured by future collections of the purchased retail installment loans. Activities of the securitization trust are limited to acquiring retail loans, issuing asset-backed securities and making payments on securities to investors. Due to the nature of the assets held by the securitization trust and the limited nature of its activities, the securitization trusts are considered QSPEs as defined by SFAS No. 140. In accordance with SFAS No. 140, assets and liabilities of the QSPEs are not consolidated in the financial

statements of the Company.

HDFS does not guarantee payments on the securities issued by the securitization trusts or the projected cash flows from the related loans purchased from HDFS. The Company's retained securitization interests, excluding servicing rights, are subordinate to the interests of securitization trust investors. Such investors have priority interests in the cash collections on the retail loans sold to the securitization trust (after payment of servicing fees) and in the cash reserve account deposits. These priority interests ultimately could impact the value of the Company's investment in retained securitization interests. Investors also do not have recourse to assets of HDFS for failure of the obligors on the retail loans to pay when due. Total investment in retained securitization interests at December 31, 2005 was $349.7 million. The securitization trusts have a limited life and generally terminate upon final distribution of amounts owed to the investors in the asset-backed securities. See Note 4 to the Consolidated Financial Statements for further discussion of HDFS' securitization program.

Commitments and Contingencies

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining required reserves 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. The required reserves are monitored on an ongoing basis and are updated based on new developments or new information in each matter.

Shareholder Lawsuits:

A number of shareholder class action lawsuits were filed between May 18, 2005 and July 1, 2005 in the United States District Court for the Eastern District of Wisconsin against the Company and some or all of the following Company officers: Jeffrey L. Bleustein, James M. Brostowitz, Jon R. Flickinger, John A. Hevey, Ronald M. Hutchinson, Gail A. Lione, James A. McCaslin, W. Kenneth Sutton, Jr., Donna F. Zarcone and James L. Ziemer. The complaints allege securities law violations and seek unspecified damages relating generally to the Company's April 13, 2005 announcement that it was reducing short-term production growth and planned increases of motorcycle shipments from 317,000 units in 2004 to a new 2005 target of 329,000 units (compared to its original target of 339,000 units).

Three shareholder derivative lawsuits were filed in the United States District Court for the Eastern District of Wisconsin on June 3, 2005, October 25, 2005 (this lawsuit was later voluntarily dismissed) and December 2, 2005 and two shareholder derivative lawsuits were filed in Milwaukee County Circuit Court on July 22, 2005 and November 16, 2005 against some or all of the following directors and officers of the Company: Jeffrey L. Bleustein, James L. Ziemer, James M. Brostowitz, Barry K. Allen, Richard I. Beattie, George H. Conrades, Judson C. Green, Donald A. James, Sara L. Levinson, George L. Miles, Jr., James A. Norling, James A. McCaslin, Donna F. Zarcone, Jon R. Flickinger, Gail A. Lione, Ronald M. Hutchinson, W. Kenneth Sutton, Jr., and John A. Hevey. The lawsuits also name the Company as a nominal defendant. In general, the shareholder derivative complaints include factual allegations similar to those in the class action complaints and allegations that officers and directors breached their fiduciary duties to the Company.

On July 11, 2005, the staff of the Enforcement Division of the United States Securities and Exchange Commission ("SEC") advised the Company that it is inquiring into matters relating generally to the Company's April 13, 2005 announcement and certain allegations contained in the shareholder complaints. The Company is cooperating with the SEC.

Shareholder Lawsuits (continued):

On August 25, 2005, a class action lawsuit alleging violations of the Employee Retirement Income Security Act ("ERISA") was filed in the United States District Court for the Eastern District of Wisconsin against the Company, the Administrative Committee of Harley-Davidson, Inc., and the following Company employees, officers, and directors: Harold A. Scott, James M. Brostowitz, James L. Ziemer, Gail A. Lione, Barry K. Allen, Richard I. Beattie, Jeffrey L. Bleustein, George H. Conrades, Judson C. Green, Donald A. James, Sara L. Levinson, George L. Miles, Jr., and James A. Norling. In general, the ERISA complaint includes factual allegations similar to those in the shareholder class action lawsuits and alleges on behalf of participants in certain Harley-Davidson retirement savings plans that the plan fiduciaries breached their ERISA fiduciary duties.

The Company believes the allegations against all of the defendants in the lawsuits against the Company are without merit and it intends to vigorously defend against them. Since all of these matters are in the preliminary stages, the Company is unable to predict the scope or outcome or quantify their eventual impact, if any, on the Company. At this time the Company is also unable to estimate associated expenses or possible losses. The Company maintains insurance that may limit its financial exposure for defense costs and liability for an unfavorable outcome, should it not prevail, for claims covered by the insurance coverage.

Cam Bearing Lawsuits:

In January 2001, the Company, on its own initiative, notified each owner of 1999 and early-2000 model year Harley-Davidson motorcycles equipped with Twin Cam 88(R) and Twin Cam 88BTM engines that the Company was extending the warranty for a rear cam bearing to 5 years or 50,000 miles. Subsequently, on June 28, 2001, a putative nationwide class action was filed against the Company in state court in Milwaukee County, Wisconsin, which was amended by a complaint filed September 28, 2001. The complaint alleged that this cam bearing is defective and asserted various legal theories. The complaint sought unspecified compensatory and punitive damages for affected owners, an order compelling the Company to repair the engines, and other relief. On February 27, 2002, the Company's motion to dismiss the amended complaint was granted by the Court and the amended complaint was dismissed in its entirety. An appeal was filed with the Wisconsin Court of Appeals. On April 12, 2002, the same attorneys filed a second putative nationwide class action against the Company in state court in Milwaukee County, Wisconsin relating to this cam bearing issue and asserting different legal theories than in the first action. The complaint sought unspecified compensatory damages, an order compelling the Company to repair the engines and other relief. On September 23, 2002, the Company's motion to dismiss was granted by the Court, the complaint was dismissed in its entirety, and no appeal was taken. On January 14, 2003, the Wisconsin Court of Appeals reversed the trial court's February 27, 2002 dismissal of the complaint in the first action, and the Company petitioned the Wisconsin Supreme Court for review. On March 26, 2004, the Wisconsin Supreme Court reversed the Court of Appeals and dismissed the remaining claims in the action. On April 12, 2004, the same attorneys filed a third action in the state court in Milwaukee County, on behalf of the same plaintiffs from the action dismissed by the Wisconsin Supreme Court. This third action was dismissed by the court on July 26, 2004. In addition, the plaintiffs in the original case moved to reopen that matter and amend the complaint to add new causes of action. On September 9, 2004, Milwaukee County Circuit Court refused to allow the reopening or amendment. Plaintiffs again appealed to the Wisconsin Court of Appeals, and on December 13, 2005, the Court of Appeals again reversed the trial court. The Company has filed a petition for review with the Wisconsin Supreme Court, asking it to reinstate the trial court's decision. The Company believes that the 5-year/50,000 mile warranty extension it announced in January 2001 adequately addressed the condition for affected owners, and the Company intends to continue to vigorously defend this matter.

Environmental Matters:

The Company is involved with government agencies and groups of potentially responsible parties in various environmental matters, including 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 an ongoing site-wide remedial investigation/feasibility study (RI/FS).

In January 1995, the Company entered into a settlement agreement (the Agreement) with the Navy. The Agreement calls for the Navy and the Company to contribute amounts into a trust equal to 53% and 47%, respectively, of future 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.

In February 2002, the Company was advised by the U.S. Environmental Protection Agency (EPA) that it considers some of the Company's remediation activities at the York facility to be subject to the EPA's corrective action program under the Resource Conservation and Recovery Act (RCRA) and offered the Company the option of addressing corrective action under a RCRA facility lead agreement. In July 2005, the York facility was designated as the first site in Pennsylvania to be addressed under the "One Cleanup Program." The program provides a more streamlined and efficient oversight of voluntary remediation by both PADEP and EPA and will be carried out consistent with the Agreement with the Navy. As a result, the RCRA facility lead agreement has been superseded.

Although the RI/FS is still under way and substantial uncertainty exists concerning the nature and scope of the additional environmental investigation and remediation that will ultimately be required at the York facility, the Company estimates that its share of the future Response Costs at the York facility will be approximately $7.0 million. The Company has established reserves for this amount, which are included in Accrued Expenses and Other Liabilities in the Consolidated Balance Sheets.

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. Response Costs related to the remediation of soil are expected to be incurred over a period of several years ending in 2010. Response Costs related to ground water remediation may continue for some time beyond 2010. However, these Response Costs are expected to be much lower than those related to the remediation of soil.

Under the terms of the sale of the Commercial Vehicles Division in 1996, the Company has agreed to indemnify Utilimaster Corporation, until 2008, for certain claims related to environmental contamination present at the date of sale, up to $20.0 million. Based on the environmental studies performed the Company does not expect to incur any material expenditures under this indemnification.

Product Liability Matters:

Additionally, 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 will not have a material adverse effect on the Company's consolidated financial statements.

Liquidity and Capital Resources as of December 31, 2005

The Company's financial condition and cash-generating capability are fundamental strengths and provide substantial flexibility in meeting the operating, investing and financing needs of the Company. This flexibility allows the Company to pursue its growth strategies and to enhance shareholder value through repurchasing common stock and paying dividends. The Company also has a commercial paper program, credit facilities and debt instruments in place to support the on going cash requirements of its Financial Services business.

Cash and Marketable Securities

Cash and marketable securities totaled $1.05 billion as of December 31, 2005 compared to $1.61 billion as of December 31, 2004. The decline is primarily attributable to common stock repurchases, higher dividend payments and benefit plan funding, all of which are discussed in more detail below. The Company's cash and cash equivalents are invested in short-term securities to provide for immediate operating cash needs. The Company also invests in marketable securities consisting primarily of investment-grade debt instruments such as corporate bonds and government backed securities with contractual maturities of approximately 1 year. Marketable securities also include auction rate securities which have contractual maturities of up to 30 years, but have interest re-set dates that occur every 90 days or less and can be actively marketed at ongoing auctions that occur every 90 days or less.

Operating Activities

The Company's primary source of on going liquidity is cash flow from operations. The Company generated $960.5 million of cash from operating activities during 2005 compared to $832.2 million in 2004. In 2005, cash flows from operating activities included the impact of Company payments totaling $296.9 million to fund pension and postretirement healthcare benefits.

The Company's cash flow from operating activities includes cash flows related to finance receivables held for sale. Prior to December 2005, the Company classified the cash flow effects of finance receivables held for sale as an investing activity in its Statements of Cash Flows. All prior period amounts have been reclassified to conform to the current presentation. The effect of the reclassification on prior year net cash provided by operating activities and net cash used in investing activities is summarized in Note 1 to the Consolidated Financial Statements.

During 2005 and 2004, HDFS originated $2.45 billion and $2.07 billion, respectively, of finance receivables that were classified as held for sale. Collections on finance receivables held for sale and proceeds from the sale of finance receivables resulted in cash inflows of $2.6 billion and $1.9 billion during 2005 and 2004, respectively.

Investing Activities

The Company's investing activities consist primarily of capital expenditures, finance receivables activity and net changes in marketable securities. Net cash provided by investing activities was $177.1 million in 2005, compared to a use of $570.2 million during 2004.

Sales and redemptions of marketable securities net of purchases provided $431.1

million during 2005. Marketable securities balances were reduced during 2005 primarily for the purpose of funding a portion of the Company's repurchase of common stock during the year. During 2004, the Company increased its investment in marketable securities resulting in a reduction to cash of $349.0 million.

Capital expenditures were $198.4 million and $213.6 million during 2005 and 2004, respectively. The Company estimates that total capital expenditures required in 2006 will be in the range of $250.0 to $275.0 million.(1) The Company anticipates it will have the ability to fund all capital expenditures in 2006 with internally generated funds.(1)

Financing Activities

The Company's financing activities consist primarily of stock transactions, dividend payments and finance debt activity. Net cash used in financing activities during 2005 and 2004 was $1.27 billion and $316.1 million, respectively.

During 2005, the Company repurchased 21.4 million shares of its common stock at a total cost of $1.05 billion. The Company repurchased 20.0 million shares under a general authorization received from the Company's Board of Directors in 2004. The remaining 1.4 million shares were repurchased under an authorization from the Company's Board of Directors that is designed to provide the Company with continuing authority to repurchase shares to offset dilution caused by the exercise of stock options. On April 30, 2005, the Company's Board of Directors separately authorized the Company to buy back up to 20.0 million shares of its common stock with no dollar limit or expiration date. No repurchases had been made under this authorization as of the end of 2005. Please see Part II, Item 5. Market for Harley-Davidson, Inc. Common Stock and Related Shareholder Matters for additional detail regarding the Company's share repurchase activity and authorizations. During 2004, the Company repurchased 10.6 million shares of its common stock at a total cost of $564.1 million.

The Company paid four dividends of $.125 per share, $.16 per share, $.16 per share and $.18 per share during 2005, at a total cost of $173.8 million, compared to dividends of $.08 per share, $.10 per share, $.10 per share and $.125 per share totaling $119.2 million during 2004.

In addition to operating cash flow and asset-backed securitizations, HDFS is financed by the issuance of commercial paper, borrowings under the revolving credit facility, medium-term notes, senior subordinated debt and borrowings from the Company. HDFS' outstanding debt consisted of the following as of December 31 (in thousands):

	2005	2004
Commercial paper	$ 416,797	$ 702,147
Credit facilities	172,965	168,309
	589,762	870,456
Medium-term notes	585,211	394,985
Senior subordinated notes	30,000	30,000
	$ 1,204,973	$ 1,295,441

Credit Facilities - HDFS has a $1.10 billion revolving credit facility (Global Credit Facility) due September 2009. Subject to certain limitations, HDFS has the option to borrow in various currencies. Interest is based on London interbank offered rates (LIBOR), European interbank offered rates or other

short-term indices, depending on the type of advance. The Global Credit Facility is a committed facility and HDFS pays a fee for its availability.

Commercial Paper - Subject to limitations, HDFS may issue commercial paper of up to $1.10 billion. Maturities may range up to 365 days from the issuance date. Outstanding commercial paper may not exceed the unused portion of the Global Credit Facility. As a result, the combined total of commercial paper and borrowings under the Global Credit Facility was limited to $1.10 billion as of December 31, 2005.

Medium-Term Notes - HDFS has $400.0 million of 3.63% medium-term notes outstanding which are due in December 2008, and during December 2005, issued $200.0 million of 5% medium-term notes due in December 2010 (collectively referred to as "Notes"). The Notes provide for semi-annual interest payments and principal due at maturity. At December 31, 2005, the Notes included a fair value adjustment reducing the balance by $14.7 million due to interest rate swap agreements designated as fair value hedges. The effect of the interest rate swap agreements is to convert the interest rate on the Notes from a fixed to a floating rate, which is based on 3-month LIBOR.

Senior Subordinated Debt - HDFS has $30.0 million of 10 year senior subordinated notes outstanding which are due in 2007.

Intercompany Borrowing - HDFS has a revolving credit line with the Company whereby HDFS may borrow up to $210.0 million from the Company at a market interest rate. As of December 31, 2005 and December 31, 2004, HDFS had no outstanding borrowings owed to the Company under this agreement.

The Company has a support agreement with HDFS whereby, if required, the Company agrees to provide HDFS with financial support in order to maintain certain financial covenants. 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.

HDFS is subject to various operating and financial covenants related to the Global Credit Facility and the Notes and remains in compliance at December 31, 2005.

The Company expects that future activities of HDFS will be financed from funds internally generated by HDFS, the sale of loans through securitization programs, issuance of commercial paper and medium-term notes, borrowings under revolving credit facilities, advances or loans from the Company and subordinated debt. (1)

Cautionary Statements

The Company's ability to meet the targets and expectations noted in this Form 10-K depends upon, among other factors, the Company's ability to (i) continue to realize production efficiencies at its production facilities and effectively manage operating costs including materials, labor and overhead; (ii) successfully manage production capacity and production changes; (iii) avoid unexpected supply chain issues; (iv) provide products, services and experiences that are successful in the marketplace; (v) develop and implement sales and marketing plans that retain existing customers and attract new customers in an increasingly competitive marketplace; (vi) sell all of its motorcycles and related products and services to its independent dealers and distributors; (vii) continue to develop the capacity of its distributor and dealer network; (viii) avoid unexpected changes and prepare for known requirements in legislative and regulatory environments for its products and operations; (ix) successfully adjust to fluctuations in foreign currency exchange rates,

interest rates and commodity prices; (x) adjust to worldwide economic and political conditions, including changes in fuel prices and interest rates; (xi) successfully manage the credit quality and recovery rates of HDFS's loan portfolio; (xii) retain and attract talented employees and (xiii) detect any defects in our motorcycles to minimize delays in new model launches, recall campaigns, increased warranty costs or litigation. In addition, the Company could experience delays in the operation of manufacturing facilities as a result of work stoppages, natural causes, terrorism or other factors. These risks, potential delays and uncertainties regarding the costs could also adversely impact the Company's capital expenditure estimates (see "Liquidity and Capital Resources" section).

In addition, see "Risk Factors" under Item 1A. which includes a discussion of additional risk factors and a more complete discussion of some of the cautionary statements noted above.

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

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

A discussion of the Company's accounting policies for derivative financial instruments is included in the Summary of Significant Accounting Policies in Note 1 to the Consolidated Financial Statements and further disclosure relating to the fair value of derivative financial instruments is included in Note 11 to the Consolidated Financial Statements.

The Company sells its products internationally and in most markets those sales are made in the foreign country's local currency. As a result, the Company's earnings can be affected by fluctuations in the value of the U.S. dollar relative to foreign currency. The Company utilizes foreign currency contracts to mitigate the effect of these fluctuations on earnings. The foreign currency contracts are entered into with banks and allow the Company to exchange a specified amount of foreign currency for U.S. dollars at a future date, based on a fixed exchange rate. At December 31, 2005, these contracts represented a combined U.S. dollar equivalent of $150.0 million. The Company estimates that a uniform 10% weakening in the value of the dollar relative to the currency underlying these contracts would result in a decrease in the fair value of the contracts of approximately $17.9 million as of December 31, 2005.

The Company's exposure to the Japanese yen is substantially offset by the existence of a natural hedge, which is sustained through offsetting yen cash inflows from sales with yen cash outflows for motorcycle component purchases and other operating expenses.

HDFS' earnings are affected by changes in interest rates. HDFS utilizes interest rate swaps to reduce the impact of fluctuations in interest rates on its securitization transactions and debt. As of December 31, 2005, HDFS had interest rate swaps outstanding with a notional value of $976.2 million. HDFS estimates that a 10% increase in interest rates would result in a $4.8 million decrease in the fair value of the agreements.

Item 8. Consolidated Financial Statements and Supplementary Data

Management's Report on Internal Control Over Financial Reporting
Management Certifications
Report of the Audit Committee
Reports of Independent Registered Public Accounting Firm
Consolidated statements of income
Consolidated balance sheets
Consolidated statements of cash flows
Consolidated statements of shareholders' equity
Notes to consolidated financial statements
Supplementary data
Quarterly financial data (unaudited)

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of management, including the principal executive officer and principal financial officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's evaluation under the framework in Internal Control -- Integrated Framework, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2005. Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

February 8, 2006

James L. Ziemer
President and Chief Executive Officer

James M. Brostowitz
Vice President, Treasurer and
Acting Chief Financial Officer

MANAGEMENT CERTIFICATIONS

The Company has filed as exhibits to its Annual Report on Form 10-K for the fiscal year ended December 31, 2005, filed with the Securities and Exchange Commission, the certifications of the chief executive officer and the chief financial officer of the Company required by Section 302 of the Sarbanes-Oxley Act.

The Company has submitted to the New York Stock Exchange the Annual Chief Executive Officer Certification required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors reviews the Company's financial reporting process, the audit process and the process for monitoring compliance with laws and regulations. All of the Audit Committee members are independent in accordance with the Audit Committee requirements of the New York Stock Exchange, Inc.

The Audit Committee of the Board of Directors has reviewed and discussed with management its assessment of the effectiveness of the Company's internal control system over financial reporting as of December 31, 2005. Management has concluded that the internal control system was effective. This assessment was also audited by Ernst & Young LLP, the Company's independent registered public accounting firm for the 2005 fiscal year. The audited financial statements of the Company for the 2005 fiscal year were also reviewed and discussed with management as well as with representatives of Ernst & Young LLP. The Audit Committee has also discussed with Ernst & Young LLP, the matters required to be discussed by Statement of Auditing Standards No. 61, other professional standards and regulatory requirements currently in effect. The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1, as currently in effect, and has discussed with representatives of Ernst & Young LLP the independence of Ernst & Young LLP. Based on the review and discussions referred to above, the Audit Committee has recommended to the Board of Directors that the audited financial statements for the 2005 fiscal year be included in the Company's Annual Report.

February 14, 2006
Audit Committee of the Board of Directors
Richard I. Beattie
George L. Miles, Jr.
Judson C. Green
James A. Norling, Chairman

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

We have audited management's assessment, included in the accompanying Management's Report on Internal Controls over Financial Reporting, that Harley-Davidson, Inc. maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control - Integrated Frameworkissued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Harley-Davidson, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1)

pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, management's assessment that Harley-Davidson, Inc. maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Harley-Davidson, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Harley-Davidson, Inc. as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2005 of Harley-Davidson, Inc. and our report dated February 8, 2006 expressed an unqualified opinion thereon.

Ernst & Young LLP

Milwaukee, Wisconsin

February 8, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Harley-Davidson, Inc. as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed in the index at item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Harley-Davidson, Inc. at December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, on January 1, 2005, the Company changed its method of accounting for share-based awards.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Harley-Davidson, Inc.'s internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 8, 2006 expressed an unqualified opinion thereon.

Ernst & Young LLP

Milwaukee, Wisconsin

February 8, 2006

HARLEY-DAVIDSON, INC.

CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2005, 2004 and 2003
(In thousands, except per share amounts)

	2005	2004	2003
Net revenue	$ 5,342,214	$ 5,015,190	$ 4,624,274
Cost of goods sold	3,301,715	3,115,655	2,958,708
Gross profit	2,040,499	1,899,535	1,665,566
Financial services income	331,618	305,262	279,459
Financial services expense	139,998	116,662	111,586
Operating income from financial services	191,620	188,600	167,873
Selling, administrative and engineering expense	762,108	726,644	684,175
Income from operations	1,470,011	1,361,491	1,149,264
Investment income, net	22,797	23,101	23,088
Other, net	(5,049)	(5,106)	(6,317)
Income before provision for income taxes	1,487,759	1,379,486	1,166,035
Provision for income taxes	528,155	489,720	405,107
Net income	$ 959,604	$ 889,766	$ 760,928
Basic earnings per common share	$ 3.42	$ 3.02	$ 2.52
Diluted earnings per common share	$ 3.41	$ 3.00	$ 2.50
Cash dividends per common share	$ .625	$ .405	$ .195

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

HARLEY-DAVIDSON, INC.
HARLEY-DAVIDSON, INC.

CONSOLIDATED BALANCE SHEETS
December 31, 2005 and 2004
(In thousands, except share amounts)

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 140,975	$ 275,159
Marketable securities	905,197	1,336,909
Accounts receivable, net	122,087	121,333
Finance receivables held for sale	299,373	456,516
Finance receivables held for investment, net	1,342,393	1,167,522
Inventories	221,418	226,893
Deferred income taxes	61,285	60,517
Prepaid expenses and other current assets	52,509	38,337
Total current assets	3,145,237	3,683,186
Finance receivables held for investment, net	600,831	488,262
Property, plant and equipment, net	1,011,612	1,024,665
Prepaid pension costs	368,165	133,322
Goodwill	56,563	59,456
Other assets	72,801	94,402
	$ 5,255,209	$ 5,483,293
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 270,614	$ 244,202
Accrued expenses and other liabilities	397,525	433,053
Current portion of finance debt	204,973	495,441
Total current liabilities	873,112	1,172,696
Finance debt	1,000,000	800,000
Deferred income taxes	155,236	51,432
Postretirement healthcare benefits	60,975	149,848
Other long-term liabilities	82,281	90,846
Commitments and contingencies (Note 6)		
Shareholders' equity:		
Series A Junior participating preferred stock, none issued	--	--
Common stock, 330,961,869 and 329,908,165 shares issued in 2005 and 2004, respectively	3,310	3,300
Additional paid-in capital	596,239	533,068
Retained earnings	4,630,390	3,844,571
Accumulated other comprehensive income (loss)	58,653	(12,096)
	5,288,592	4,368,843
Less:		
Treasury stock (56,960,213 and 35,597,360 shares in 2005 and 2004, respectively), at cost	(2,204,987)	(1,150,372)
Total shareholders' equity	3,083,605	3,218,471
	$ 5,255,209	$ 5,483,293

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

HARLEY-DAVIDSON, INC. HARLEY-DAVIDSON, INC.

HARLEY-DAVIDSON, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2005, 2004 and 2003
(In thousands)

	2005	2004	2003
Cash flows from operating activities:			
Net income	$ 959,604	$ 889,766	$ 760,928
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	205,705	214,112	196,918
Provision for long-term employee benefits	71,354	62,806	76,422
Provision for share-based payments	22,974	--	--
Gain on current year securitizations	(46,581)	(58,302)	(82,221)
Net change in wholesale finance receivables	(161,342)	(154,124)	(154,788)
Origination of retail finance receivables held for sale	(2,447,320)	(2,069,713)	(1,897,719)
Collections on retail finance receivables held for sale	124,462	84,310	107,510
Proceeds from securitization of	2,450,920	1,847,895	1,724,060

retail finance receivables			
Contributions to pension and postretirement plans	(296,859)	--	(192,000)
Tax benefit from the exercise of stock options	--	51,476	13,805
Deferred income taxes	48,289	(41,513)	42,105
Other, net	34,389	30,371	20,127
Net changes in current assets and current liabilities	(5,085)	(24,866)	(18,644)
Total adjustments	906	(57,548)	(164,425)
Net cash provided by operating activities	960,510	832,218	596,503
Cash flows from investing activities:			
Capital expenditures	(198,389)	(213,550)	(227,230)
Origination of finance receivables held for investment	(336,412)	(324,931)	(192,482)
Collections on finance receivables held for investment	179,974	190,360	145,195
Collection of retained securitization interests	115,346	125,732	118,113
Purchase of marketable securities	(1,352,428)	(1,091,326)	(1,538,548)
Sales and redemptions of marketable securities	1,783,503	742,284	1,145,000
Purchase of remaining interest in joint venture	--	(9,500)	--
Other, net	(14,497)	10,689	9,690
Net cash provided by (used) in investing activities	177,097	(570,242)	(540,262)
Cash flows from financing activities:			
Proceeds from issuance of medium term notes	199,974	--	399,953
Net (decrease) increase in finance-credit facilities and commercial paper	(280,694)	305,047	(175,835)
Dividends paid	(173,785)	(119,232)	(58,986)
Purchase of common stock for treasury	(1,054,615)	(564,132)	(103,880)

Excess tax benefits from share-based payments	6,065	--	--
Issuance of common stock under employee stock option plans	31,264	62,171	19,378
Net cash (used) provided by financing activities	(1,271,791)	(316,146)	80,630
Net (decrease) increase in cash and cash equivalents	(134,184)	(54,170)	136,871
Cash and cash equivalents:			
At beginning of year	275,159	329,329	192,458
At end of year	$ 140,975	$ 275,159	$ 329,329

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

HARLEY-DAVIDSON, INC. HARLEY-DAVIDSON, INC. HARLEY-DAVIDSON, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 2005, 2004 and 2003

(In thousands, except share amounts)

	Common Stock Issued Shares	Balance	Additional paid-in capital	Retained Earnings	Other comprehensive income (loss)	Treasury Stock Balance	Unearned compensation	Total
Balance December 31, 2002	325,298,404	$ 3,254	$ 386,284	$ 2,372,095	$ (46,266)	$ (482,360)	$ (92)	$ 2,232,915
Comprehensive income:								
Net income	--	--	--	760,928	--	--	--	760,928
Other comprehensive income (loss):								
Foreign currency translation adjustment	--	--	--	--	19,609	--	--	19,609
Minimum pension liability adjustment, net of taxes of $(45,383)	--	--	--	--	74,361	--	--	74,361
Change in net unrealized gains (losses):								
Investment in retained securitization interests, net of taxes of $(3,266)	--	--	--	--	6,220	--	--	6,220
Derivative financial instruments, net of tax benefit of $3,057	--	--	--	--	(4,596)	--	--	(4,596)
Marketable securities, net of tax benefit of $1,333	--	--	--	--	(2,154)	--	--	(2,154)
Comprehensive income								$ 854,368
Dividends	--	--	--	(58,986)	--	--	--	(58,986)
Repurchase of common stock	(103,880)	--	(103,880)	--	--	--	--	--

Amortization of unearned compensation	--	--	--	--	--	--	92	--	92
Exercise of stock options	1,190,887	12	19,366	--	--	--	--	--	19,378
Tax benefit of stock options	--	--	13,805	--	--	--	--	--	13,805
Balance December 31, 2003	326,489,291	$ 3,266	$ 419,455	$ 3,074,037	$ 47,174	$ (586,240)	$ --	$ 2,957,692	
Comprehensive income:									
Net income	--	--	--	889,766	--	--	--	--	889,766
Other comprehensive income (loss):									
Foreign currency translation adjustment	--	--	--	--	9,399	--	--	--	9,399
Minimum pension liability adjustment, net of tax benefit of $38,230	--	--	--	--	(62,110)	--	--	--	(62,110)
Change in net unrealized gains (losses):									
Investment in retained securitization interests, net of tax benefit of $367	--	--	--	--	(691)	--	--	--	(691)
Derivative financial instruments, net of tax benefit of $1,766	--	--	--	--	(2,479)	--	--	--	(2,479)

Marketable -- -- -- -- (3,389
) -- -- (3,389)
securities,
net of tax
benefit of
$2,075
Comprehensive
830,496
income
Dividends -- -- -- (119,232) --
-- -- (119,232)
Repurchase of -- -- -- -- --
(564,132) -- (564,132)
common stock
Exercise of 3,418,874 34 62,137 -- --
-- -- 62,171
stock options
Tax benefit of -- -- 51,476 -- --
-- -- 51,476
stock options
Balance 329,908,165 $ 3,300 $ 533,068 $ 3,844,571 $ (12,096
) $ (1,150,372) $ -- $ 3,218,471
December 31,
2004
Comprehensive
income:
Net income -- -- -- 959,604 --
-- -- 959,604
Other
comprehensive
income
(loss):
Foreign -- -- -- -- (18,005
) -- -- (18,005)
currency
translation
adjustment
Minimum -- -- -- -- 60,155
-- -- 60,155
pension
liability
adjustment,
net of taxes
of $(37,025)
Change in net
unrealized
gains
(losses):
Investment in -- -- -- -- 4,001
-- -- 4,001
retained
securitization
interests, net
of taxes of
$(2,179)
Derivative -- -- -- -- 24,992
-- -- 24,992
financial
instruments,
net of taxes
of $(15,353)
Marketable -- -- -- -- (394
) -- -- (394)
securities,
net of tax
benefit of
$243
Comprehensive
1,030,353

income								
Dividends	--	--	--	(173,785)	--	--	(173,785)	--
Repurchase of common stock	--	--	--	--	--	--	(1,054,615)	--
Share-based compensation	--	--	24,117	--	--	--	24,117	--
Issuance of nonvested stock	115,801	1	(1)	--	--	--	--	--
Exercise of stock options	937,903	9	31,255	--	--	--	31,264	--
Excess tax benefit of stock option exercises	--	--	7,800	--	--	--	7,800	--
Balance December 31, 2005	330,961,869	$ 3,310	$ 596,239	$ 4,630,390	$ 58,653	$ (2,204,987)	$ --	$ 3,083,605

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

HARLEY--DAVIDSON, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation - The consolidated financial statements include the accounts of Harley-Davidson, Inc. and its subsidiaries (the Company), including the accounts of the groups of companies doing business as Harley-Davidson Motor Company (HDMC), Buell Motorcycle Company (BMC) and Harley-Davidson Financial Services (HDFS).

All of the Company's subsidiaries are wholly owned and are included in the consolidated financial statements. All of the Company's international subsidiaries use the respective local currency as their functional currency. Assets and liabilities of international subsidiaries have been translated at period-end exchange rates, and income and expenses have been translated using average exchange rates for the period.

During 2003, the Company participated in a joint venture with Porsche AG, of which the Company owned a 51% share. The accounts of the joint venture with Porsche AG were included in the Company's 2003 consolidated financial statements, adjusted to reflect Porsche AG's interest in operating results and net assets. In January 2004, the Company increased its ownership share to 100% by purchasing Porsche AG's 49% interest in the joint venture. See Note 3 for additional detail.

In connection with securitization transactions, HDFS utilizes Qualifying Special Purpose Entities (QSPEs) as defined by Statement of Financial Accounting Standards (SFAS) No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Assets and liabilities of the QSPEs are not consolidated in the financial statements of the Company. For further discussion of QSPEs and securitization transactions see "Finance receivable securitizations," which follows.

The Company operates in two principal business segments: Motorcycles and Related Products (Motorcycles) and Financial Services (Financial Services). All intercompany accounts and material transactions are eliminated, except for amounts related primarily to: (1) interest paid by HDMC to HDFS on behalf of HDMC's independent dealers as a way to manage seasonal increases in inventory; and (2) amounts paid by HDMC to reimburse HDFS for certain European wholesale finance receivables credit losses. See Note 4 for additional detail related to these items.

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

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

Marketable Securities - The Company has investments in marketable securities consisting primarily of investment-grade debt instruments such as corporate bonds and government backed securities of $535.9 million and $522.8 million at December 31, 2005 and 2004, respectively, with contractual maturities of approximately 1 year. Marketable securities also include auction rate securities of $369.3 million and $814.1 million at December 31, 2005 and 2004, respectively, with contractual maturities of up to 30 years. The auction rate securities have interest re-set dates that occur every 90 days or less and can be actively marketed at ongoing auctions that occur every 90 days or less.

The Company classifies its investments in marketable securities as available for sale, thus requiring the Company to carry them at their fair value with any unrealized gains or losses reported in other comprehensive income. Net unrealized losses, net of taxes, included in other comprehensive income as of December 31, 2005 and 2004 were $5.3 million and $4.9 million, respectively. Gains and losses realized on sales of marketable securities are included in investment income and were not significant.

Finance Receivables Credit Losses - The provision for credit losses on finance receivables is charged to earnings in amounts sufficient to maintain the

allowance for uncollectible accounts at a level HDFS believes is adequate to cover the losses of principal and accrued interest in the existing portfolio. HDFS' periodic evaluation of the adequacy of the allowance is generally based on HDFS' past loan loss experience, known and inherent risks in the portfolio, and current economic conditions. HDFS' wholesale and other large loan charge-off policy is based on a loan-by-loan review which considers the specific borrower's ability to repay and the estimated value of any collateral.

Retail loans are generally charged-off at 120 days contractually past due. All finance receivables accrue interest until either collected or charged-off. Accordingly, as of December 31, 2005 and 2004, all finance receivables are accounted for as interest-earning receivables.

Finance Receivables Held for Sale - U.S. retail motorcycle loans intended for securitization at origination are classified as finance receivables held for sale. These finance receivables held for sale in the aggregate are carried at the lower of cost or estimated fair value. Finance receivables held for sale are held for a short period of time prior to being securitized, and have a cost basis that approximates fair value. Cash flows related to finance receivables held for sale are included in cash flows from operating activities.

Reclassification of Finance Receivables Held for Sale - In prior years, finance receivables held for sale were not separately classified; therefore, prior years' balance sheets have been reclassified to conform to the current presentation. In addition cash flows relating to finance receivables held for sale were previously reported in cash flows from investing activities and have been reclassified to cash flows from operating activities to conform to the current presentation. As a result of the reclassifications, cash flows from operating activities were decreased by $137.5 million and $66.1 million during the years ended December 31, 2004 and 2003, respectively, offset by increases in cash flows from investing activities in the same amounts.

Finance Receivables Securitizations - HDFS sells retail motorcycle loans through securitization transactions. Under the terms of securitization transactions, HDFS sells retail loans to a securitization trust utilizing the two-step process described below. The securitization trust issues notes to investors, with various maturities and interest rates, secured by future collections of purchased retail loans. The proceeds from the issuance of the asset-backed securities are utilized by the securitization trust to purchase retail loans from HDFS.

Upon sale of the retail loans to the securitization trust, HDFS receives cash and also retains an interest in excess cash flows, servicing rights, and the right to receive cash reserve account deposits in the future, collectively referred to as "investment in retained securitization interests." The investment in retained securitization interests is included with finance receivables in the consolidated balance sheets.

The interest in excess cash flows equals the cash flows arising from retail loans sold to the securitization trust less servicing fees and contracted payment obligations due to securitization trust investors. Key assumptions in determining the present value of projected excess cash flows are prepayments, credit losses and discount

rate. HDFS retains servicing rights under retail loans that it has sold to the securitization trust and receives a servicing fee. The servicing fee paid to HDFS is considered adequate compensation for the services provided and is included in financial services income as earned.

Reserve account deposits held by the securitization trust represent interest-earning cash deposits collateralizing trust securities. The funds are

not available for use by HDFS until the reserve account balances exceed thresholds specified in the securitization agreements. Accordingly, they are carried at the present value of the amounts expected to be received in the future.

Gains on current year securitizations on the sale of the retail loans are recognized in the period in which the sale occurs. The amount of the gain depends on the proceeds received and the original carrying amount of the transferred retail loans, allocated between the assets sold and the retained interests based on their relative fair values at the date of transfer.

Investments in retained securitization interests are recorded at fair value and are periodically reviewed for impairment. Market quotes of fair value are generally not available for retained interests; therefore, HDFS estimates fair value based on the present value of future expected cash flows using HDFS' best estimates of key assumptions for credit losses, prepayments and discount rate commensurate with the risks involved. Unrealized gains and losses on investments in retained securitization interests are recorded in other comprehensive income, and as of December 31, 2005 and 2004 were $64.3 million and $58.1 million before income taxes, or $41.6 million and $37.6 million net of taxes, respectively.

HDFS does not guarantee payments on the securities issued by the securitization trusts or the projected cash flows from the retail loans purchased from HDFS. The Company's retained securitization interests, excluding servicing rights, are subordinate to the interests of securitization trust investors. Such investors have priority interests in the cash collections on the retail loans sold to the securitization trust (after payment of servicing fees) and in the cash reserve account deposits. These priority interests ultimately could impact the value of the Company's investment in retained securitization interests. Investors also do not have recourse to the assets of HDFS for failure of the obligors on the retail loans to pay when due.

HDFS utilizes a two-step process to transfer retail loans to a securitization trust. Loans are initially transferred to a special purpose, bankruptcy remote, wholly owned subsidiary which in turn sells the retail loans to the securitization trust. HDFS has surrendered control of retail loans sold to the securitization trust. Securitization transactions have been structured such that: (1) transferred assets have been isolated from HDFS by being put presumptively beyond the reach of HDFS and its creditors, even in bankruptcy or other receivership, (2) each holder of a beneficial interest in the securitization trust has the right to pledge or exchange their interest; and (3) HDFS does not maintain effective control over the transferred assets through either (a) an agreement that both entitles and obligates HDFS to repurchase or redeem the transferred assets before their maturity other than for breaches of certain representations, warranties and covenants relating to the transferred assets, or (b) the ability to unilaterally cause the holder to return specific assets, other than through a customary cleanup call.

Activities of the securitization trust are limited to acquiring retail loans, issuing asset-backed securities and making payments on securities to investors. Securitization trusts have a limited life and generally terminate upon final distribution of amounts owed to the investors in the asset-backed securities. Historically, the life of securitization trusts purchasing retail loans from HDFS has approximated four years.

Due to the overall structure of the securitization transaction, the nature of the assets held by the securitization trust and the limited nature of its activities, the securitization trusts are considered QSPEs. Accordingly, gain on sale is recognized upon transfer of retail loans to a QSPE and assets and liabilities of the QSPEs are not consolidated in the financial statements of

HDFS. See Note 4 for further discussion of HDFS' securitization program.

Inventories -Inventories are valued at the lower of cost or market. Substantially all inventories located in the United States are valued using the last-in, first-out (LIFO) method. Other inventories totaling $77.4 million at December 31, 2005, and $79.2 million at December 31, 2004 are valued at the lower of cost or market using the first-in, first-out (FIFO) method.

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

Internal-use Software- The Company's policy is to capitalize costs incurred in connection with developing or obtaining software for internal use. The Company's policy explicitly excludes certain types of costs from capitalization, such as costs incurred for enhancements, maintenance, project definition, data conversion, research and development, and training. Costs capitalized by the Company include amounts paid to outside consulting firms for materials or services used in developing or obtaining computer software for internal use, wages and benefits paid to employees who are directly associated with and who devote time to developing or obtaining computer software for internal use, and interest costs incurred during the period of development of software for internal use. During 2005, 2004 and 2003 the Company capitalized $17.0 million, $15.0 million and $16.5 million, respectively, of costs incurred in connection with developing or obtaining software for internal use. The Company depreciates costs capitalized in connection with developing or obtaining software for internal use on a straight-line basis over three years.

Goodwill- Goodwill represents the excess of acquisition cost over the fair value of the net assets purchased. Goodwill is tested for impairment at least annually based on financial data related to the reporting unit to which it has been assigned. The Company has assigned goodwill to reporting units based on specific review of each purchase transaction. During 2005 and 2004, the Company tested its goodwill balances for impairment and no adjustments were recorded to goodwill as a result of those reviews.

Long-lived Assets - The Company periodically evaluates the carrying value of long-lived assets to be held and used and long-lived assets held for sale, when events and circumstances warrant such review. If the carrying value of a long-lived asset is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset for assets to be held and used, or the amount by which the carrying value exceeds the fair market value less cost to sell for assets held for sale. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Product Warranty - The Company provides a standard two-year limited warranty on all new motorcycles sold. The warranty coverage includes parts and labor and begins when the motorcycle is sold to a retail customer. The Company maintains reserves for future warranty claims using an estimated cost per unit sold, which is based on historical Company claim information. Changes in the Company's warranty liability were as follows (in thousands):

	2005	2004	2003
Balance, beginning of period	$ 39,998	$ 30,475	$ 28,890
Warranties issued during the period	37,043	41,434	35,324
Settlements made during the period	(36,372)	(33,842)	(32,701)
Changes to the liability for pre-existing warranties during the period	(6,350)	1,931	(1,038)
Balance, end of period	$ 34,319	$ 39,998	$ 30,475

Derivative Financial Instruments - The Company uses derivative financial instruments to manage foreign currency exchange rate and interest rate risk. The Company's policy specifically prohibits the use of derivatives for speculative purposes. The fair values of the Company's derivative financial instruments are discussed in Note 11.

All derivative instruments are recognized on the balance sheet at fair value. 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 and subsequently reclassified into earnings when the hedged transaction affects income. 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.

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 contracts to mitigate the effect of these fluctuations on earnings. The foreign currency contracts are entered into with banks and allow the Company to exchange a specified amount of foreign currency for U.S. dollars at a future date, based on a fixed exchange rate. The Company's foreign currency contracts, which generally have maturities of less than one year, are designated as cash flow hedges. The effectiveness of these hedges is measured based on changes in the fair value of the contract attributable to changes in the forward exchange rate and are highly effective. The fair value of foreign currency contracts is reflected in current assets or liabilities, realized gains and losses are recorded in cost of goods sold and the related cash flows are included in cash flows from operations.

HDFS enters into interest rate swap agreements to reduce the impact of fluctuations in interest rates on its securitization transactions. HDFS originates fixed-rate retail loans on an ongoing basis. Eligible loans are pooled and sold through securitization transactions on a periodic basis. HDFS utilizes interest rate swap agreements to hedge anticipated cash flows from the securitization of retail motorcycle loans.

In addition, HDFS enters into interest rate swap agreements to reduce the impact of fluctuations in interest rates on its fixed and floating rate debt.

At inception, HDFS designates each interest rate swap as a hedge of the fair value of a recognized asset or liability (fair value hedge) or a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge).

Revenue Recognition - Sales are recorded when products are shipped to customers

(independent dealers and distributors) and ownership is transferred. The Company offers sales incentive programs to its dealers and distributors. The total costs of these programs are recognized as revenue reductions and are accrued at the later of the date the related sales are recorded or the date the incentive program is both approved and communicated.

Financial Services Income Recognition - Interest income on finance receivables is recorded as earned and is based on the average outstanding daily balance for wholesale and retail receivables. Accrued interest is classified with finance receivables. Loan origination payments made to dealers for certain retail loans are deferred and amortized over the estimated life of the contract.

Research and Development Expenses - Research and development expenses were $178.5 million, $170.7 million and $150.3 million for 2005, 2004 and 2003, respectively.

Advertising Costs - The Company expenses the production cost of advertising the first time the advertising takes place. Advertising costs relate to the Company's efforts to promote its products and brands through the use of media. During 2005, 2004 and 2003 the Company incurred $66.5 million, $48.8 million and $50.8 million in advertising costs, respectively.

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

Foreign Currency Transactions - Net transaction losses due to fluctuations in foreign exchange rates including gains and losses on foreign currency contracts were $22.1 million and $13.7 million, during 2005 and 2004, respectively.

Reclassifications- Certain prior year amounts have been reclassified to conform to the current year presentation.

Stock Compensation Costs - On January 1, 2005 the Company early adopted SFAS No. 123 (revised 2004), "Share-Based Payment," which requires the Company to recognize the cost of its employee stock option awards in its income statement. According to SFAS No. 123 (revised 2004), the total cost of the Company's share-based awards is equal to their grant date fair value and is recognizedas expense on a straight-line basis over the service periods of the awards. The Company adopted the fair value recognition provisions of SFAS No. 123 (revised 2004) using the modified-prospective-transition method. Under that transition method, compensation cost recognized in 2005 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and (b) compensation cost for all share-based payments granted subsequent to January 1, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123 (revised 2004). Results for prior periods have not been restated. Total stock compensation expense recognized by the Company during 2005, including stock option and nonvested stock awards, was $23.0 million, or $14.5 million net of taxes.

As a result of adopting SFAS No. 123 (revised 2004) on January 1, 2005, the Company's income before income taxes and net income for 2005 were $21.1 million and $13.0 million lower, respectively, than if it had continued to account for stock option awards under APB Opinion 25, "Accounting for Stock Issued to Employees," and related Interpretations. Basic and diluted earnings per share for 2005 would have been $3.47 and $3.46, respectively, if the Company had not adopted SFAS No. 123 (revised 2004), compared to reported basic and diluted earnings per share of $3.42 and $3.41, respectively. Prior to the adoption of SFAS No. 123 (revised 2004), the Company presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows

in the Statement of Cash Flows. Beginning on January 1, 2005 the Company changed its cash flow presentation in accordance with SFAS No. 123 (revised 2004) which requires the cash flows of the realized tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows. The $6.1 million excess tax benefit classified as a financing cash inflow in 2005 would have been classified as an operating cash inflow if the Company had not adopted SFAS No. 123 (revised 2004).

Prior to January 1, 2005, the Company accounted for its stock option plans under the recognition and measurement provisions of APB Opinion No. 25 and related Interpretations, as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation." No stock option-based employee compensation cost was recognized in the income statement prior to 2005, as all stock options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The Company estimated the fair value of its option awards granted prior to January 1, 2005 using the Black-Scholes option-pricing formula. The Black-Scholes option pricing model was used with the following weighted-average assumptions for grants made in the following years:

	2004	2003
Fair value of options granted during the period	$ 17	$ 14
Expected term (in years)	4.9	4.7
Expected volatility	34 %	36 %
Expected dividend yield	0.6 %	0.3 %
Risk free rate	3.2 %	2.7 %

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to its stock options during the years ended December 31, 2004 and 2003. For purposes of this pro forma disclosure, the value of the options is amortized to expense on a straight-line basis over a four-year vesting period and forfeitures are recognized as they occur. The Company's pro forma information follows (in thousands, except per share amounts):

	2004	2003
Net income, as reported	$ 889,766	$ 760,928
Total stock-based employee compensation expense determined under fair value based method for all option awards, net of related tax effects	(13,932)	(13,415)
Pro forma net income	$ 875,834	$ 747,513
Basic earnings per share as reported	$ 3.02	$ 2.52
Basic earnings per share pro forma	$ 2.97	$ 2.47
Diluted earnings per share as reported	$ 3.00	$ 2.50
Diluted earnings per share pro forma	$ 2.96	$ 2.46

2. Additional Balance Sheet and Cash Flow Information

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

Balance Sheet Information:

	2005	2004
Accounts receivable, net (in thousands):		
Domestic	$ 21,154	$ 16,485
Foreign	100,933	104,848
	$ 122,087	$ 121,333

The Company's sales of motorcycles and related products in the United States, Canada and a portion of its sales in Europe are financed by the purchasing dealers or distributors through HDFS, and the related receivables are included in finance receivables in the consolidated balance sheets. The Company's remaining foreign sales are sold on open account, letter of credit, draft, and payment in advance or financed by the purchasing dealers. The allowance for doubtful accounts deducted from total accounts receivable was $8.5 million and $10.3 million as of December 31, 2005 and 2004, respectively.

	2005	2004
Inventories, net (in thousands):		
Components at the lower of FIFO cost or market:		
Raw materials and work in process	$ 90,955	$ 78,750
Motorcycle finished goods	73,736	75,839
Parts and accessories and general merchandise	80,017	93,933
Inventory at lower of FIFO cost or market	244,708	248,522
Excess of FIFO over LIFO cost	23,290	21,629
	$ 221,418	$ 226,893

Inventory obsolescence reserves deducted from FIFO cost were $16.7 million and $14.5 million as of December 31, 2005 and 2004, respectively.

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

	2005	2004
Land and related improvements	$ 44,669	$ 40,867
Buildings and related improvements	378,614	355,479
Machinery and equipment	1,797,322	1,628,667
Construction in progress	113,493	168,389
	2,334,098	2,193,402
Less accumulated depreciation	1,322,486	1,168,737
	$ 1,011,612	$ 1,024,665

Accrued expenses and other liabilities (in thousands):

	2005	2004
Payroll, performance incentives and related expenses	$ 125,886	$ 151,833
Warranty and recalls	43,137	45,285
Sales incentive programs	65,612	70,776
Income taxes	58,075	53,547
Fair value of derivative financial instruments	15,119	39,701
Other	89,696	71,911
	$ 397,525	$ 433,053

Components of accumulated other comprehensive income (loss), net of tax (in thousands):

	2005	2004
Cumulative foreign currency translation adjustment	$ 15,532	$ 33,537
Unrealized gain on investment in retained securitization interest	41,634	37,633
Unrealized net gain (loss) on derivative financial instruments	8,761	(16,231)
Unrealized net (loss) on marketable securities	(5,319)	(4,925)
Minimum pension liability adjustment	(1,955)	(62,110)
	$ 58,653	$ (12,096)

Cash Flow Information:

Net changes in current assets and current liabilities (in thousands):

	2005	2004	2003
Accounts receivable	$ (754)	$ (8,927)	$ (3,712)
Inventories	5,475	(19,167)	10,430
Finance receivables - accrued interest and other	(16,252)	(27,443)	(54,796)
Accounts payable and accrued liabilities	15,464	39,569	15,545
Other	(9,018)	(8,898)	13,889
	$ (5,085)	$ (24,866)	$ (18,644)

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

	2005	2004	2003
Interest	$ 34,417	$ 21,346	$ 17,024
Income taxes	$ 471,613	$ 469,658	$ 370,597

Interest paid represents interest payments of HDFS which are included in financial services expense. The Company capitalized approximately $3.9 million of interest expense in 2003 in connection with expansion projects.

Non-cash investing activity during the period (in thousands):

	2005	2004	2003
Investment in retained securitization interests received in connection with securitizations during the year	$ 176,640	$ 154,569	$ 164,286

3. Acquisition

On January 1, 2004, the Company acquired the remaining interest in its joint venture with Porsche AG, of which the Company previously owned a 51% share. The purchase price for the remaining interest in the joint venture was approximately $9.5 million. The acquisition was funded with cash on hand. Goodwill of $4.1 million was recorded under the Motorcycles segment as a result of this transaction.

4. Financial Services

HDFS is engaged in the business of financing and servicing wholesale inventory receivables and retail loans, primarily for the purchase of motorcycles. HDFS is responsible for all credit and collection activities for the Motorcycles segment's domestic dealer receivables and many of its European dealer receivables. HDFS conducts business in the United States, Canada and Europe.

The condensed statements of operations relating to the Financial Services segment, for the years ended December 31, were as follows (in thousands):

	2005	2004	2003
Interest income	$ 129,869	$ 102,177	$ 87,048
Income from securitizations	123,136	115,104	114,402
Other income	78,613	87,981	78,009
Financial services income	331,618	305,262	279,459
Interest expense	36,154	22,723	17,635
Operating expenses	103,844	93,939	93,951
Financial services expense	139,998	116,662	111,586
Operating income from financial services	$ 191,620	$ 188,600	$ 167,873

Interest income includes approximately $16.0 million, $11.8 million and $9.2 million of interest on wholesale finance receivables paid by HDMC to HDFS in 2005, 2004 and 2003, respectively. This interest is paid on behalf of HDMC's independent dealers as a way to manage seasonal increases in inventory. These interest transactions between the Motorcycles and Financial Services segments are not eliminated.

Income from securitizations includes gains on current year securitization transactions of $46.6 million, $58.3 million and $82.2 million during 2005, 2004 and 2003, respectively, and income on investment in retained securitization interests of $76.6 million, $56.8 million and $32.2 million during 2005, 2004 and 2003, respectively.

Finance Receivables:

Finance receivables held for investment at December 31 for the past five years

were as follows (in thousands):

	2005	2004	2003	2002	2001
Wholesale					
United States	$ 1,040,220	$ 870,640	$ 690,662	$ 574,489	$ 527,513
Europe	59,960	73,231	91,987	91,137	--
Canada	50,097	51,945	59,171	42,236	40,793
Total Wholesale	1,150,277	995,816	841,820	707,862	568,306
Retail					
United States	319,856	287,841	233,079	202,193	177,147
Canada	149,597	120,217	92,740	60,921	52,241
Total Retail	469,453	408,058	325,819	263,114	299,388
	1,619,730	1,403,874	1,167,639	970,976	797,694
Allowance for credit losses	26,165	30,277	31,311	31,045	28,684
	1,593,565	1,373,597	1,136,328	939,931	769,010
Investment in retained securitization interests	349,659	282,187	254,409	198,748	152,097
	$ 1,943,224	$ 1,655,784	$ 1,390,737	$ 1,138,679	$ 921,107

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

	2005	2004	2003	2002	2001
Retail					
United States	$ 299,373	$ 456,516	$ 347,112	$ 306,901	$ 114,649

HDFS provides 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., Canada and Europe.

HDFS 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 HDFS and the retail customer, unrelated to the Company's sale of product to its dealers. Retail loans consist of secured promissory notes and installment loans. HDFS either holds titles or liens on titles to vehicles financed by promissory notes and installment loans. As of December 31, 2005 and 2004, approximately 10% of gross outstanding finance receivables were originated in Canada and 10% were originated in California, respectively.

At December 31, 2005 and 2004, unused lines of credit extended to HDFS' wholesale finance customers totaled $714 million and $700 million, respectively. Approved but unfunded retail finance loans totaled $457 million and $343 million at December 31, 2005 and 2004, respectively.

Wholesale finance receivables are related primarily to motorcycles and related parts and accessories sales to independent dealers and are generally contractually due within one year. Retail finance receivables are primarily related to sales of motorcycles to the dealers' customers, the end consumers. On December 31, 2005, contractual maturities of finance receivables held for investment (excluding retained securitization interests) were as follows (in thousands):

	United States	Europe	Canada	Total
2006	$ 1,076,580	$ 59,960	$ 68,221	$ 1,204,761
2007	15,356	--	19,502	34,858
2008	16,826	--	21,743	38,569
2009	18,445	--	24,242	42,687
2010	20,229	--	27,027	47,256
Thereafter	212,640	--	38,959	251,599
Total	$ 1,360,076	$ 59,960	$ 199,694	$ 1,619,730

As of December 31, 2005, all finance receivables due after one year were at fixed interest rates.

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

	2005	2004	2003
Balance at beginning of year	$ 30,277	$ 31,311	$ 31,045
Provision for finance credit losses	3,263	3,070	4,076
Charge-offs, net of recoveries	(7,375)	(4,104)	(3,810)
Balance at end of year	$ 26,165	$ 30,277	$ 31,311

Included in charge-offs, net of recoveries are $1.8 million, $3.7 million and $1.3 million of recoveries in 2005, 2004 and 2003, respectively, received by HDFS from HDMC. These recoveries relate to certain guarantees provided by HDMC on wholesale loans to European Harley-Davidson dealers. At December 31, 2005, 2004 and 2003, HDMC has $0.3 million, $3.3 million and $3.5 million, respectively, included in its allowance for doubtful accounts related to outstanding guarantees.

The carrying value of retail and wholesale finance receivables contractually past due 90 days or more at December 31 for the past five years were as follows (in thousands):

	2005	2004	2003	2002	2001
United States	$ 2,574	$ 1,906	$ 2,012	$ 1,724	$ 2,262
Canada	1,442	994	639	523	365
Europe	283	3,688	4,126	5,307	--
Total	$ 4,299	$ 6,588	$ 6,777	$ 7,554	$ 2,627

Securitization Transactions:

During 2005, 2004 and 2003, the Company sold $2.48 billion, $1.88 billion and $1.75 billion, respectively, of retail motorcycle loans through securitization transactions utilizing QSPEs (see Note 1). These sales resulted in cash proceeds of $2.45 billion, $1.85 billion and $1.72 billion during 2005, 2004 and 2003, respectively. The Company retains an interest in excess cash flows, servicing rights and cash reserve account deposits, collectively referred to as investment in retained securitization interests. The total securitization interests retained during the year for the last three years are disclosed under non-cash investing activities in Note 2. In conjunction with current and prior year sales, HDFS had investments in retained securitization interests of $349.7

million and $282.2 million at December 31, 2005 and 2004, respectively. The Company receives annual servicing fees approximating 1% of the outstanding securitized retail loans. HDFS serviced $3.9 billion and $3.1 billion of securitized retail loans as of December 31, 2005 and 2004, respectively.

The Company's retained securitization interests, excluding servicing rights, are subordinate to the interests of securitization trust investors. Such investors have priority interests in the cash collections on the retail loans sold to the securitization trust (after payment of servicing fees) and in the cash reserve account deposits. These priority interests ultimately could impact the value of the Company's investment in retained securitization interests. Investors also do not have recourse to the assets of HDFS for failure of the obligors on the retail loans to pay when due. Key assumptions in the valuation of the investment in retained securitization interests and in calculating the gain on current year securitizations are credit losses, prepayments and discount rate.

At the date of the transaction, the following key assumptions were used to calculate the gain on securitizations completed in 2005, 2004 and 2003:

	2005	2004	2003
Prepayment speed (Single Monthly Mortality)	2.50 %	2.50 %	2.50 %
Weighted-average life (in years)	1.93	1.94	1.93
Expected cumulative net credit losses	2.60 %	2.60 %	2.60 %
Residual cash flows discount rate	12.00 %	12.00 %	12.00 %

As of December 31, 2005 and 2004, respectively, the following key assumptions were used to value the investment in retained securitization interests:

	2005	2004
Prepayment speed (Single Monthly Mortality)	2.50 %	2.50 %
Weighted-average life (in years)	2.02	2.00
Expected cumulative net credit losses	2.57 %	2.55 %
Residual cash flows discount rate	12.00 %	12.00 %

Expected cumulative net credit losses are a key assumption in the valuation of retained securitization interests. As of December 31, 2005, 2004 and 2003, respectively, weighted average expected net credit losses for all active securitizations were 2.57%, 2.55% and 2.48%. The table below summarizes, as of December 31, 2005, 2004 and 2003, respectively, expected cumulative net credit losses by year of securitization, expressed as a percentage of the original balance of loans securitized for all securitizations completed during the years noted.

Expected cumulative net Credit Losses (%) as of:	Loans Securitized in 2005	2004	2003	2002	2001
December 31, 2005	2.60 %	2.60 %	2.52 %	2.44 %	2.16 %
December 31, 2004	--	2.60 %	2.60 %	2.39 %	2.30 %
December 31, 2003	--	--	2.60 %	2.39 %	2.25 %

Detailed below at December 31, 2005 and 2004, is the sensitivity of the fair value to immediate 10% and 20% adverse changes in the weighted-average key assumptions for all retained securitization interests (dollars in thousands):

	2005		2004	
Carrying amount/fair value of retained interests	$ 349,659		$ 282,187	
Weighted-average life (in years)	2.02		2.00	
Prepayment speed assumption (monthly rate)	2.50	%	2.50	%
Impact on fair value of 10% adverse change	$ (9,400)		$ (7,800)	
Impact on fair value of 20% adverse change	$ (18,300)		$ (15,100)	
Expected cumulative net credit losses	2.57	%	2.55	%
Impact on fair value of 10% adverse change	$ (18,800)		$ (14,800)	
Impact on fair value of 20% adverse change	$ (37,600)		$ (29,600)	
Residual cash flows discount rate (annual)	12.00	%	12.00	%
Impact on fair value of 10% adverse change	$ (6,400)		$ (5,100)	
Impact on fair value of 20% adverse change	$ (12,600)		$ (10,100)	

These sensitivities are hypothetical and should not be considered to be predictive of future performance. Changes in fair value generally cannot be extrapolated because the relationship of change in assumption to change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated independently from any change in another assumption. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities. Furthermore, the estimated fair values as disclosed should not be considered indicative of future earnings on these assets.

The table below provides information regarding certain cash flows received from and paid to all motorcycle loan securitization trusts during the years ended December 31, 2005 and 2004 (in thousands):

	2005	2004
Proceeds from new securitizations	$ 2,450,920	$ 1,847,895
Servicing fees received	36,662	30,504
Other cash flows received on retained interests	182,278	178,181
10% Clean-up call repurchase option	(61,859)	(36,620)

Managed retail motorcycle loans consist of all retail motorcycle installment loans serviced by HDFS including those held by securitization trusts and those held by HDFS. As of December 31, 2005 and 2004, managed retail motorcycle loans totaled $4.4 billion and $3.7 billion, respectively, of which $3.9 billion and $3.1 billion, respectively, were securitized. The principal amount of motorcycle managed loans 60 days or more past due was $61.2 million and $40.0 million at December 31, 2005 and 2004, respectively. Managed loans 60 days or more past due exclude loans reclassified as repossessed inventory. Credit losses, net of recoveries, of the motorcycle managed loans were $53.0 million, $33.0 million and $27.0 million during 2005, 2004 and 2003, respectively.

Finance Debt:

HDFS' debt as of December 31 consisted of the following (in thousands):

	2005	2004
Commercial paper	$ 416,797	$ 702,147
Credit facilities	172,965	168,309
	589,762	870,456
Medium-term notes	585,211	394,985
Senior subordinated notes	30,000	30,000
	$ 1,204,973	$ 1,295,441

Credit Facilities - HDFS has a $1.10 billion revolving credit facility (Global Credit Facility) due September 2009. The primary use of the Global Credit Facility is to provide liquidity to the unsecured commercial paper program and to fund domestic and foreign operations. Subject to certain limitations, HDFS has the option to borrow in various currencies. Interest is based on London interbank offered rates (LIBOR), European interbank offered rates or other short-term indices, depending on the type of advance. The Global Credit Facility is a committed facility, and HDFS pays a fee for its availability.

Commercial Paper - Subject to limitations, HDFS may issue commercial paper of up to $1.10 billion. Maturities may range up to 365 days from the issuance date. Outstanding commercial paper may not exceed the unused portion of the Global Credit Facility. As a result, the combined total of commercial paper and borrowings under the Global Credit Facility was limited to $1.10 billion as of December 31, 2005 and 2004. The weighted-average interest rate of outstanding commercial paper balances was 4.18% and 2.29% at December 31, 2005 and 2004, respectively. The December 31, 2005 and 2004 weighted-average interest rates include the impact of interest rate swap agreements.

Medium-Term Notes - HDFS has $400.0 million of 3.63% medium-term notes outstanding which are due in December 2008 and during December 2005, HDFS issued $200.0 million of 5% medium-term notes due in December 2010 (collectively referred to as "Notes"). The Notes provide for semi-annual interest payments and principal due at maturity. HDFS entered into swap agreements, the effect of which is to convert the interest rates on $550.0 million of the Notes from fixed rates to floating rates, which are based on 3-month LIBOR. The weighted-average interest rates on the Notes for the years ended December 31, 2005 and 2004 were 3.5% and 1.6%, respectively, which include the impact of interest rate swap agreements. At December 31, 2005 and 2004, the Notes reflect $14.7 million and $5.0 million decreases, respectively, due to fair value adjustments related to the impact of the interest rate swap agreements.

Senior Subordinated Debt - At December 31, 2005 and 2004, HDFS had $30.0 million of 6.79% senior subordinated notes outstanding due in 2007. The senior subordinated notes provide for semi-annual interest payments and principal at maturity.

Intercompany Borrowings - HDFS has a revolving credit line with the Company whereby HDFS may borrow up to $210.0 million at market rates of interest. As of December 31, 2005 and 2004, HDFS had no borrowings owed to the Company under the revolving credit agreement.

The Company has classified the $585.0 million of medium-term notes and the $30.0 million senior subordinated notes as long-term finance debt at December 31, 2005. Additionally, the Company has classified $385.0 million related to its Commercial Paper and its Global Credit Facilities as long-term finance debt as of December 31, 2005. This amount has been excluded from current liabilities because it is supported by the Global Credit Facility and will

remain outstanding for an uninterrupted period extending beyond one year from the balance sheet date.

The Company and HDFS have entered into a support agreement wherein, if required, the Company agrees to provide HDFS certain financial support to maintain certain financial covenants. Support may be provided either as capital contributions or loans at the Company's option. No amount has ever been provided to HDFS under the support agreement.

HDFS is subject to various operating and financial covenants related to the Global Credit Facility and the Notes and remains in compliance at December 31, 2005.

5. Income Taxes

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

	2005	2004	2003
Current:			
Federal	$ 421,760	$ 466,476	$ 324,960
State	47,605	61,982	33,461
Foreign	10,501	2,775	4,581
	479,866	531,233	363,002
Deferred:			
Federal	47,718	(38,332)	39,902
State	4,577	(5,261)	5,040
Foreign	(4,006)	2,080	(2,837)
	48,289	(41,513)	42,105
Total	$ 528,155	$ 489,720	$ 405,107

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

	2005	2004	2003
Provision at statutory rate	35.0 %	35.0 %	35.0 %
Foreign income taxes	0.1	0.1	0.1
Foreign tax credits	(0.1)	(0.1)	(0.1)
State taxes, net of federal benefit	2.3	2.5	2.1
Extraterritorial income exclusion	(0.6)	(0.7)	(0.5)
Manufacturing deduction	(0.4)	--	--
Research and development credit	(0.6)	(0.5)	(0.5)
Other	(0.2)	(0.8)	(1.4)
Provision for income taxes	35.5 %	35.5 %	34.7 %

Deferred income taxes result from temporary differences between the recognition of revenues and expenses for financial statements and income tax returns. The principal components of the Company's deferred tax assets and liabilities as of December 31 include the following (in thousands):

	2005	2004
Deferred tax assets:		
Accruals not yet tax deductible	$ 58,436	$ 76,192
Postretirement healthcare benefit obligation	25,862	58,455
Supplemental employee retirement plan agreements obligation	11,834	19,387
Minimum pension liability	1,205	38,230
Other, net	49,659	19,535
	146,996	211,799
Deferred tax liabilities:		
Depreciation, tax in excess of book	(66,273)	(76,385)
Prepaid pension costs	(138,706)	(96,163)
Unrealized gain on investment in retained securitization interests	(22,631)	(20,452)
Other, net	(13,337)	(9,714)
	(240,947)	(202,714)
Net deferred tax (liability) asset	$ (93,951)	$ 9,085

6. Commitments and Contingencies

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining required reserves 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. The required reserves are monitored on an ongoing basis and are updated based on new developments or new information in each matter.

Shareholder Lawsuits

A number of shareholder class action lawsuits were filed between May 18, 2005 and July 1, 2005 in the United States District Court for the Eastern District of Wisconsin against the Company and some or all of the following Company officers: Jeffrey L. Bleustein, James M. Brostowitz, Jon R. Flickinger, John A. Hevey, Ronald M. Hutchinson, Gail A. Lione, James A. McCaslin, W. Kenneth Sutton, Jr., Donna F. Zarcone and James L. Ziemer. The complaints allege securities law violations and seek unspecified damages relating generally to the Company's April 13, 2005 announcement that it was reducing short-term production growth and planned increases of motorcycle shipments from 317,000 units in 2004 to a new 2005 target of 329,000 units (compared to its original target of 339,000 units).

Three shareholder derivative lawsuits were filed in the United States District Court for the Eastern District of Wisconsin on June 3, 2005, October 25, 2005 (this lawsuit was later voluntarily dismissed) and December 2, 2005 and two shareholder derivative lawsuits were filed in Milwaukee County Circuit Court on July 22, 2005 and November 16, 2005 against some or all of the following directors and officers of the Company: Jeffrey L. Bleustein, James L. Ziemer, James M. Brostowitz, Barry K. Allen, Richard I. Beattie, George H. Conrades, Judson C. Green, Donald A. James, Sara L. Levinson, George L. Miles, Jr., James A. Norling, James A. McCaslin, Donna F. Zarcone, Jon R. Flickinger, Gail A. Lione, Ronald M. Hutchinson, W. Kenneth Sutton, Jr., and John A. Hevey. The lawsuits also name the Company as a nominal defendant. In general, the shareholder derivative complaints include factual allegations similar to those in the class action complaints and allegations that officers and directors breached their fiduciary duties to the Company.

On July 11, 2005, the staff of the Enforcement Division of the United States Securities and Exchange Commission ("SEC") advised the Company that it is inquiring into matters relating generally to the Company's April 13, 2005

announcement and certain allegations contained in the shareholder complaints. The Company is cooperating with the SEC.

On August 25, 2005, a class action lawsuit alleging violations of the Employee Retirement Income Security Act ("ERISA") was filed in the United States District Court for the Eastern District of Wisconsin against the Company, the Administrative Committee of Harley-Davidson, Inc., and the following Company employees, officers, and directors: Harold A. Scott, James M. Brostowitz, James L. Ziemer, Gail A. Lione, Barry K. Allen, Richard I. Beattie, Jeffrey L. Bleustein, George H. Conrades, Judson C. Green, Donald A. James, Sara L. Levinson, George L. Miles, Jr., and James A. Norling. In general, the ERISA complaint includes factual allegations similar to those in the shareholder class action lawsuits and alleges on behalf of participants in certain Harley-Davidson retirement savings plans that the plan fiduciaries breached their ERISA fiduciary duties.

The Company believes the allegations against all of the defendants in the lawsuits against the Company are without merit and it intends to vigorously defend against them. Since all of these matters are in the preliminary stages, the Company is unable to predict the scope or outcome or quantify their eventual impact, if any, on the Company. At this time the Company is also unable to estimate associated expenses or possible losses. The Company maintains insurance that may limit its financial exposure for defense costs and liability

for an unfavorable outcome, should it not prevail, for claims covered by the insurance coverage.

Cam Bearing Lawsuit:

In January 2001, the Company, on its own initiative, notified each owner of 1999 and early-2000 model year Harley-Davidson motorcycles equipped with Twin Cam 88(R) and Twin Cam 88BTM engines that the Company was extending the warranty for a rear cam bearing to 5 years or 50,000 miles. Subsequently, on June 28, 2001, a putative nationwide class action was filed against the Company in state court in Milwaukee County, Wisconsin, which was amended by a complaint filed September 28, 2001. The complaint alleged that this cam bearing is defective and asserted various legal theories. The complaint sought unspecified compensatory and punitive damages for affected owners, an order compelling the Company to repair the engines, and other relief. On February 27, 2002, the Company's motion to dismiss the amended complaint was granted by the Court and the amended complaint was dismissed in its entirety. An appeal was filed with the Wisconsin Court of Appeals. On April 12, 2002, the same attorneys filed a second putative nationwide class action against the Company in state court in Milwaukee County, Wisconsin relating to this cam bearing issue and asserting different legal theories than in the first action. The complaint sought unspecified compensatory damages, an order compelling the Company to repair the engines and other relief. On September 23, 2002, the Company's motion to dismiss was granted by the Court, the complaint was dismissed in its entirety, and no appeal was taken. On January 14, 2003, the Wisconsin Court of Appeals reversed the trial court's February 27, 2002 dismissal of the complaint in the first action, and the Company petitioned the Wisconsin Supreme Court for review. On March 26, 2004, the Wisconsin Supreme Court reversed the Court of Appeals and dismissed the remaining claims in the action. On April 12, 2004, the same attorneys filed a third action in the state court in Milwaukee County, on behalf of the same plaintiffs from the action dismissed by the Wisconsin Supreme Court. This third action was dismissed by the court on July 26, 2004. In addition, the plaintiffs in the original case moved to reopen that matter and amend the complaint to add new causes of action. On September 9, 2004, Milwaukee County Circuit Court refused to allow the reopening or amendment. Plaintiffs again appealed to the Wisconsin Court of Appeals, and on December

13, 2005, the Court of Appeals again reversed the trial court. The Company has filed a petition for review with the Wisconsin Supreme Court, asking it to reinstate the trial court's decision. The Company believes that the 5-year/50,000 mile warranty extension it announced in January 2001 adequately addressed the condition for affected owners, and the Company intends to continue to vigorously defend this matter.

Environmental Matters:

The Company is involved with government agencies and groups of potentially responsible parties in various environmental matters, including 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 an ongoing site-wide remedial investigation/feasibility study (RI/FS).

In January 1995, the Company entered into a settlement agreement (the Agreement) with the Navy. The Agreement calls for the Navy and the Company to contribute amounts into a trust equal to 53% and 47%, respectively, of future 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.

In February 2002, the Company was advised by the U.S. Environmental Protection Agency (EPA) that it considers some of the Company's remediation activities at the York facility to be subject to the EPA's corrective action program under the Resource Conservation and Recovery Act (RCRA) and offered the Company the option of addressing corrective action under a RCRA facility lead agreement. In July 2005, the

York facility was designated as the first site in Pennsylvania to be addressed under the "One Cleanup Program." The program provides a more streamlined and efficient oversight of voluntary remediation by both PADEP and EPA and will be carried out consistent with the Agreement with the Navy. As a result, the RCRA facility lead agreement has been superseded.

Although the RI/FS is still under way and substantial uncertainty exists concerning the nature and scope of the additional environmental investigation and remediation that will ultimately be required at the York facility, the Company estimates that its share of the future Response Costs at the York facility will be approximately $7.0 million. The Company has established reserves for this amount, which are included in Accrued Expenses and Other Liabilities in the Consolidated Balance Sheets.

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. Response Costs related to the remediation of soil are expected to be incurred over a period of several years ending in 2010. Response Costs related to ground water remediation may continue for some time beyond 2010. However, these Response Costs are expected to be much lower than those related to the remediation of soil.

Under the terms of the sale of the Commercial Vehicles Division in 1996, the Company has agreed to indemnify Utilimaster Corporation, until 2008, for certain claims related to environmental contamination present at the date of

sale, up to $20 million. Based on the environmental studies performed the Company does not expect to incur any material expenditures under this indemnification.

Product liability Matters:

Additionally, 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 will not have a material adverse effect on the Company's consolidated financial statements.

7. Employee Benefit Plans and Other Postretirement Benefits

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

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

Obligations and Funded Status:

The information following provides detail of changes in the benefit obligations, changes in the fair value of plan assets and funded status as of the Company's September 30 measurement date (in thousands).

	Pension and SERPA		Postretirement Healthcare Benefits	
	2005	2004	2005	2004
Change in benefit obligation:				
Benefit obligation, October 1	$ 816,998	$ 711,357	$ 241,345	$ 250,863
Service cost	40,371	36,863	10,536	11,367
Interest cost	49,944	45,852	14,738	14,994
Plan amendments	--	--	--	(22,366)
Actuarial losses (gains)	100,726	39,024	42,256	(4,870)
Plan participant contributions	6,627	6,524	107	43
Benefits paid	(50,842)	(22,622)	(10,642)	(8,686)
Benefit obligation, September 30	963,824	816,998	298,340	241,345
Change in plan assets:				
Fair value of plan assets, October 1	712,183	650,428	--	--
Actual return on plan assets	70,886	76,141	7,011	--
Company contributions	183,384	1,712	112,785	8,643
Plan participant contributions	6,627	6,524	107	43
Benefits paid	(50,842)	(22,622)	(10,642)	(8,686)
Fair value of plan assets, September 30	922,238	712,183	109,261	--
Funded status of the plans:				
Benefit obligation over plan assets	(41,586)	(104,815)	(189,079)	(241,345)
Unrecognized prior service cost	47,924	54,959	(10,524)	(11,841)
Unrecognized net loss	336,070	257,227	135,723	101,042
Minimum pension liability:				
Intangible asset	--	(22,043)	--	--
Accumulated other comprehensive loss	(3,162)	(100,340)	--	--
Prepaid (accrued) benefit cost, September 30	339,246	84,988	(63,880)	(152,144)
Fourth quarter contributions	241	155	2,905	2,296
Prepaid (accrued) benefit cost, December 31	$ 339,487	$ 85,143	$ (60,975)	$ (149,848)
Amounts recognized in the Consolidated Balance Sheets, December 31:				
Accrued benefit liability (other long-term liabilities)	$ (28,678)	$ (48,179)	$ (60,975)	$ (149,848)
Prepaid benefit cost (other long-term assets)	368,165	133,322	--	--
Net amount recognized	$ 339,487	$ 85,143	$ (60,975)	$ (149,848)

Benefit Costs:

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

	Pension and SERPA			Postretirement Healthcare Benefits		
	2005	2004	2003	2005	2004	2003
Service cost	$ 40,371	$ 36,863	$ 35,282	$ 10,536	$ 11,367	$ 12,145
Interest cost	49,944	45,852	41,979	14,738	14,994	13,462
Expected return on plan assets	(62,566)	(59,193)	(39,500)	(4,430)	--	--
Amortization of unrecognized:						
Prior service cost	7,036	7,081	7,098	(1,317)	(1,025)	546
Net loss	13,060	10,145	9,609	4,994	5,691	4,296
Net periodic benefit cost	$ 47,845	$ 40,748	$ 54,468	$ 24,521	$ 31,027	$ 30,449

Assumptions

Weighted-average assumptions used to determine benefit obligations as of September 30 and weighted-average assumptions used to determine net periodic benefit cost for the years ended September 30 are as follows:

	Pension and SERPA			Postretirement Healthcare Benefits		
	2005	2004	2003	2005	2004	2003
Assumptions for benefit obligations:						
Discount rate	5.50 %	6.25 %	6.50 %	5.50 %	6.25 %	6.50 %
Rate of compensation	3.20 %	3.50 %	4.00 %	n/a	n/a	n/a
Assumptions for net periodic benefit cost						
Discount rate	6.25 %	6.50 %	6.50 %	6.25 %	6.50 %	6.50 %
Expected return on plan assets	8.50 %	8.50 %	8.50 %	8.50 %	n/a	n/a
Rate of compensation increase	3.50 %	4.00 %	5.00 %	n/a	n/a	n/a

Pension and SERPA Accumulated Benefit Obligation:

Each of the Company's pension and SERPA plans has a separately determined accumulated benefit obligation (ABO) and plan asset value. The ABO is the actuarial present value of benefits based on service rendered and current and past compensation levels. This differs from the projected benefit obligation (PBO) in that it includes no assumption about future compensation levels. The total ABO for all the Company's pension and SERPA plans combined was $886.0 million and $719.7 million as of September 30, 2005 and 2004, respectively.

The following table summarizes information related to Company pension plans with an ABO or PBO in excess of the fair value of plan assets as of September 30 (in millions).

	2005	2004
Pension plans with ABOs in excess of fair value of plan assets:		
ABO	none	$ 270.2
Fair value of plan assets	none	$ 268.2
Number of plans	none	1
Pension plans with PBOs in excess of fair value of plan assets:		
PBO	$ 591.5	$ 510.3
Fair value of plan assets	$ 568.0	$ 458.9
Number of plans	2	2

The Company's SERPA plans, which can only be funded as claims are paid, had projected and accumulated benefit obligations of $31.1 million and $27.7 million, respectively, as of September 30, 2005 and $56.8 million and $44.8 million, respectively, as of September 30, 2004.

Plan Assets:

The Company's asset allocations at September 30, 2005 and 2004, by asset category are as follows (in thousands):

	Pension		Postretirement Health Care Benefits	
	2005	2004	2005	2004
Equity securities (excluding Company stock)	65 %	71 %	78 %	--
Debt securities	11	14	11	--
Company common stock	7	11	--	--
Other	2	--	7	--
Cash	15	4	4	--
	100 %	100 %	100 %	--

The Company employs a total return investment approach whereby a mix of equities and fixed-income investments is used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by maximizing investment returns within that prudent level of risk. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S and non-U.S. stocks as well as growth, value, and small and large capitalizations. The Company's targeted asset allocation ranges at September 30, 2005 as a percentage of total market value were as follows: equity securities, 60% to 80%; debt securities, 10% to 20%; other 10% to 15% and Company stock not to exceed 25%. Additionally, cash balances are maintained at levels adequate to meet near term plan expenses and benefit payments. The allocation of pension investments at September 30, 2005 was not reflective of the Company's targets as a result of a $150.0 million contribution made on September 30, 2005 which had not been fully allocated from cash. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews.

The fair value of pension plan assets was approximately $932.0 million and $760.0 million as of December 31, 2005 and 2004, respectively. Included in the pension plan assets are 1,273,592 shares of the Company's common stock at December 31, 2005 and 2004. The market value of these shares at December 31,

2005 and 2004 was $65.6 million and $77.4 million, respectively. Company policy limits the value of its stock to 25% of the total value of plan assets.

The fair value of postretirement healthcare plan assets was $111.0 million as of December 31, 2005.

The Company's overall expected long-term rate of return on assets is 8.5%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based on historical returns adjusted to reflect the current view of the long-term investment market.

Postretirement Healthcare Cost:

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

	2005	2004
Healthcare cost trend rate for next year	10.0 %	12.0 %
Rate to which the cost trend rate is assumed to decline (the ultimate rate)	5.0 %	5.0 %
Year that the rate reaches the ultimate trend rate	2010	2007

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

	One Percent Increase	One Percent Decrease
Total of service and interest cost components in 2005	$ 824	$ (725)
Accumulated benefit obligation as of September 30, 2005	$ 15,616	$ (13,530)

Future Contributions and Benefit Payments:

Based on the Company's recent contributions to its pension and postretirement healthcare plans it does not expect to make additional contributions to further pre-fund these plans during 2006. During 2006, the Company expects to continue its practice of funding the SERPA and postretirement healthcare plans in amounts equal to benefits paid during the year. The expected benefit payments and Medicare subsidy receipts for the next five years and thereafter are as follows (in thousands):

	Pension Benefits	SERPA Benefits	Postretirement Healthcare Benefits	Medicare Subsidy Receipts
2006	$ 26,910	$ 2,288	$ 12,813	$ 619
2007	29,940	2,149	14,739	703
2008	35,174	2,837	19,134	816
2009	40,227	3,365	21,114	943
2010	43,083	4,132	22,384	1,080
2011-2015	267,009	22,411	128,443	7,938

Defined Contribution Plans:

The Company has various defined contribution benefit plans that in total cover substantially all full-time employees. Employees can make voluntary contributions in accordance with the provisions of their respective plan, which includes a 401(k) tax deferral option. The Company expensed $7.5 million, $8.2 million and $7.8 million for matching contributions during 2005, 2004 and 2003, respectively.

8. Capital Stock

Common Stock:

The Company is authorized to issue 800,000,000 shares of common stock of $.01 par value. There were 274.0 million and 294.3 million common shares outstanding as of December 31, 2005 and 2004, respectively.

During 2005 and 2004, the Company repurchased 21.4 million and 10.6 million shares of its common stock at weighted-average prices of $49 and $53, respectively. These repurchases were made pursuant to the following authorizations (in millions of shares):

	Shares Repurchased		Authorization Remaining at December 31,
Board of Directors' Authorization	2005	2004	2005
1990 Authorization	--	7.8	--
1997 Authorization	1.4	2.8	3.1
2004 Authorization	20.0	--	--
2005 Authorization	--	--	20.0
Total	21.4	10.6	23.1

1990 Authorization- The Company had a separate authorization from the Company's Board of Directors originally approved in 1990. The original authorization provided for the repurchase of 16 million shares of common stock (adjusted for two 2-for-1 stock splits) and contained no dollar limit or expiration date. As of the completion of the 2004 repurchases there were no remaining shares available under this authorization.

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

2004 Authorization- In 2004, the Company received a separate authorization from its Board of Directors which provided for the repurchase of up to 20 million shares of its common stock (adjusted for two 2-for-1 stock splits) and contained no dollar limit or expiration date. This authorization was exhausted during 2005.

2005 Authorization - On April 30, 2005, the Company's Board of Directors separately authorized the Company to buy back up to 20 million shares of its

common stock with no dollar limit or expiration date. No repurchases have been made under this authorization as of the end of 2005.

Preferred Stock:

The Company is authorized to issue 2,000,000 shares of preferred stock of $1.00 par value. The Company has designated 500,000 of the 2,000,000 authorized shares of preferred stock as Series A Junior Participating preferred stock (Preferred Stock). The Preferred Stock has a par value of $1 per share. Each share of Preferred Stock, none of which is outstanding, is entitled to 10,000 votes per share (subject to adjustment) and other rights such that the value of a one ten-thousandth interest in a share of Preferred Stock should approximate the value of one share of common stock.

The Preferred Stock is reserved for issuance in connection with the Company's outstanding Preferred Stock purchase rights (Rights). On February 17, 2000, the Board of Directors of the Company declared a dividend of one Right for each outstanding share of common stock payable upon the close of business on August 20, 2000 to the shareholders of record on that date. Under certain conditions, each Right entitles the holder to purchase one ten-thousandth of a share of Preferred Stock at an exercise price of $175, subject to adjustment. The Rights are only exercisable if a person or group has: (1) acquired 15% or more of the outstanding common stock or (2) has announced an intention to acquire 25% or more of the outstanding common stock (either (1) or (2) are a "Triggering Event"). If there is a 15% acquiring party, then each holder of a Right, other than the acquiring party, will be entitled to purchase, at the exercise price, Preferred Stock having a market value of two times the exercise price.

In addition, prior to the acquisition of 50% or more of the outstanding common stock by an acquiring party, the Board of Directors of the Company may exchange the Rights (other than the Rights of an acquiring party which have become void), in whole or in part, at an exchange ratio of one share of common stock or one ten-thousandth of a share of Preferred Stock (or a share of the Company's preferred stock having equivalent rights, privileges, and preferences) per Right, subject to adjustment. The Rights expire upon the close of business on August 20, 2010, subject to extension.

9. Stock Compensation

The Company has a stock compensation plan which was approved by its Shareholders in April 2004 (Plan) under which the Board of Directors may grant to employees nonqualified stock options and shares of nonvested stock. The options granted under the Plan have an exercise price equal to the fair market value of the underlying stock at the date of grant and vest ratably over a four-year period with the first 25% becoming exercisable one year after the date of grant. The options expire 10 years from the date of grant. Shares of nonvested stock that have been issued under the Plan generally vest over periods ranging from 4 to 5 years with certain of the shares generally subject to accelerated vesting should the Company meet certain performance conditions. Dividends are paid on shares of nonvested stock. At December 31, 2005, there were 12.5 million shares of common stock available for future awards under the Plan.

Stock Options:

As discussed in Note 1, the Company adopted SFAS No. 123 (revised 2004) on January 1, 2005, which requires the Company to recognize the cost of its employee stock option awards in its income statement based on the fair value of

the award. The Company estimates the fair value of its option awards granted after January 1, 2005, using a lattice-based option valuation model. The Company believes that the lattice-based option valuation model provides a more precise estimate of fair value than the Black-Scholes option pricing model used in prior years. Lattice-based option valuation models utilize ranges of assumptions over the expected term of the options. Expected volatilities are based on the historical volatility of the Company's stock. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted is derived from the output of the option valuation model and represents the average period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Assumptions used in calculating the lattice-based fair value of options granted during 2005 were as follows:

	2005
Expected average term (in years)	4.5
Expected volatility	16 - 36 %
Weighted average volatility	30 %
Expected dividend yield	0.8 %
Risk-free rate	2.4- 4.1 %

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

	2005 Options	2005 Weighted Average Price	2004 Options	2004 Weighted Average Price	2003 Options	2003 Weighted Average Price
Options outstanding at January 1	6,895	$ 41	9,029	$ 31	8,683	$ 27
Options granted	905	$ 60	1,419	$ 52	1,652	$ 41
Options exercised	(938)	$ 33	(3,418)	$ 18	(1,191)	$ 16
Options forfeited	(77)	$ 51	(135)	$ 47	(115)	$ 44
Options outstanding at December 31	6,785	$ 45	6,895	$ 41	9,029	$ 31
Exercisable at December 31	4,159	$ 40	3,482	$ 35	5,561	$ 23
Weighted-average fair value of options granted during the year	$ 16		$ 17		$ 14	

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

	2005	2004	2003
Exercised	$ 23,355	$ 135,752	$ 34,057
Outstanding	$ 46,564	$ 135,652	$ 151,290
Exercisable	$ 47,594	$ 94,974	$ 137,393

The Company's policy is to issue new shares of common stock upon the exercise of employee stock options. The Company has a continuing authorization from its Board of Directors to repurchase shares to offset dilution caused by the exercise of stock options, see Note 8.

Stock options outstanding at December 31, 2005 (options in thousands):

Price Range	Weighted-Average Contractual life	Options	Weighted-Average Exercise Price
$9	0.1	31	$ 9
$10.01 to $20	1.9	317	13
$20.01 to $30	3.2	413	26
$30.01 to $40	4.3	709	35
$40.01 to $50	6.5	2,194	42
$50.01 to $60	7.3	2,330	52
$60.01 to $70	9.1	791	61
Options Outstanding	6.3	6,785	45
Options Exercisable	5.3	4,159	40

Nonvested Stock:

The fair value of nonvested shares is determined based on the market price of the Company's shares on the grant date. A summary of the status of the Company's nonvested shares as of December 31, 2005, and changes during the year ended December 31, 2005, is as follows (shares in thousands):

	Shares	Fair Value Per Share
Nonvested at January 1	--	--
Granted	115	$ 60
Vested	--	--
Forfeited	(3)	$ 60
Nonvested at December 31	112	$ 60

As of December, 2005, there was $4.2 million of unrecognized compensation cost related to nonvested stock that is expected to be recognized over a weighted-average period of 3.1 years.

10. Earnings Per Share

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

	2005	2004	2003
Numerator:			
Net income used in computing basic and diluted earnings per share	$ 959,604	$ 889,766	$ 760,928
Denominator:			
Denominator for basic earnings per share-weighted-average common shares	280,303	295,008	302,271
Effect of dilutive securities - employee stock compensation plan	732	1,844	2,199
Denominator for diluted earnings per share - adjusted weighted-average shares outstanding	281,035	296,852	304,470
Basic earnings per share	$ 3.42	$ 3.02	$ 2.52
Diluted earnings per share	$ 3.41	$ 3.00	$ 2.50

Options to purchase 2.6 million shares of common stock outstanding during 2005 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.

11. Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, marketable securities, trade receivables, finance receivables, finance receivables held for sale, trade payables, finance debt, foreign currency contracts and interest rate swaps.

Cash and Cash Equivalents, Trade Receivables, and Trade Payables- The book values for these amounts are estimated to approximate their respective fair values due to the short maturity of these instruments.

Marketable Securities - The carrying value of marketable securities approximates fair value. The fair value of marketable securities is based primarily on quoted market prices. Changes in fair value are recorded, net of tax, as other comprehensive income and included as a component of shareholder's equity.

Finance Receivables, Net- The carrying value of retail finance receivables approximates fair value. The carrying value of wholesale finance receivables approximates fair value because they are either short-term or have interest rates that adjust with changes in market interest rates.

The fair value of investment in retained securitization interests is estimated based on the present value of future expected cash flows using management's best estimates of the key assumptions. Changes in fair value are recorded, net of tax, as other comprehensive income and included as a component of shareholder's equity.

Finance Receivables Held for Sale - The carrying value of finance receivables held for sale approximates fair value as finance receivables held for sale are held for only a short period of time prior to being securitized.

Finance Debt-The carrying value of debt provided under the credit facilities approximates fair value since the interest rates charged under this facility are tied directly to market rates and fluctuate as market rates change. The carrying value of commercial paper approximates fair value due to their short maturity.

Medium-term notes are carried at fair value and include a fair value adjustment

due to the interest rate swap agreement which effectively converts the majority of the notes from a fixed to a floating interest rate.

The carrying value of senior subordinated notes approximates fair value and is estimated based upon rates currently available for debt with similar terms and remaining maturities.

Foreign Currency Contracts - During 2005 and 2004, the Company utilized foreign currency contracts to hedge its sales transactions denominated in the euro. The foreign currency contracts were designated as cash flow hedges and generally had lives less than one year. The Company bases the fair value of its foreign currency contracts on quoted market prices. Information related to the Company's foreign currency contracts as of December 31 is as follows (in millions):

	2005	2004
Euro value	€ 150.0	€ 235.0
Notional U.S. dollar value	$ 186.9	$ 284.7
Fair value of contracts recorded as current assets (liabilities)	$ 7.7	$ (34.7)
Unrealized gain (loss) recorded in accumulated other comprehensive income (loss), net of tax	$ 4.1	$ (20.4)

During 2005 and 2004, the hedges were highly effective and, as a result, the amount of hedge ineffectiveness recognized during the year was insignificant. The total net unrealized loss, net of taxes, related to foreign currency contracts reclassified to earnings during 2005 was $5.4 million. The Company expects that the unrealized gains, net of taxes, as of December 31, 2005, of $4.1 million will be reclassified to earnings within one year.

Interest Rate Swaps - Securitization Transactions - During 2005 and 2004, HDFS utilized interest rate swaps to reduce the impact of fluctuations in interest rates on its securitization transactions. These interest rate derivatives are designated as cash flow hedges and generally have a life of less than six months. Information related to these swap agreements as of December 31 is as follows (in millions):

	2005	2004
Notional value	$ 226.2	$ 323.0
Fair value of swaps recorded as current (liabilities) assets	$ (0.4)	$ 0.9
Unrealized (loss) gain recorded in accumulated other comprehensive income (loss), net of tax	$ (0.2)	$ 0.5

During 2005 and 2004, the hedges were highly effective and, as a result, the amount of hedge ineffectiveness recognized during the year was insignificant. Unrealized gains of $0.5 million, net of taxes, as of December 31, 2004, were reclassified to earnings during 2005 upon the sale of the respective retail motorcycle loans. HDFS expects to reclassify $0.2 million of the unrealized losses, net of taxes, as of December 31, 2005, to earnings within one year when HDFS completes a securitization of retail motorcycle loans.

Interest Rate Swaps - Commercial Paper- HDFS has entered into interest rate swap agreements that effectively convert a portion of its floating-rate debt to a fixed-rate basis for periods of four years, ending in 2007 and 2008. The

differential paid or received on these swaps is recognized on an accrual basis as an adjustment to interest expense. As of December 31, 2005 and 2004, the agreements were designated as cash flow hedges. Information related to the swap agreements as of December 31 is as follows (in millions):

	2005	2004
Notional value	$ 200.0	$ 200.0
Fair value of swap recorded as current assets	$ 7.6	$ 5.8
Unrealized gain recorded in accumulated other comprehensive income (loss), net of tax	$ 4.8	$ 3.7

During 2005 and 2004, the hedges were highly effective, and as a result, the amount of hedge ineffectiveness recognized during the year was insignificant. Unrealized gains of $1.2 million, net of taxes, as of December 31, 2004, were reclassified to earnings during 2005 upon payment of the related interest. HDFS expects to reclassify $3.0 million of the unrealized gains, net of taxes, as of December 31, 2005, to earnings within one year. The unrealized gains will be offset by the payment of variable interest associated with the floating rate debt.

Interest Rate Swaps - Medium-Term Notes- During 2005 and 2003, HDFS entered into interest rate swap agreements that effectively convert a portion of its fixed-rate debt to a floating-rate basis for a period of five years. The differential paid or received on these swaps is recognized on an accrual basis as an adjustment to interest expense. As of December 31, 2005 and 2004, the agreements were designated as fair value hedges. During 2005 and 2004, the hedges were highly effective and, as a result, there was no ineffectiveness recognized on these hedges during the year. Information related to these swap agreements as of December 31 is as follows (in millions):

	2005	2004
Notional value	$ 550.0	$ 400.0
Fair value of swap recorded as current liabilities	$ (14.7)	$ (5.0)

No ready market exists for swaps utilized by HDFS. Fair value is determined by an independent third party using established valuation methods.

12. Business Segments and Foreign Operations

Business Segments

The Company operates in two business segments: Motorcycles and Financial Services. The Company's reportable segments are strategic business units that offer different products and services. They are managed separately based on the fundamental differences in their operations.

The Motorcycles segment consists primarily of the group of companies doing business as Harley-Davidson Motor Company and Buell Motorcycle Company. The Motorcycles segment designs, manufactures and sells primarily heavyweight (engine displacement of 651+cc) touring, custom and sport motorcycles and a broad range of related products which include motorcycle parts and accessories and riding apparel.

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

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

	2005	2004	2003
Motorcycles net revenue and Financial Services income:			
Motorcycles net revenue	$ 5,342,214	$ 5,015,190	$ 4,624,274
Financial Services income	331,618	305,262	279,459
	$ 5,673,832	$ 5,320,452	$ 4,903,733
Income from operations:			
Motorcycles	$ 1,299,865	$ 1,189,519	$ 996,889
Financial Services	191,620	188,600	167,873
General corporate expenses	(21,474)	(16,628)	(15,498)
	$ 1,470,011	$ 1,361,491	$ 1,149,264

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

	Motorcycles	Financial Services	Corporate	Consolidated
2005				
Identifiable assets	$ 1,845,802	$ 2,363,235	$ 1,046,172	$ 5,255,209
Depreciation	198,833	6,872	--	205,705
Net capital expenditures	188,078	10,311	--	198,389
2004				
Identifiable assets	$ 1,646,251	$ 2,223,796	$ 1,613,246	$ 5,483,293
Depreciation	206,420	7,536	156	214,112
Net capital expenditures	188,122	25,171	257	213,550
2003				
Identifiable assets	$ 1,778,566	$ 1,821,142	$ 1,323,380	$ 4,923,088
Depreciation	191,118	5,555	245	196,918
Net capital expenditures	219,592	7,263	375	227,230

Geographic Information

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

	2005	2004	2003
Motorcycles net revenue (a):			
United States	$ 4,304,865	$ 4,097,882	$ 3,807,707
Europe	530,124	477,962	419,052
Japan	192,268	192,720	173,547
Canada	143,204	136,721	134,319
Other foreign countries	171,753	109,905	89,649
	$ 5,342,214	$ 5,015,190	$ 4,624,274
Financial Services income(a):			
United States	$ 308,341	$ 283,837	$ 260,551
Europe	9,135	9,538	8,834
Canada	14,142	11,887	10,074
	$ 331,618	$ 305,262	$ 279,459
Long-lived assets (b):			
United States	$ 1,450,278	$ 1,246,808	$ 1,400,772
Other foreign countries	38,002	44,300	41,804
	$ 1,488,280	$ 1,291,108	$ 1,442,576

(a) Net revenue and income is attributed to geographic regions based on location of customer.

(b) Long-lived assets include all long-term assets except those specifically excluded under SFAS No. 131, such as deferred income taxes and finance receivables.

13. Related Party Transactions

The Company has the following material related party transactions. A director of the Company is Chairman and Chief Executive Officer and an equity owner of Fred Deeley Imports Ltd. (Deeley Imports), the exclusive distributor of the Company's motorcycles in Canada. During 2005, 2004 and 2003, the Company recorded revenue and financial services income from Deeley Imports of $145.1 million, $137.6 million and $135.2 million, respectively, and had accounts receivables balances due from Deeley Imports of $14.8 million and $13.1 million at December 31, 2005 and 2004, respectively. All such products were provided in the ordinary course of business at prices and on terms and conditions that the Company believes are the same as those that would result from arm's-length negotiations between unrelated parties.

SUPPLEMENTARY DATA

Quarterly financial data (unaudited)

(In millions, except per share data)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	Mar 27, 2005	Mar 28, 2004	June 26, 2005	June 27, 2004	Sep 25, 2005	Sep 26, 2004	Dec 31 2005	Dec 31, 2004
Net revenue	$ 1,235.5	$ 1,165.7	$ 1,333.3	$ 1,327.8	$ 1,431.2	$ 1,300.7	$ 1,342.2	$ 1,221.0
Gross profit	464.3	440.1	500.4	503.4	561.3	494.6	514.5	461.4
Income before taxes	352.3	317.2	368.0	383.3	410.8	355.0	356.7	323.9
Net income	$ 227.2	$ 204.6	$ 237.4	$ 247.2	$ 265.0	$ 229.0	$ 230.0	$ 209.0
Earnings per common share:								
Basic	$ .78	$ .69	$ .85	$ .84	$ .97	$ .78	$ .84	$ .71
Diluted	$ .77	$ .68	$ .84	$ .83	$ .96	$ .77	$ .84	$ .71

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

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In accordance with Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), as of the end of the period covered by this Annual Report on Form 10-K, the Company's management evaluated, with the participation of the Company's President and Chief Executive Officer and Vice President, Treasurer and Acting 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 Vice President, Treasurer and Acting Chief Financial Officer have concluded that the disclosure controls and procedures were effective as of the date of such evaluation to ensure that material information relating to the Company, including its consolidated subsidiaries, was made known to them by others within those entities, particularly during the period in which this Annual Report on Form 10-K was being prepared.

Management's Report on Internal Control over Financial Reporting

The report of management required under this Item 9A is contained in Item 8 of Part II of this Annual Report on Form 10-K under the heading "Management's Report on Internal Control over Financial Reporting."

Attestation Report of Independent Registered Public Accounting Firm

The attestation report required under this Item 9A is contained in Item 8 of Part II of this Annual Report on Form 10-K under the heading "Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting."

Changes in Internal Controls

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2005 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information included or to be included in the Company's definitive proxy statement for the 2006 annual meeting of shareholders, which will be filed on or about March 27, 2006 (the Proxy Statement) under the captions "Election of Directors", "Section 16(a) Beneficial Ownership Reporting Compliance" and "Audit Committee Report" is incorporated by reference herein.

The Company has adopted the Harley-Davidson, Inc. Financial Code of Ethics applicable to the Company's chief executive officer, the chief financial officer, the principal accounting officer and the controller and other persons performing similar functions. The Company has posted a copy of the Harley-Davidson, Inc. Financial Code of Ethics on the Company's website at

www.harley-davidson.com. The Company intends to satisfy the disclosure requirements under Item 10 of Form 8-K regarding amendments to, or waivers from, the Harley-Davidson, Inc. Financial Code of Ethics by posting such information on its website at www.harley-davidson.com. The Company is not including the information contained on or available through its website as a part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information included or to be included in the Proxy Statement under the caption "Executive Compensation" up to, but not including the caption "Section 16(a) Beneficial Ownership Reporting Compliance" is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management

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

The following table provides information about the Company's equity compensation plans (including individual compensation arrangements) as of December 31, 2005.

Plan category	Number of securities to be issued upon the exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by shareholders:			
Management employees	6,614,919	$ 44.80	12,521,368
Equity compensation plans not submitted to shareholders:			
Union employees - Kansas City, MO	7,669	$ 21.19	24,468
York, PA	133,520	$ 38.88	51,375
Non employees - Board of Directors	29,300	$ 38.27	127,010
	170,489	$ 37.98	202,853
Total all plans	6,785,408	$ 44.63	12,724,221

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

The material features of the union employees' stock option awards are the same as those of the management employees' stock option awards. Under the Company's management and union plans, stock options have an exercise price equal to the fair market value of the underlying stock at the date of grant, expire ten years from the date of grant and vest ratably over a four-year period, with the first 25 percent becoming exercisable one year after the date of grant.

Effective December 31, 2002, non-employee directors of the Company's Board of Directors were no longer eligible to receive stock options. Prior to December 31, 2002, under the Board of Directors' plan, each non-employee director who

served as a member of the Board immediately following the annual meeting of shareholders was automatically granted an immediately exercisable stock option for the purchase of such number of shares of Common Stock equal to three times the annual retainer fee for directors divided by the fair market value of a share of Common Stock on the day of grant (rounded up to the nearest multiple of 100). Board of Director stock options have an exercise price equal to the fair market value of the underlying stock at the date of grant and expire ten years from the date of grant.

In addition, a non-employee Director may elect to receive 50% or 100% of the annual fee to be paid in each calendar year in the form of Common Stock based upon the fair market value of the Common Stock at the time of the annual meeting of shareholders. Directors must receive a minimum of one-half of their annual retainer in Company Common Stock until the Director reaches the Director stock ownership guidelines, defined below.

In August 2002, the Board approved "Director and Senior Executive Stock Ownership Guidelines" (Ownership Guidelines) which were revised in August 2004. The Ownership Guidelines stipulate that all directors hold 5,000 shares of the Company's Common Stock and senior executives hold from 5,000 to 30,000 shares of the Company's Common Stock depending on their level. The directors and senior executives have five years from January 2003 or the date they are elected a director or promoted to a senior executive to accumulate the appropriate number of shares of the Company's Common Stock.

Item 13. Certain Relationships and Related Transactions

The information included or to be included in the Proxy Statement under the caption "Certain Transactions" is incorporated by reference herein.

Item 14. Principal Accounting Fees and Services

The information included or to be included in the Proxy Statement under the caption "Fees Paid to Ernst & Young LLP" is incorporated by reference herein.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial statements- The financial statements listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedules are filed as part of this annual report and such Index to Consolidated Financial Statements and Financial Statement Schedules is incorporated herein by reference.

2. Financial statement schedules - The financial statement schedule listed in the accompanying Index to Consolidated Financial Statements and Financial Statement Schedules is filed as part of this annual report and such Index to Consolidated Financial Statements and Financial Statement Schedules is incorporated herein by reference.

3. Exhibits- The exhibits listed on the accompanying List of Exhibits are filed as part of this annual report and such List of Exhibits is incorporated herein by reference.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

AND FINANCIAL STATEMENT SCHEDULES

{Item 15(a) 1 and 2}

Consolidated statements of income for each of the three years in the period ended December 31, 2005
Consolidated balance sheets at December 31, 2005 and 2004
Consolidated statements of cash flows for each of the three years in the period ended December 31, 2005
Consolidated statements of shareholders' equity for each of the three years in the period ended December 31, 2005
Notes to consolidated financial statements
Consolidated financial statement schedules for each of the three years in the period ended December 31, 2005
II - Valuation and qualifying accounts

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

LIST OF EXHIBITS

{Items 15(a)(3) and 15(c)}

Exhibit No.	Description
3.1	Restated Articles of Incorporation
3.2	By-Laws as amended April 30, 2005
4.1	Form of Rights Agreement between the Registrant and Firstar Bank, N.A. dated February 17, 2000
4.2	Form of Rights Agent Agreement between the Registrant and Computershare Investor Services, LLC
4.3	Harley-Davidson Financial Services $1.1 Billion Five-Year Revolving Credit Facility (the Registrant has instruments that define the rights of holders of long-term debt that are not being filed with this Annual Report in reliance upon Item 601(b)(4)(iii) of Regulation S-K. The Registrant agrees to furnish to the Securities and Exchange Commission, upon request, copies of these instruments)
4.4	Indenture to provide for the issuance of indebtedness dated as of November 21, 2003 between Harley-Davidson Funding Corp., Issuer, Harley-Davidson Financial Services, Inc. and Harley-Davidson Credit Corp., Guarantors, to BNY Midwest Trust Company, Trustee
10.1*	Form of Employment Agreement between the Registrant and Mr. Bleustein
10.2*	Harley-Davidson, Inc 1995 Stock Option Plan as amended through February 15, 2006.
10.3*	Harley-Davidson, Inc. Director Stock Plan
10.4*	Form of Transition Agreement between the Registrant and Ms. Lione and Ms. Zarcone and each of Messrs. Bleustein, Brostowitz, Eberle, Hutchinson, McCaslin, Sutton and Ziemer
10.5*	Deferred Compensation Plan
10.6*	Form of Life Insurance Agreement between the Registrant and Ms. Lione and each of Messrs. Bleustein, Brostowitz, Hutchinson, McCaslin and Ziemer and Ms. Lione
10.7*	Harley-Davidson, Inc. Corporate Short Term Incentive Plan as amended April 24, 2004

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

Exhibit No.	Description
10.8*	Form of Severance Benefits Agreement between the Registrant and Ms Bischmann and Ms. Lione and each of Messrs. Bleustein, Brostowitz, Eberle, Flickinger, Hutchinson, McCaslin, Sutton and Ziemer
10.9*	Form of Supplemental Executive Retirement Plan Agreement between the Registrant and each of Mssrs. Bleustein, McCaslin and Ziemer
10.10*	Harley-Davidson Pension Benefit Restoration Plan
10.11*	Description of Post-Retirement Life Insurance Equivalent
10.12	Harley-Davidson, Inc. 1998 Non-Exempt Employee Stock Option Plan
10.13*	Employment Agreement between the Registrant and Ms. Zarcone
10.14	2001 York Hourly- Paid Employees Stock Option Plan
10.15*	Deferred Long-Term Incentive Plan approved May 4, 2002
10.16*	Director Compensation Policy effective May 3, 2003
10.17*	Deferred Compensation Plan for Nonemployee Directors initially effective May 1, 1995 amended and restated May 1, 2001 and amended May 3, 2003
10.18*	Split Dollar Agreement between HDFS and the Donna Josephine Frett Zarcone Irrevocable Trust dated March 30, 1999
10.19*	Amendment to Split Dollar Agreement between HDFS and the Donna Josephine Frett Zarcone Irrevocable Trust dated December 19, 2002
10.20*	Harley-Davidson, Inc. 2004 Incentive Stock Plan as amended on February 15, 2006
10.21*	Form of Notice of Grant of Stock Options and Option Agreement of Harley-Davidson, Inc. under the Harley-Davidson Inc. 1995 Stock Option Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan as amended February 14, 2006
10.22*	Form of Notice of Special Grant of Stock Options and Option Agreement of Harley-Davidson, Inc under the Harley-Davidson Inc. 1995 Stock Option Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan as amended February 14, 2006

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

Exhibit No. Description

10.23* Form of Notice of Award of Restricted Stock and Restricted Stock Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan as amended February 14, 2006

10.24* Form of Notice of Special Award of Restricted Stock and Restricted Stock Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan as amended February 14, 2006

10.25* Form of Notice of Grant of Stock Appreciation Rights and Stock Appreciation Rights Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan

10.26* Form of Notice of Award of Restricted Stock Unit and Restricted Stock Unit Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan

10.27* Harley-Davidson, Inc. Employee Short-Term Incentive Plan

21 List of Subsidiaries

23 Consent of Independent Registered Public Accounting Firm

31.1 Chief Executive Officer Certification pursuant to Rule 13a-14(a)

31.2 Chief Financial Officer Certification pursuant to Rule 13a-14(a)

32 Written Statement of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. (s)1350

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

Schedule II

HARLEY-DAVIDSON, INC.

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

Years ended December 31, 2005, 2004 and 2003

(In thousands)

Classification		Balance at Beginning of year	Additions charged to expense	Deductions(1)	Balance at end of year
Accounts receivable-Allowance for doubtful accounts:					
	2005	$ 10,295	$ (1,330)	$ (473)	$ 8,492
	2004	$ 9,368	2,462	(1,535)	10,295
	2003	4,259	6,485	(1,376)	9,368
Finance receivables-Allowance for doubtful accounts:					
	2005	$ 30,277	$ 3,263	$ (7,375)	$ 26,165
	2004	31,311	3,070	(4,104)	30,277
	2003	31,045	4,076	(3,810)	31,311
Inventories-Allowance for obsolescence(2):					
	2005	$ 14,451	$ 7,597	$ (5,379)	$ 16,669
	2004	$ 16,956	$ 8,410	$ (10,915)	$ 14,451
	2003	17,150	8,311	(8,505)	16,956

(1) Deductions represent amounts written off to the reserve, net of recoveries. Included in the Finance receivables recoveries are $1.8 million, $3.7 million and $1.3 million of recoveries in 2005, 2004 and 2003, respectively, received by HDFS from HDMC. These recoveries relate to certain guarantees provided by HDMC on wholesale loans to European Harley-Davidson dealers. At December 31, 2005, 2004 and 2003, HDMC has $0.3 million, $3.3 million and $3.5 million, respectively, included in the accounts receivable allowance for doubtful accounts related to outstanding guarantees.

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

SIGNATURES

Pursuant to the requirements of Section 13, or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 3, 2006.

HARLEY-DAVIDSON, INC.
By: /S/ James L. Ziemer
James L. Ziemer
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 3, 2006.

Name	Title
/S/ James L. Ziemer	President and Chief Executive Officer and Director
James L. Ziemer	(Principal executive officer)
/S/ James M. Brostowitz	Vice-President and Treasurer and Acting Chief Financial Officer
James M. Brostowitz	(Principal financial and accounting officer)
/S/ Barry K. Allen	Director
Barry K. Allen	
/S/ Richard I. Beattie	Director
Richard I. Beattie	
/S/ Jeffrey L. Bleustein	Chairman and Director
Jeffrey L. Bleustein	
/S/ George H. Conrades	Director
George H. Conrades	
/S/ Judson C. Green	Director
Judson C. Green	
/S/*Donald A. James	Director
Donald A. James	
/S/ Sara L. Levinson	Director
Sara L. Levinson	
/S/ George L. Miles	Director
George L. Miles, Jr.	
/S/ James A. Norling	Director
James A. Norling	

INDEX TO EXHIBITS

{Items 15(a)(3) and 15(c)}

Exhibit No Description

3.1 Restated Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Registrant's Annual Report on form 10-K for the year ended December 31, 1999 (File No. 1-9183))

3.2 By-Laws as amended April 30, 2005 (incorporated herein by reference to Exhibit 99.2 to the Registrant's Current Report on form 8-K filed May 5, 2005 (File No. 1-9183))

4.1 Form of Rights Agreement between the Registrant and Firstar Bank, N.A. dated February 17, 2000 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-A dated February 18, 2000 (File No. 1-9183))

4.2 Form of Rights Agent Agreement between the Registrant and Computershare Investor Services, LLC (incorporated herein by reference to Exhibit 4.2 to the Registrant's Annual Report on form 10-K for the year ended December 31, 2000 (File No. 1-9183))

4.3 Harley-Davidson Financial Services $1.1 Billion Five-Year Revolving Credit Facility (the Registrant has instruments that define the rights of holders of long-term debt that are not being filed with this Annual Report in reliance upon Item 601(b)(4)(iii) of Regulation S-K. The Registrant agrees to furnish to the Securities and Exchange Commission, upon request, copies of these instruments) (incorporated herein by reference to Exhibit 4.3 to the Registrant's Annual Report on form 10-K for the year ended December 31, 2004 (File No. 1-9183))

4.4 Indenture to provide for the issuance of indebtedness dated as of November 21, 2003 between Harley-Davidson Funding Corp., Issuer, Harley-Davidson Financial Services, Inc. and Harley-Davidson Credit Corp., Guarantors, to BNY Midwest Trust Company, Trustee

10.1* Form of Employment Agreement between the Registrant and Mr. Bleustein (incorporated by reference from Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (File No. 33-5871))

10.2* Harley-Davidson, Inc. 1995 Stock Option Plan as amended through February 15, 2006

10.3* Harley-Davidson, Inc. Director Stock Plan (incorporated by reference to Exhibit 10.1 to the Registrants' Quarterly Report on Form 10-Q for the quarter ended June 29, 2003 (File No. 1-9183))

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

Exhibit No.	Description
10.4*	Form of Transition Agreement between the Registrant and Ms. Lione and Ms. Zarcone and each of Messrs. Bleustein, Brostowitz, Eberle, Hutchinson, McCaslin, Sutton and Ziemer. (incorporated herein by reference to Exhibit 10.7 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-9183))
10.5*	Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.7 to the Registrant's Annual Report on form 10-K for the year ended December 31, 2000 (File No. 1-9183))
10.6*	Form of Life Insurance Agreement between the Registrant and Ms. Lione and each of Messrs. Bleustein, Brostowitz, Hutchinson, McCaslin and Ziemer and Ms. Lione (incorporated herein by reference from Exhibit 10.10 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 1-9183))
10.7*	Harley-Davidson, Inc. Corporate Short Term Incentive Plan as amended April 24, 2004 (incorporated herein by reference from Exhibit 10.2 to the Registrants' Quarterly Report on Form 10-Q for the period ended March 28, 2004 (File No. 1-9183))
10.8*	Form of Severance Benefits Agreement between the Registrant and Ms. Bischmann and Ms. Lione. and each of Messrs. Bleustein, Brostowitz, Eberle, Flickinger, Hutchinson, McCaslin, Sutton and Ziemer (incorporated herein by reference to Exhibit 10.12 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-9183))
10.9*	Form of Supplemental Executive Retirement Plan Agreement between the Registrant and each of Messrs. Bleustein, McCaslin and Ziemer (incorporated herein by reference from Exhibit 10.2 to the Registrants' Quarterly Report on Form 10-Q for the period ended March 31, 1996 (File No. 1-9183))
10.10*	Harley-Davidson Pension Benefit Restoration Plan (incorporated herein by reference from Exhibit 10.1 to the Registrants' Quarterly Report on Form 10-Q for the period ended March 31, 1996 (File No. 1-9183))
10.11*	Description of Post-Retirement Life Insurance Equivalent (incorporated herein by reference to Exhibit 10.15 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-9183))

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

Exhibit No.	Description
10.12	Harley-Davidson, Inc. 1998 Non-Exempt Employee Stock Option Plan (incorporated by reference to Exhibit 4.1 to the Registrants' Registration Statement on Form S-8 (File No. 333-75347))
10.13*	Employment Agreement between the Registrant and Ms. Zarcone (incorporated herein by reference to Exhibit 10.15 to the Registrants' Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 1-9183))
10.14	2001 York Hourly- Paid Employees Stock Option Plan (incorporated herein by reference to Exhibit 10.7 to the Registrant's Annual Report on form 10-K for the year ended December 31, 2000 (File No. 1-9183))
10.15*	Deferred Long-Term Incentive Plan approved May 4, 2002 (incorporated herein by reference from Exhibit 10.1 to the Registrants' Quarterly Report on Form 10-Q for the period ended June 30, 2002 (File No. 1-9183))
10.16*	Director Compensation Policy effective May 3, 2003 (incorporated herein by reference from Exhibit 10.18 to the Registrant's Annual Report on form 10-K for the year ended December 31, 2004 (File No. 1-9183))
10.17*	Deferred Compensation Plan for Nonemployee Directors initially effective May 1, 1995 amended and restated May 1, 2001 and amended May 3, 2003 (incorporated herein by reference from Exhibit 10.2 to the Registrants' Quarterly Report on Form 10-Q for the period ended June 29, 2003 (File No. 1-9183))
10.18*	Split Dollar Agreement between HDFS and the Donna Josephine Frett Zarcone Irrevocable Trust dated March 30, 1999 (incorporated herein by reference from Exhibit 10.4 to the Registrants' Quarterly Report on Form 10-Q for the period ended June 30, 2002 (File No. 1-9183))
10.19*	Amendment to Split Dollar Agreement between HDFS and the Donna Josephine Frett Zarcone Irrevocable Trust dated December 19, 2002 (incorporated herein by reference to Exhibit 10.22 to the Registrant's Annual Report on form 10-K for the year ended December 31, 2002 (File No. 1-9183))
10.20*	Harley-Davidson, Inc. 2004 Incentive Stock Plan as amended on February 15, 2006

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

Exhibit No.	Description
10.21*	Form of Notice of Grant of Stock Options and Option Agreement of Harley-Davidson, Inc. under the Harley-Davidson Inc. 1995 Stock Option Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan as amended on February 14, 2006
10.22*	Form of Notice of Special Grant of Stock Options and Option Agreement of Harley-Davidson, Inc under the Harley-Davidson Inc. 1995 Stock Option Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan as amended on February 14, 2006
10.23*	Form of Notice of Award of Restricted Stock and Restricted Stock Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan as amended on February 14, 2006
10.24*	Form of Notice of Special Award of Restricted Stock and Restricted Stock Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan as amended on February 14, 2006
10.25*	Form of Notice of Grant of Stock Appreciation Rights and Stock Appreciation Rights Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan
10.26*	Form of Notice of Award of Restricted Stock Unit and Restricted Stock Unit Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan
10.27*	Harley-Davidson, Inc. Employee Short-Term Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Registrant's form 10-Q filed May 2, 2005 (File No. 1-9183))
21	List of Subsidiaries
23	Consent of Independent Registered Public Accounting Firm
31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a)
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a)
32	Written Statement of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. (s)1350

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

Exhibit 4.4

HARLEY-DAVIDSON FUNDING CORP.,

Issuer,

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.

AND

HARLEY-DAVIDSON CREDIT CORP.,

Guarantors,

TO

BNY MIDWEST TRUST COMPANY,
Trustee

INDENTURE

Dated as of November 21, 2003

Reconciliation and Tie between
Trust Indenture Act of 1939 (the "Trust Indenture Act")
and Indenture

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(a)(2)	607
(b)	608
Section 312(a)	701
(b)	702
(c)	702
Section 313(a)	703
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(c)	703
(d)	703
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(a)(1)(B)	513
(b)	508
Section 317(a)(1)	503
(a)(2)	504
(b)	1003
Section 318(a)	108

Note: This reconciliation and tie shall not, for any purpose, be deemed to be part of this Indenture.

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THIS INDENTURE, dated as of November 21, 2003 (the "Indenture") among HARLEY-DAVIDSON FUNDING CORP., a corporation duly organized and existing under the laws of the State of Nevada (herein called the "Company"), having its principal office at 4150 Technology Way, Carson City, Nevada 89706, HARLEY-DAVIDSON FINANCIAL SERVICES, INC., a corporation duly organized and existing under the laws of the State of Delaware ("HDFS"), having its principal

office at 150 South Wacker Drive, Chicago, Illinois 60606, HARLEY-DAVIDSON CREDIT CORP., a corporation duly organized and existing under the laws of the State of Nevada ("HDCC"), having its principal office at 4150 Technology Way, Carson City, Nevada 89706 (HDFS and HDCC are each referred to as a "Guarantor" and, collectively, the "Guarantors"), and BNY MIDWEST TRUST COMPANY, an Illinois trust company, as Trustee (herein called the "Trustee"), the office of the trustee at which at the date hereof its corporate trust business is principally administered being 2 North LaSalle Street, Suite 1020, Chicago, Illinois 60602.

RECITALS

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its senior unsecured notes, bonds or other evidences of indebtedness (hereinafter called the "Securities"), unlimited as to principal amount, to be issued in one or more series and to have such other provisions as in this Indenture provided.

The Company has duly authorized the execution and delivery of this Indenture. All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

For value received, each Guarantor named herein has duly authorized the execution and delivery of this Indenture to provide for the Guarantees of the Securities provided for herein. All things necessary to make this Indenture a valid agreement of each such Guarantor, in accordance with its terms, have been done.

This Indenture is subject to the provisions of the Trust Indenture Act of 1939, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder that are required to be part of this Indenture and, to the extent applicable, shall be governed by such provisions.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders (hereinafter defined) thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS
OF GENERAL APPLICATION

SECTION 101.
Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP, and, except as otherwise herein expressly provided, the term "GAAP" with respect to any computation required or permitted hereunder shall mean such accounting

principles as are generally accepted in the United States of America at the date of such computation; and

(4) the words, "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in certain Articles hereof, are defined in those Articles.

"Accountant" means any Person engaged in the practice of accounting who (except when this Indenture provides that an Accountant must be Independent) may be employed by or affiliated with the Company or an Affiliate of the Company.

"Act", when used with respect to any holder of a Security, has the meaning specified in Section 104.

"Additional Amounts" means any additional amounts which are required hereby or by any Security, under circumstances specified herein or therein, to be paid by the Company in respect of certain taxes, duties, assessments or other governmental charges imposed on Holders specified therein and which are owing to such Holders.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control", when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting Securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Authenticating Agent" means the Trustee or any Person authorized by the Trustee pursuant to Section 613 to act on behalf of the Trustee to authenticate Securities of one or more series.

"Authorized Newspaper" means a newspaper, in the English language or in an official language of the country of publication, customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays, and of general circulation in each place in which publication is required under the terms hereof or under the terms of the Securities of a particular series or in the financial community of such place. Where successive publications are required to be made in Authorized Newspapers, the successive publications may be made in the same or in different Authorized Newspapers in the same city meeting the foregoing requirements and in each case on any day that is a Business Day in the place of publication.

"Bearer Security" means any Security in the form established pursuant to Section 201 which is payable to bearer including, without limitation, unless the context otherwise indicates, a Security in temporary or permanent global bearer form.

"Business Day", when used with respect to any Place of Payment or any other particular location referred to in this Indenture or in the Securities, means, unless otherwise specified with respect to any Securities pursuant to Section 301, any day other than a Saturday, Sunday or other day on which banking institutions in that Place of Payment, The City of New York, or other location are authorized or obligated by or pursuant to law or executive order to close.

"Capital Lease Obligation" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting

purposes in accordance with GAAP; and the amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation determined in accordance with GAAP; and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, including, without limitation, all common stock and preferred stock.

"Clearstream, Luxembourg" means Clearstream Banking, societe anonyme, Luxembourg, a corporation organized under the laws of the Grand Duchy of Luxembourg.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Company" means the Person named as the "Company" in the first paragraph of this Indenture until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

"Company Board of Directors" means either the board of directors of the Company or any duly authorized committee of that board of directors.

"Company Board Resolution" means a copy of one or more resolutions certified by the Secretary or an Assistant Secretary of the Company, to have been duly adopted by the Company Board of Directors and to be in full force and effect on the date of such certification and delivered to the Trustee.

"Company Officers' Certificate" means a certificate signed by (i) the Chairman of the Board, the President or a Vice President of the Company, and (ii) the Treasurer, an Assistant Treasurer, the Controller, an Assistant Controller, the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee.

"Company Order" or "Company Request" means a written order or request, as the case may be, signed in the name of the Company by its Chairman of the Board, its President, a Vice President, its Treasurer, an Assistant Treasurer, its Controller, an Assistant Controller, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Consolidated" refers to the consolidation of accounts in accordance with GAAP.

"Consolidated Net Tangible Assets" means the consolidated total assets of HDFS and its subsidiaries taken as one enterprise as reflected in the HDFS' most recent consolidated balance sheet preceding the date of determination prepared in accordance with GAAP consistently applied, less (a) all current liabilities, excluding current maturities of long-term debt and Capital Lease Obligations, and (b) all goodwill, tradenames, trademarks, patents, minority interests of others, unamortized debt discount and expense and other similar intangible assets, excluding any investments in permits or licenses.

"Conversion Event" means the cessation of use of (i) a Foreign Currency both by the government of the country or the confederation which issued such Foreign Currency and for the settlement of transactions by a central bank or other public institutions of or within the international banking community, (ii) the

Euro both within the EMU and for the settlement of transactions by public institutions of or within the EMU or (iii) any currency unit or composite currency other than the Euro for the purposes for which it was established.

"Corporate Trust Office" means the principal office of the Trustee in Chicago, Illinois, at which, at any particular time, its corporate trust business shall be principally administered, which office at the date hereof is that indicated in the introductory paragraph of this Indenture.

"Corporation" means a corporation, partnership, association, limited liability company, other company, business trust or statutory trust.

"Coupon" means any interest coupon appertaining to a Bearer Security.

"CUSIP number" means the alphanumeric designation assigned to a Security by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., CUSIP Service Bureau.

"Defaulted Interest" has the meaning specified in Section 307.

"Depository" means, with respect to any Security issuable or issued in the form of one or more global Securities, the Person designated as depository by the Company in or pursuant to this Indenture, and, unless otherwise provided with respect to any Security, any successor to such Person. If at any time there is more than one such Person, "Depository" shall mean, with respect to any Securities, the depository which has been appointed with respect to such Securities.

"Dollar" or "$" means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debts.

"EC Treaty" means the Treaty establishing the European Communities (signed in Rome on 25 March 1957), as amended by the Treaty on European Union, as amended (signed in Maastricht on 7 February 1992).

"EMU" means European Economic and Monetary Union.

"Euro" means the lawful currency of the member states of the European Union that adopt the single currency in accordance with the EC Treaty.

"Euroclear" means Morgan Guaranty Trust Company of New York, Brussels office, or its successor, as operator of the Euroclear System.

"Event of Default" has the meaning specified in Section 501.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Foreign Currency" means any currency, currency unit or composite currency issued by the government of one or more countries other than the United States of America or by any recognized confederation or association of such government.

"Government Obligations" means securities which are (i) direct obligations of the United States or the other government or governments in the confederation which issued the Foreign Currency in which the principal of or any premium or interest on such Security or any Additional Amounts in respect thereof shall be payable, in each case where the payment or payments thereunder are supported by the full faith and credit of such government or governments or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States or such other government or governments, in each case where the timely payment or payments thereunder are

unconditionally guaranteed as a full faith and credit obligation by the United States or such other government or governments, and which, in the case of (i) or (ii), are not callable or redeemable at the option of the issuer or issuers thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of or other amount with respect to any such Government Obligation held by such custodian for the account of the holder of a depository receipt, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest on or principal of or other amount with respect to the Government Obligation evidenced by such depository receipt.

"Guarantee" or "Guarantees" means the unconditional and irrevocable guarantee of the payment of the principal of or any premium or interest on, or any Additional Amounts with respect to, the Securities by each Guarantor, as more fully set forth in Article Fourteen.

"Guarantor" or "Guarantors" means each Person named as "Guarantor" in the first paragraph of this Indenture until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Guarantor" shall mean such successor Person.

"Guarantor's Board of Directors" means, with respect to any Guarantor, the board of directors of such Guarantor or any committee of that board duly authorized to act generally or in any particular respect for such Guarantor hereunder.

"Guarantor's Board Resolution" means, with respect to any Guarantor, a copy of one or more resolutions, certified by the Secretary or an Assistant Secretary of such Guarantor to have been duly adopted by such Guarantor's Board of Directors and to be in full force and effect on the date of such certification, is delivered to the Trustee.

"Guarantor's Officers' Certificate" means, with respect to any Guarantor, a certificate signed by the Chairman, the Chief Executive Officer, the President or a Vice President and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of such Guarantor, that complies with the requirements of Section 314(e) of the Trust Indenture Act and is delivered to the Trustee.

"Guarantor Request" and "Guarantor Order" mean, respectively, a written request or order signed in the name of a Guarantor by the Chairman, the Chief Executive Officer, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, any such Guarantor, and delivered to the Trustee.

"HDI" means Harley-Davidson, Inc., a corporation duly organized and existing under the laws of the State of Wisconsin, having its principal office at 3700 West Juneau Avenue, Milwaukee, Wisconsin 53208.

"Holder", in the case of a Registered Security, means the Person in whose name the Security is registered in the Security Register and, in the case of a Bearer Security, means the bearer thereof and, in the case of any Coupon, means the bearer thereof.

"Indebtedness" means, with respect to any Person, (without duplication) (a) any liability of such Person (1) for borrowed money, or under any reimbursement obligation relating to a letter of credit, or (2) evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation arising

in connection with the acquisition of any businesses, properties or assets of any kind) if and to the extent any of the foregoing would appear as a liability upon a balance sheet of such Person prepared in accordance with GAAP (other than a trade payable or a current liability arising in the ordinary course of business), or (3) for the payment of money relating to any Capital Lease Obligations; (b) any liability of others described in the preceding clause (a) that the Person has guaranteed or that is otherwise its legal liability; (c) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (a) and (b) above; and (d) in the case of any

Subsidiary, the aggregate preference in respect of amounts payable on the issued and outstanding shares of preferred stock of such Subsidiary in the event of any voluntary or involuntary liquidation, dissolution or winding up (excluding any such preference attributable to such shares of preferred stock that are owned by the Guarantors or any Subsidiary thereof).

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and by the terms and conditions of such Security and any Coupon appertaining thereto established pursuant to Section 301 (as such terms and provisions may be amended pursuant to the applicable provisions hereof); provided, however, that, if at any time more than one Person is acting as Trustee under this instrument, "Indenture" shall mean, with respect to any one or more series of Securities for which such Person is Trustee, this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of those particular series of Securities for which such Person is Trustee established pursuant to Section 301, exclusive, however, of any provisions or terms which relate solely to other series of Securities for which such Person is not Trustee, regardless of when such terms or provisions were adopted.

"Independent", when used with respect to any specified Person, means such a Person who is in fact independent of the Company and either Guarantor and any other obligor upon the Securities, does not have any direct financial interest or any material indirect financial interest in the Company, in any Guarantor or in any such other obligor or in an Affiliate of the Company and either Guarantor or such other obligor and is not connected with the Company, either Guarantor or any such other obligor as an officer, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions. Whenever it is herein provided that an opinion or certificate of any Independent Person shall be furnished to the Trustee, such Person shall be appointed by Company Order and approved by the Trustee in the exercise of reasonable care and such opinion or certificate shall state that the signer has read this definition and that the signer is Independent within the meaning thereof.

"interest", when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity.

"Interest Payment Date", when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

"Judgment Currency" has the meaning specified in Section 116.

"Lien" means any mortgage, pledge, lien, security interest, charge or other encumbrance or preferential arrangement (including any conditional sale or other title retention agreement or lease in the nature thereof other than a

title retention agreement in connection with the purchase of goods in the ordinary course of business which is outstanding for not more than 90 days).

"Maturity", with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as therein or herein provided,

whether at the Stated Maturity, by declaration of acceleration, upon any redemption or otherwise and includes the Redemption Date.

"New York Banking Day" has the meaning specified in Section 116.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for or an employee of the Company or a Guarantor or other counsel who shall be reasonably acceptable to the Trustee and, where applicable, the Company and the Guarantors and, that, if required by the Trust Indenture Act, complies with the requirements of Section 314(e) of the Trust Indenture Act.

"Original Issue Discount Security" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502.

"Outstanding", when used with respect to any Securities, means, as of the date of determination, all such Securities theretofore authenticated and delivered under this Indenture, except:

(i) any such Security theretofore cancelled by the Security Registrar or the Trustee or delivered to the Security Registrar or the Trustee for cancellation;

(ii) any such Security for whose payment at the Maturity thereof or redemption money in the necessary amount has been theretofore deposited pursuant hereto (other than pursuant to Section 403) with the Trustee or any Paying Agent (other than the Company or any Guarantor) in trust or set aside and segregated in trust by the Company or Guarantor (if the Company or any Guarantor shall act as Paying Agent) for the Holders of such Securities and any Coupons appertaining thereto; provided, that if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) any such Security with respect to which the Company has effected defeasance or covenant defeasance pursuant to Section 403, except to the extent provided in Section 403; and

(iv) any such Security which has been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Security in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Security is held by a bona fide purchaser in whose hands such Security is a valid obligation of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder are present at a meeting of Holders of Securities for quorum purposes, (a) the principal amount of an Original Issue Discount Security that may be counted in making such determination and that shall be deemed to be Outstanding for such purposes shall be the principal amount thereof that, pursuant to the terms of such Original Issue Discount Security, would be due and payable as of the date of such determination upon acceleration of the Maturity thereof

pursuant to Section 502, (b) the principal amount of a Security denominated in a Foreign Currency shall be the U.S. dollar equivalent, determined on the date of original issuance of such Security by the Company in good faith, of the principal amount (or, in the case of an Original Issue Discount Security, the U.S. dollar equivalent, determined on the date of original issuance of such Security, of the amount determined as provided in (a) above), of such Security, and (c) Securities owned by the Company, any Guarantor or any other obligor upon the Securities or any Affiliate of the Company, any Guarantor or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver or upon any such determination as to the presence of a quorum, only Securities which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company, any Guarantor or any other obligor upon the Securities or any Affiliate of the Company, any Guarantor or such other obligor.

"Paying Agent" means any Person, including the Company, authorized by the Company to pay the principal of, premium, if any, or interest on, or any Additional Amounts with respect to, any Security on behalf of the Company.

"Person" means any individual, corporation, partnership, association, joint venture, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment", when used with respect to the Securities of any series, means the Corporate Trust Office of the Trustee or such place or places specified in a supplemental indenture where, subject to the provisions of Section 1002, the principal of, premium, if any, interest on or any Additional Amounts with respect to the Securities of that series are payable as provided in or pursuant to this Indenture or such Securities.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same indebtedness as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 306 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security or a Security to which a mutilated, destroyed, lost or stolen Coupon appertains shall be deemed to evidence the same indebtedness as the mutilated, destroyed, lost or stolen Security or the Security to which the mutilated, destroyed, lost or stolen Coupon appertains, as the case may be.

"Property" means any asset, revenue or any other property, whether tangible or intangible, real or personal, including, without limitation, any right to receive income.

"Redemption Date", when used with respect to any Security or portion thereof to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture or such Security.

"Redemption Price", when used with respect to any Security or portion thereof to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture or such Security.

"Registered Security" means any Security established pursuant to Section 201

which is registered in the Security Register.

"Regular Record Date" for the interest payable on any Registered Security on any Interest Payment Date therefor means the date, if any, specified in or pursuant to this Indenture or such Security as the record date for the payment of such interest.

"Required Currency" has the meaning specified in Section 116.

"Responsible Officer", when used with respect to the Trustee, means any officer within the corporate trust department (or any successor group of the Trustee), including any vice president, any assistant vice president, any assistant secretary, any trust officer or assistant trust officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Security" or "Securities" has the meaning stated in the first recital of this Indenture and more particularly means any note or notes, bond or bonds or any other evidences of indebtedness, as the case may be, authenticated and delivered from time to time under this Indenture; provided, however, that, if at any time there is more than one Person acting as Trustee under this Indenture, "Securities", with respect to any such Person, shall mean Securities authenticated and delivered under this Indenture, exclusive, however, of Securities of any series as to which such Person is not Trustee.

"Securities Act" means the Securities Act of 1933, as amended.

"Security Register" has the meaning specified in Section 305.

"Security Registrar" means the Person appointed by the Company to register Registered Securities and transfers of Registered Securities as provided in Section 305.

"Special Record Date" for the payment of any Defaulted Interest on the Registered Securities of any series means the date determined pursuant to Section 307.

"Stated Maturity", when used with respect to any Security or any installment of principal thereof or interest thereon or any Additional Amounts with respect thereto, means the date established by or pursuant to this Indenture or specified in such Security or a Coupon representing such installment of interest as the fixed date on which the principal of such Security or such installment of principal or interest is, or such Additional Amounts with respect thereto are, due and payable.

"Subsidiary" means (i) any Corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or

indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

"Support Agreement" means the agreement dated September 26, 1996 (and all amendments and supplements thereto), by and between HDFS and HDI, whereby, under certain circumstances, HDI agrees to provide HDFS certain financial

support.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor Trustee shall have become such with respect to one or more series of Securities pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder; provided, however, that if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean the Trustee with respect to Securities of that series.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended, and any reference herein to the Trust Indenture Act or a particular provision thereof shall mean such Act or provision, as the case may be, as amended or replaced from time to time or as supplemented from time to time by rule or regulations adopted by the Commission under or in furtherance of the purposes of such Act or provision, as the case may be.

"United States" means the United States of America (including the states thereof and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"United States Alien" means any Person who, for United States Federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States Federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

"U.S. Depositary" means, with respect to any Security issuable or issued in the form of one or more global Securities, the Person designated as U.S. Depositary by the Company pursuant to Section 301, which must be a clearing agency registered under the Exchange Act, and, if so provided pursuant to Section 301 with respect to any Security, any successor to such Person. If at any time there is more than one such Person, "U.S. Depositary" shall mean, with respect to any Securities, the qualifying entity which has been appointed with respect to such Securities.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

SECTION 102.
Compliance Certificates and Opinions.

Except as otherwise expressly provided in or pursuant to this Indenture, upon any application or request by the Company or any Guarantors (i) to the Trustee to take any action under any provision of this Indenture or (ii) to any Authenticating Agent to authenticate Securities of any series upon original issuance, the Company or such Guarantor, as the case may be, shall furnish to the Trustee or such Authenticating Agent (with a copy to the Trustee) a Company Officers' Certificate or a Guarantor's Officers' Certificate, as the case may be, stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, and, in the case of conditions

precedent compliance with which is subject to verification by Accountants, engineers, appraisers or other experts, a certificate or opinion of an Accountant, engineer, appraiser or other expert (which Accountant, engineer, appraiser or other expert shall be Independent if required by the Trust Indenture Act), except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance by the Company or any Guarantor with a condition or covenant provided for in or pursuant to this Indenture shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such covenant or condition has been complied with.

SECTION 103.
Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company or any Guarantor may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless such officer knows, or in the exercise of reasonable care should know, that the opinion with respect to the matters upon which his certificate or opinion is based are erroneous. Any such Opinion of Counsel may be

based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company or any Guarantor stating that the information with respect to such factual matters is in the possession of the Company or such Guarantor, as the case may be, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous. Any Opinion of Counsel may be based on the written opinion of other counsel, in which event such Opinion of Counsel shall be accompanied by a copy of such other counsel's opinion and shall include a statement to the effect that such counsel believes that such counsel and the Trustee may reasonably rely upon the opinion of such other counsel.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one

instrument.

SECTION 104.
Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by or pursuant to this Indenture to be made, given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing. If Securities of a series are issuable as Bearer Securities, any request, demand, authorization, direction, notice, consent, waiver or other action provided in or pursuant to this Indenture to be made, given or taken by Holders of such series may, alternatively, be embodied in and evidenced by the record of Holders of Securities of such series voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders of Securities of such series duly called and held in accordance with the provisions of Article Thirteen, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Company and the Guarantors. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments and so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Indenture and (subject to Section 315 of the Trust Indenture Act) conclusive in favor of the Trustee or the Company and the Guarantors and any agent of the Trustee or the Company and the Guarantors, if made in the manner provided in this Section. The record of any meeting of Holders of Securities shall be proved in the manner provided in Section 1306.

Without limiting the generality of this Section 104, unless otherwise provided in or pursuant to this Indenture, a Holder, including a Depository that is a Holder of a global Security, may make, give or take, by a proxy, or proxies, duly appointed in writing, any request, demand, authorization, direction, notice, consent, waiver or other action provided in or pursuant to this Indenture to be made, given or taken by Holders, and a Depository that is a Holder of a global Security may provide its proxy or proxies to the beneficial owners of interests in any such global Security through such Depository's standing instructions and customary practices.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any reasonable manner which the Trustee deems sufficient and in accordance with such reasonable rules as the Trustee may determine; and the Trustee may in any instance require further proof with respect to any of the matters referred to in this Section.

(c) The ownership, principal amount and serial numbers of Registered Securities held by any Person, and the date of commencement and the date of termination of holding the same, shall be proved by the Security Register.

(d) The ownership, principal amount and serial numbers of Bearer Securities held by any Person, and the date of holding the same, may be proved by the production of such Bearer Securities or by a certificate executed, as depositary, by any trust company, bank, banker or other depositary reasonably acceptable to the Company and the Guarantors, wherever situated, if such certificate shall be deemed by the Company, the Guarantors and the Trustee to be satisfactory, showing that at the date therein

mentioned such Person had on deposit with such depositary, or exhibited to it, the Bearer Securities therein described; or such facts may be proved by the certificate or affidavit of the Person holding such Bearer Securities, if such certificate or affidavit is deemed by the Company, the Guarantors and the Trustee to be satisfactory. The Trustee, the Guarantors and the Company may assume that such ownership of any Bearer Security continues until (1) another certificate or affidavit bearing a later date issued in respect of the same Bearer Security is produced, or (2) such Bearer Security is produced to the Trustee by some other Person, or (3) such Bearer Security is surrendered in exchange for a Registered Security, or (4) such Bearer Security is no longer Outstanding. The ownership, principal amount and serial numbers of Bearer Securities held by any Person, and the date of holding the same, may also be proved in any other manner which the Company and the Trustee deem sufficient.

(e) If the Company or any Guarantor shall solicit from the Holders of any Registered Securities any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company or such Guarantor, as the case may be, may at its option (but is not obligated to), by Company Board Resolution or Guarantor's Board Resolution, as the case may be, fix in advance a record date, which shall be not more than 60 days prior to the first solicitation of such Holders, for the determination of Holders of Registered Securities entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of Registered Securities of record at the close of business on such record date shall be deemed to be Holders for the purpose of determining whether Holders of the requisite proportion of Outstanding Securities have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Outstanding Securities shall be computed as of such record date; provided that no such authorization, agreement or consent by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

(f) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee, any Security Registrar, any Paying Agent, any Guarantor or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

SECTION 105.
Notices, Etc., to Trustee and Company and Guarantors.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder, any Guarantor or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing (which may include a facsimile transmission) to or with the Trustee at its Corporate Trust Office, or

(2) the Company or any Guarantor by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, or delivered by facsimile transmission to the

Company or such Guarantor, as the case may be, addressed to it to the attention of its Treasurer at the address of its principal office specified in the first paragraph of this Indenture, or at any other address previously furnished in writing to the Trustee by the Company or the Guarantor, as the case may be.

SECTION 106.
Notice to Holders of Securities; Waiver.

Except as otherwise expressly provided in or pursuant to this Indenture, where this Indenture provides for notice to Holders of Securities of any event,

(1) such notice shall be sufficiently given to Holders of Registered Securities if in writing and mailed, first-class postage prepaid, to each Holder of a Registered Security affected by such event, at the address of such Holder as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice; and

(2) such notice shall be sufficiently given to Holders of Bearer Securities if published on a Business Day in an Authorized Newspaper in The City of New York and in such other city or cities as may be specified in such Securities, at least twice, each such publication to be not earlier than the earliest date, and not later than the latest date, prescribed for the giving of such notice.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders of Registered Securities by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. In any case where notice to Holders of

Registered Securities is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder of a Registered Security, shall affect the sufficiency of such notice with respect to other Holders of Registered Securities or the sufficiency of any notice to Holders of Bearer Securities given as provided herein. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given or provided.

In case by reason of the suspension of publication of any Authorized Newspaper or Authorized Newspapers or by reason of any other cause it shall be impracticable to publish any notice to Holders of Bearer Securities as provided above, then such notification to Holders of Bearer Securities as shall be given with the approval of the Trustee shall constitute sufficient notice to such Holders for every purpose hereunder. Neither the failure to give notice by publication to Holders of Bearer Securities as provided above, nor any defect in any notice so published, shall affect the sufficiency of any notice mailed to holders of Registered Securities given as provided herein.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders of Securities shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 107.
Language of Notice, Etc.

Any request, demand, authorization, direction, notice, consent or waiver required or permitted under this Indenture shall be in the English language,

except that, if the Company or the Guarantors, as the case may be, so elect, any published notice may be in an official language of the country of publication.

SECTION 108.
Trust Indenture Act.

The parties hereto agree that this Indenture shall be subject to the provisions of the Trust Indenture Act that are required to be part of an Indenture to be qualified under the Trust Indenture Act, and that all provisions which the Trust Indenture Act provides as automatically deemed to be included in an indenture to be qualified thereunder shall be included herein. In the event of any conflict between the provisions hereof and any required provision of the Trust Indenture Act, such required provision of the Trust Indenture Act shall control.

SECTION 109.
Effect of Headings And Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 110.
Successors and Assigns.

All covenants and agreements in this Indenture by the Company and the Guarantors shall bind their respective successors and assigns, whether so expressed or not.

SECTION 111.
Separability Clause.

In case any provision in this Indenture, any Securities or any Coupon shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 112.
Benefits of Indenture.

Nothing in this Indenture, any Securities or any Coupon, express or implied, shall give to any Person, other than the parties hereto, their successors hereunder and the Holders of Securities or Coupons, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 113.
Governing Law.

Pursuant to New York General Obligations Law 5-1401, this Indenture and the Securities and Coupons shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made or instruments entered into and, in each case, performed in such state.

SECTION 114.
Legal Holidays.

Except as specified pursuant to Section 301, in any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day at any Place of Payment, or where any date on which notice is required to be mailed or published shall not be a Business Day at the Corporate Trust Office, then (notwithstanding any other provision of this Indenture or of the Securities or Coupons other than a provision in the Securities of any

series which specifically states that such provision shall apply in lieu of this Section) payment of interest or principal, or premium, if any, or mailing or publication of such notice need not be made at such Place of Payment or at such Corporate Trust Office on such date, but such payment may be made, mailed or published on the next succeeding Business Day at such Place of Payment or at such Corporate Trust Office with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, or other required date for the mailing or publication of such notice, as the case may be, and in the case of payment to be made on any such Security, no interest shall accrue or be payable as a result of the making of such payment after any such nominal date, provided such payment is made in full on such next succeeding Business Day.

SECTION 115.
Corporate Obligation.

No recourse may be taken, directly or indirectly, against any incorporator, subscriber to the capital stock, stockholder, officer, director or employee of the Company, any Guarantor or the Trustee or of any predecessor or successor of the Company, any Guarantor or the Trustee with respect to, under or upon any obligation, covenant or agreement contained in this Indenture, in any Security, or because of indebtedness evidenced thereby.

SECTION 116.
Judgment Currency

Each of the Company and the Guarantors agrees, to the fullest extent that it may effectively do so under applicable law, that (a) if for the purpose of obtaining judgment in any court it is necessary to convert the sum due in respect of the principal of, or premium or interest, if any, or Additional Amounts on the Securities of any series (the "Required Currency") into a currency in which a judgment will be rendered (the "Judgment Currency"), the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in The City of New York the Required Currency with the Judgment Currency on the New York Banking Day preceding that on which a final unappealable judgment is given and (b) its obligations under this Indenture to make payments in the Required Currency (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment (whether or not entered in accordance with clause (a)), in any currency other than the Required Currency, except to the extent that such tender or recovery shall result in the actual receipt, by the payee, of the full amount of the Required Currency expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in the Required Currency the amount, if any, by which such actual receipt shall fall short of the full amount of the Required Currency so expressed to be payable and (iii) shall not be affected by judgment being obtained for any other sum due under this Indenture. For purposes of the foregoing, "New York Banking Day" means any day except a Saturday, Sunday or a legal holiday in The City of New York or a day on which banking institutions in The City of New York are authorized or obligated by law, regulation or executive order to be closed. The provisions of this Section 116 shall not be applicable with respect to any payment due on a Security which is payable in Dollars.

SECTION 117.
Counterparts

This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 118.
Waiver of Jury Trial.

EACH OF THE COMPANY, THE GUARANTORS AND THE TRUSTEE HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THE INDENTURE, THE SECURITIES OR THE TRANSACTION CONTEMPLATED HEREBY.

SECTION 119.
Force Majeure.

In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or act of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are

consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

ARTICLE TWO

SECURITIES FORMS

SECTION 201.
Forms Generally.

The Registered Securities, if any, of each series and the Bearer Securities, if any, of each series and related Coupons shall be in such form (including temporary or permanent global form as attached hereto as Exhibit A-1 and Exhibit A-2) as set forth in a Company Officer's Certificate, the officers executing such Company Officer's Certificate to be duly authorized pursuant to a Company Board Resolution, or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by or pursuant to this Indenture or any indenture supplemental hereto, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with any applicable law, rule regulation or with the rules of any securities exchange or as may, consistently herewith, be determined by the officers of the Company executing such Securities or Coupons, as evidenced by their execution of the Securities or Coupons.

Unless otherwise provided in or pursuant to this Indenture or any Securities, the Securities shall be issuable in registered form without Coupons. Unless otherwise specified as contemplated by Section 301, Bearer Securities other than Bearer Securities in global form shall have interest Coupons attached.

The definitive Securities and Coupons, if any, shall be printed, typewritten, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities or Coupons.

If Article Fourteen is to be applicable to Securities of any series, established as contemplated by Section 301, then Securities of each such series shall bear Guarantees in substantially the form set forth in Section 1401. For any other series of Securities, the Guarantees shall be endorsed on the Securities and shall be substantially in the form set forth in a Guarantor's Officers' Certificate of each Guarantor, the officers executing such

Guarantor's Officers' Certificate to be duly authorized pursuant to Guarantors' Board Resolutions, or one or more indentures supplemental hereto. If the form of the Guarantees to be endorsed on the Securities of any series is established by action taken pursuant to the Guarantors' Board Resolutions, a copy of such Guarantors' Board Resolutions certified by the Secretary or Assistant Secretary of each of the Guarantors shall be delivered to the Trustee at or prior to the delivery by the Company of the written order contemplated by Section 303 hereof for the authentication and delivery of such Securities. Notwithstanding the foregoing, the Guarantees to be endorsed on the Securities of any series may have such appropriate insertions, omissions, substitutions and other corrections from the forms thereof referred to above as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification

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and such legends or endorsements placed thereon as may be required to comply with any applicable law, rule or regulation or with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing the same, in each case as evidenced by such execution.

SECTION 202.
Form of Trustee's Certificate of Authentication.

The Trustee's certificate of authentication shall be in substantially the following form:

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

BNY MIDWEST TRUST COMPANY,
as Trustee
By
Authorized Signatory

SECTION 203.
Securities in Global Form.

Unless otherwise provided in or pursuant to this Indenture or any Securities, the Securities shall be issuable in temporary or permanent global form. If Securities of a series are issuable in global form, then any such Security may provide that it or any number of such Securities shall represent such of the Outstanding Securities of such series from time to time endorsed thereon and that the aggregate amount of Outstanding Securities of such series (or such lesser amount as is permitted by the terms thereof) represented thereby may from time to time be increased or reduced to reflect exchanges. Any endorsement of a Security in global form to reflect the amount, or any increase or decrease in the amount, of outstanding Securities represented thereby shall be made by the Security Registrar in such manner and upon instructions given by such Person or Persons as shall be specified in such Security or in a Company Order delivered to the Security Registrar with such Security. Subject to the provisions of Section 303 and, if applicable, Section 304, the Trustee or an Authenticating Agent shall deliver and redeliver, in each case at the Company's expense, any Security in permanent global form in the manner and upon instructions given by the Person or Persons specified in such Security or in a Company Order delivered pursuant to Section 303 or Section 304, as applicable. If a Company Order pursuant to Section 303 or Section 304 has been, or simultaneously is, delivered, any instructions by the Company with respect to endorsement or delivery or redelivery of a Security in global form shall be in

writing but need not comply with Section 102 and need not be accompanied by an Opinion of Counsel. Notwithstanding the foregoing provisions of this paragraph, in the event a global Security is exchangeable for definitive Securities as provided in Section 305, then, unless otherwise provided in or pursuant to this Indenture with respect to the Securities of such series, the Trustee or an Authenticating Agent shall deliver and redeliver such global Security to the extent necessary to effect such exchanges, shall endorse such global Security to reflect any decrease in the principal amount thereto resulting from such exchanges and shall take such other actions, all as contemplated by Section 305.

The provisions of the last sentence of Section 303 shall apply to any Security in global form if such Security was never issued and sold by the Company and the Company delivers to the Security Registrar the Security in global form together with written instructions (which need not comply with Section 102 and need not be accompanied by an Opinion of Counsel) (a copy of which instructions shall be delivered to the Trustee) with regard to the reduction in the principal amount of Securities represented thereby, together with the written statement contemplated by the last sentence of Section 303.

Notwithstanding the provisions of Section 307, unless otherwise specified as contemplated by Section 301, payment of principal of, premium, if any, and interest on and Additional Amounts in respect of any Security in permanent global form shall be made to the Holder thereof.

Notwithstanding the provisions of Section 308 and except as provided in the preceding paragraph, the Company, the Guarantors, the Trustee and any agent of the Company, the Guarantors or of the Trustee shall treat a Person as the Holder of such principal amount of Outstanding Securities represented by a global Security (i) in the case of a permanent global Security in registered form, the Holder of such permanent global Security in registered form, or (ii) in the case of a permanent global Security in Bearer form, the Person or Persons specified pursuant to Section 301.

ARTICLE THREE

THE SECURITIES

SECTION 301.
Amount Unlimited: Issuable in Series.

(a) The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. With respect to Securities to be authenticated and delivered hereunder, there shall be established in or pursuant to one or more Company Board Resolutions, and set forth in a Company Officers' Certificate, or established in one or more indentures supplemental hereto:

(1) the title of the Securities of the series in which such Securities shall be included;

(2) any limit upon the aggregate principal amount of the Securities of the series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of the series pursuant to Section 304, 305, 306, 906 or 1107 and except for any Securities which, pursuant to Section 303, are deemed never to have been authenticated and delivered hereunder), and if such series may be

reopened from time to time for the issuance of additional Securities of such series or to establish additional terms of such series;

(3) whether Securities of the series are to be issuable as Registered Securities, Bearer Securities or both, whether Securities of the series are to be issuable with or without Coupons or both, and any restrictions applicable to the offer, sale or delivery of the Bearer Securities and the terms, if any, upon which Bearer Securities may be exchanged for Registered Securities;

(4) if any of such Securities are to be issuable in global form, when any of such Securities are to be issuable in global form and (i) whether such Securities are to be issued in temporary or permanent global form or both, (ii) whether beneficial owners of interests in any such global Security may exchange such interests for Securities of the same series and of like tenor and of any authorized form and denomination, and the circumstances under which any such exchanges may occur, if other than in the manner specified in Section 305, (iii) the name of the Depository with respect to any such global Security and (iv) if applicable and in addition to the Persons specified in Section 305, the Person or Persons who shall be entitled to make any endorsements on any such global Security and to give the instructions and take the other actions with respect to such global Security contemplated by the first paragraph of Section 203;

(5) if any of such Securities are to be issuable as Bearer Securities, the date as of which any such Bearer Security shall be dated (if other than the date of original issuance of the first of such Securities to be issued);

(6) if any of such Securities are to be issuable as Bearer Securities, whether interest in respect of any portion of a temporary Bearer Security in global form payable in respect of an Interest Payment Date therefor prior to the exchange, if any, of such temporary Bearer Security for definitive Securities shall be paid to any clearing organization with respect to the portion of such temporary Bearer Security held for its account and, in such event, the terms and conditions (including any certification requirements) upon which any such interest payment received by a clearing organization will be credited to the Persons entitled to interest payable on such Interest Payment Date;

(7) (i) the Person to whom any interest on any Registered Security of the series shall be payable, if other than the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, (ii) the manner in which, or the Person to whom, any interest on any Bearer Security of the series shall be payable, if otherwise than upon presentation and surrender of the Coupons appertaining thereto as they severally mature, and (iii) the extent to which, or the manner in which, any interest payable on a temporary global Security on an Interest Payment Date will be paid if other than in the manner provided in Section 304;

(8) the date or dates, or the method or methods, if any, by which such date or dates shall be determined on which the principal, and premium, if any, of the Securities of the series is payable;

(9) the rate or rates at which the Securities of the series shall bear interest, if any, or the method or methods, if any, pursuant to which such rate or rates shall be

determined, the date or dates from which any such interest shall accrue or the method or methods, if any, by which such date or dates are to be determined, the Interest Payment Dates on which any such interest shall be payable, the Regular Record Date, if any, for any interest payable on any Registered Securities on any Interest Payment Date, whether and under what circumstances Additional Amounts on such Securities or any of them shall be payable, and the basis upon which interest shall be calculated, if other than that of a 360-day year of twelve 30-day months;

(10) the place or places where, subject to the provisions of Section 1002, the principal of, premium, if any, and interest (including Additional Amounts, if any) on Securities of the series shall be payable, any Registered Securities of the series may be surrendered for registration of transfer, Securities of the series may be surrendered for exchange, notices and demands to or upon the Company in respect of the Securities of the series and this Indenture may be served and where notice to Holders pursuant to Section 106 will be published;

(11) whether the Securities of a series or any of them are to be redeemable at the option of the Company and, if so, the date or dates on which, the period or periods within which, the price or prices at which and the terms and conditions upon which Securities of the series may be redeemed, in whole or in part, at the option of the Company;

(12) whether the Company is obligated to redeem or purchase Securities of the series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof and the date or dates on which, the period or periods within which, the price or prices at which and the terms and conditions upon which Securities of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation and any provision for the remarketing of the Securities of the series so redeemed or purchased;

(13) the denominations in which any Registered Securities of the series shall be issuable, if other than the denominations provided in Section 302, and the denomination or denominations in which any Bearer Securities of the series shall be issuable, if other than the denominations provided in Section 302;

(14) if other than the principal amount thereof, the portion of the principal amount of the Securities of the series or any of them which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 502 or the method by which such portion is to be determined;

(15) if other than such coin or currency of the United States is at the time of payment legal tender for payment of public or private debts, the coin or currency, composite currencies or currency unit or units in which payment of the principal of, premium, if any, or interest, if any, on or any Additional Amounts in respect of the Securities of the series or any of them shall be payable;

(16) if the principal of, premium, if any or interest on or any Additional Amounts with respect to the Securities of the series are to be payable, at the election of

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the Company or a Holder thereof, in a coin or currency, composite currencies or currency unit or units other than that in which the Securities are stated to be payable, the currency in which payment of the principal of, premium, if any, and interest on and any Additional Amounts with respect to the Securities of such series as to which such election is made shall be payable, and the periods within which and the terms and conditions upon which such election is to be made;

(17) whether the amount of payments of principal of, premium, if any, or interest (including Additional Amounts, if any) on the Securities of the series may be determined with reference to an index, formula or other method (which index, formula or method may be based, without limitation, on one or more currencies, currency units, composite currencies, commodities, equity indices or other indices), and, if so, the terms and conditions upon which and the manner in which such amounts shall be determined and paid or payable;

(18) any deletions from, modifications of or additions to the Events of Default or covenants of the Company or the Guarantors with respect to the Securities of the series or any of them, whether or not such Events of Default or covenants are consistent with the Events of Default or covenants set forth herein;

(19) if the Securities of the series are to be issuable in definitive form (whether upon original issue or upon exchange of a temporary Security of such series) only upon receipt of certain certificates or other documents or satisfaction of other conditions, then the form and terms of such certificates, documents or conditions;

(20) with respect to any Securities that may be issued in a private offering, the restrictions on transfer and legends relating to such Securities of the series and whether Securities of the series are entitled to registration or exchange rights;

(21) if there is more than one Trustee, the identity of the Trustee and, if not the Trustee, the identity of each Security Registrar, Paying Agent and/or Authenticating Agent with respect to the Securities of the series;

(22) whether any of the Securities of a series shall be issued as Original Issue Discount Securities;

(23) whether a credit facility or other form of credit support will apply to Securities of such series, which may be different from any credit facility for any other series;

(24) whether Section 403 relating to defeasance shall not be applicable to the Securities of such series, or any covenants in addition to those specified in Section 403 relating to the Securities of such series which shall be subject to covenant of defeasance, and any deletions from, or modifications or additions to, the provisions of Article Four in respect of the Securities of such series;

(25) whether any of such Securities are to be issuable upon the exercise of warrants, and the time, manner and place for such Securities to be authenticated and delivered; and

(26) any other terms of the Securities of the series or any of them (which terms shall not be inconsistent with the provisions of this Indenture).

All Securities of any one series, and the Coupons appertaining to any Bearer Securities of such series, shall be substantially identical except as to denomination and the rate or rates of interest, if any, and Stated Maturity, the date from which interest, if any, shall accrue and except as may otherwise be provided by the Company in or pursuant to one or more Company Board Resolutions and set forth in such Company Officers' Certificate or in any indenture or indentures supplemental hereto pertaining to such series of Securities. The terms of the Securities of any series may provide, without

limitation, that the Securities shall be authenticated and delivered by the Trustee or an Authenticating Agent on original issue from time to time upon written order of persons designated in the Company Officers' Certificate or supplemental indenture and that such persons are authorized to determine, consistent with such Company Officers' Certificate or any applicable supplemental indenture, such terms and conditions of the Securities of such series as are specified in such Company Officers' Certificate or supplemental indenture. All Securities of any one series need not be issued at the same time and, unless otherwise so provided by the Company, a series may be reopened for issuances of additional Securities of such series or to establish additional terms of such series of Securities.

If any of the terms of the series are established by action taken pursuant to a Company Board Resolution, a copy of an appropriate record of such action (including but not limited to such Company Board Resolution) shall be certified by the Secretary or an Assistant Secretary of the Company or certified by Company Order and delivered to the Trustee at or prior to the delivery of the Company Officers' Certificate or Company Order setting forth the terms of the series.

The Trustee shall be entitled to receive the following only at or before the issuance of the first Security of each series issued under this Indenture:

(b) Opinion(s) of Counsel. Opinion(s) of Counsel (such counsel being entitled to rely upon certificates, opinions or representations as to matters of fact to the extent permitted by Section 103 and, as to matters involving the laws of any state other than the state in which such counsel is admitted to practice, upon an Opinion of Counsel who shall be satisfactory to the Trustee) complying with the requirement of Section 102, if applicable, containing such qualifications and assumptions as may be appropriate in the circumstances, and addressed to the Trustee substantially to the effect that:

(i) the Indenture and, if applicable, any supplemental indenture that is permitted by Sections 201 and 301 and which relates to the series of Securities to which such opinion relates, have been duly authorized, executed and delivered by the Company, and each of the Guarantors and constitute the legal, valid and binding obligations of the Company and each of the Guarantors, enforceable (except for Section 111 of the Indenture as to which no opinion need be

expressed) in accordance with their terms (assuming the due authorization, execution and delivery thereof by the Trustee), except as such enforceability is subject to the effect of any applicable bankruptcy, insolvency, reorganization or other law relating to or affecting creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(ii) the series of Securities to which such opinion relates, together with any Coupons appertaining thereto, have been duly and validly authorized by all necessary corporate action on the part of the Company, and any such Security, when the terms thereof have been established in accordance with the terms of the Indenture and when such Security has been executed and authenticated in accordance with the terms of the Indenture (assuming the due authentication, execution and delivery thereof by the Trustee or any Authenticating Agent, which fact counsel need not verify by an inspection of such Securities) and delivered and paid for in accordance with the terms of any underwriting agreement, agency agreement or other agreement providing for the sale thereof, will constitute (assuming no change in the facts or in the law and governmental rules and regulations, in either case in existence on the date such Opinion of Counsel is rendered) the legal, valid and

binding obligation of the Company, enforceable in accordance with its terms, except as such enforceability is subject to the effect of any applicable bankruptcy, insolvency, reorganization or other law relating to or affecting creditors' rights generally and general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(iii) the Guarantees of the Securities to which such opinion relates, have been duly and validly authorized by all necessary corporate action on the part of the Guarantors, and any such Guarantee, when the terms thereof have been established in accordance with the terms of the Security and the Indenture and when such Guarantee has been executed and authenticated in accordance with the terms of the Indenture (assuming the due authentication, execution and delivery of the certificate of authentication of such Security by or on behalf of the Trustee or any Authenticating Agent, which fact counsel need not verify by an inspection of such Securities) and delivered and paid for in accordance with the terms of any underwriting agreement, agency agreement or other agreement providing for the issuance thereof, will constitute (assuming no change in the facts or in the law and governmental rules and regulations, in either case in existence on the date such Opinion of Counsel is rendered) the legal, valid and binding obligation of each Guarantor, enforceable in accordance with its terms, except as such enforceability is subject to the effect of any applicable bankruptcy, insolvency, reorganization or other law relating to or affecting creditors' rights generally and general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(iv) the forms and terms of the series of Securities to which such opinion relates and any Coupons appertaining thereto and any related Guarantees have been established in conformity with the provisions of this Indenture or, if

such forms and terms are being established pursuant to one or more instruments being furnished to the Trustee concurrently with the delivery of such opinion, such instruments conform to the requirements of this Indenture;

(v) all instruments furnished to the Trustee in connection with the first issuance of Securities of the series to which such opinion relates (which instrument shall be listed in such opinion) conform to the requirements of this Indenture and, except for (a) Securities of such series, together with any Coupons appertaining thereto, to be delivered for authentication subsequent to the date of such opinion pursuant to Section 303, (b) the Company Order(s) to be delivered subsequent to the date of such opinion pursuant to Sections 201, 301 or 303 and (c) any certificate required to be delivered subsequent to the date of such opinion pursuant to paragraph (b) of this Section 301 and (d) any other documents or items required to be delivered subsequent to the date of such opinion pursuant to such instruments, such instruments constitute all the documents required by this Indenture to be delivered hereunder at or before the first issuance of Securities of the series to which the opinion relates;

(c) Officers' Certificates. A Company Officers' Certificate and a Guarantor's Officers' Certificate stating that 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 articles 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; and

(d) Board Resolutions. A Company Board Resolution and a Guarantor's Board Resolution authorizing this Indenture and,

if applicable, any supplemental indenture that is permitted by Sections 201 and 301 and that relates to such series of Securities.

SECTION 302.
Denominations.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, any Registered Securities of a series denominated in Dollars shall be issuable in denominations of $1,000 and any integral multiple thereof and any Bearer Securities of a series denominated in Dollars shall be issuable in the denomination of $5,000. Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, any Securities of a series denominated in a currency other than Dollars shall be issuable in denominations that are the equivalent, as determined by the Company by reference to the noon buying rate in The City of New York for cable transfers for such currency, as such rate is reported or otherwise made available by the Federal Reserve Bank of New York, on the applicable trade date for such Securities, of $100,000 (rounded down to an integral multiple of 10,000 units of such currency), and any larger amount that is, as nearly as is practicable, an integral multiple of $1,000.

SECTION 303.
Execution; Authentication; Delivery and Dating.

The Securities shall be executed on behalf of the Company by its Chairman of the Board, its President, its Treasurer, any Assistant Treasurer or one of its Vice Presidents attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile. Coupons shall bear the facsimile signature of the Chairman of the Board of the Company, its President, its Treasurer, any Assistant Treasurer or one of its Vice Presidents, attested by its Secretary or one of its Assistant Secretaries.

Securities and Coupons bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or Coupons or did not hold such offices at the date of such Securities or Coupons.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series, together with any Coupons appertaining thereto, executed by the Company to the Trustee or Authenticating Agent for authentication, together with a Company Order for the authentication and delivery of such Securities and the Trustee or such Authenticating Agent in accordance with the Company Order shall authenticate and deliver such Securities; provided, however, that, in connection with its original issuance, no Bearer Security shall be mailed or otherwise delivered to any location in the United States; and provided further, that a Bearer Security other than a temporary global Bearer Security may be delivered in connection with its original issuance only if Clearstream, Luxembourg or Euroclear, as the case may be, shall have furnished to the Security Registrar a certificate substantially to the effect that the Person entitled to receive such Bearer Security shall have furnished to Clearstream, Luxembourg or Euroclear, as the case may be, a certificate substantially in the form set forth in Exhibit D to this Indenture or in such other form of certificate as shall contain information then required by Federal income tax laws, dated no earlier than 15 days prior to the earlier of (i) the date on which such Bearer Security is delivered and (ii) the date on which any temporary Security first becomes exchangeable for such Bearer Security in accordance with the terms of such temporary Security and this Indenture. A confirmation shall be sent by the

Company or an agent thereof to each purchaser of a Bearer Security. If any Security shall be represented by a permanent global Bearer Security, then, for purposes of this Section 303 and Section 304, the notation of a beneficial owner's interest therein upon original issuance of such Security or upon exchange of a portion of a temporary global Security shall be deemed to be delivery in connection with its original issuance of such beneficial owner's interest in such permanent global Bearer Security. Except as permitted by Section 306, the Trustee or Authenticating Agent shall not authenticate and deliver any Bearer Security unless all appurtenant Coupons for interest then matured have been detached and cancelled.

The Trustee or any Authenticating Agent shall have the right to decline to authenticate and deliver such Securities if the Trustee or such Authenticating Agent, being advised by counsel, determines that such action may not lawfully be taken or if the Trustee or such Authenticating Agent, in good faith by its board of directors or trustees, executive committee or a trust committee of directors or trustees and/or vice presidents, shall determine that such action would expose the Trustee or such Authenticating Agent to personal liability to existing Holders.

Each Registered Security shall be dated the date of its authentication. Each Bearer Security and any temporary Bearer Security in global form shall be dated as of the date specified as contemplated by Section 301. Each Security will also bear an original issue date (the "Issue Date") which, with respect to any Security (or portion thereof), shall mean the date of its original issuance and shall be specified therein. The Issue Date shall remain the same for all Securities subsequently issued upon transfer, exchange or substitution of Securities, regardless of their dates of authentication.

No Security or Coupon shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee or any Authenticating Agent by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder. Notwithstanding the foregoing, if any Security shall have been duly authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Security Registrar for cancellation as provided in Section 309 together with a written statement (which need not comply with Section 102 and need not be accompanied by an Opinion of Counsel) (a copy of which statement shall be delivered to the Trustee) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

SECTION 304.
Temporary Securities; Exchange of Temporary Securities.

Pending the preparation of definitive Securities of any series, the Company may execute, and, upon Company Order, the Trustee or an Authenticating Agent, as the case may be, shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, in registered form or, if authorized, in bearer form with one or more Coupons or without Coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities. Such temporary Securities may be in global form.

Except in the case of temporary Securities in global form (which shall be

exchanged in accordance with the provisions thereof), if temporary Securities of any series are issued, the Company will cause definitive Securities of that series to be prepared without unreasonable delay. After the preparation of definitive Securities of such series, the temporary Securities of such series shall be exchangeable for definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company maintained pursuant to Section 1002 in a Place of Payment for such series for the purpose of exchanges of Securities of such series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series (accompanied by any unmatured Coupons appertaining thereto) the Company shall execute and the Trustee or any Authenticating Agent shall authenticate and deliver in exchange therefor a like aggregate principal amount of definitive Securities of authorized denominations of the same series containing identical terms and provisions; provided, however, that no definitive Bearer Security, except as provided pursuant to

Section 301, shall be delivered in exchange for a temporary Registered Security; and provided further, that a definitive Bearer Security shall be delivered in exchange for a temporary Bearer Security only in compliance with the conditions set forth in Section 303. Unless otherwise specified as contemplated by Section 301 with respect to a temporary global Security, until so exchanged the temporary Security of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of such series.

SECTION 305.
Registration. Registration of Transfer and Exchange.

The Company shall cause to be kept for each series of Securities at one of the offices or agencies maintained pursuant to Section 1002 a register (each such register being referred to herein as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Registered Securities and the registration of transfers of Registered Securities. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Registered Securities and transfers and exchanges of Registered Securities as herein provided; provided, that the Company may, from time to time, designate (or change any designation of) any other Person or Persons to act as Security Registrar or co-Security Registrars with respect to the Securities of one or more series, with notice to the Trustee and as provided in Section 106 to the Holders. At all reasonable times the Security Register shall be open for inspection by the Company. In the event that the Trustee shall not be the Security Registrar, it shall have the right to examine the Security Register at all reasonable times.

Upon surrender for registration of transfer of any Registered Security of any series at the office or agency of the Company maintained pursuant to Section 1002 for such purpose in a Place of Payment for such series, the Company shall execute, and the Trustee or an Authenticating Agent shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Registered Securities of the same series and of like tenor of any authorized denominations and of a like aggregate principal amount and Stated Maturity. Transfers of Registered Securities may be effected only as set forth in the preceding sentence.

At the option of the Holder, Registered Securities of any series may be exchanged for other Registered Securities of the same series of any authorized denominations and of a like aggregate principal amount and Stated Maturity, upon surrender of the Securities to be exchanged at any such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee or an Authenticating Agent shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to

receive.

No Registered Security may be exchanged for a Bearer Security. If specified as contemplated by Section 301 with respect to Securities of any series, at the option of the Holder, Bearer Securities of any series may be exchanged for Registered Securities of the same series and of like tenor, of any authorized denominations and of a like aggregate principal amount and Stated Maturity, upon surrender of the Bearer Securities to be exchanged at any such office or agency, with all unmatured Coupons and all matured Coupons in default thereto appertaining. If the Holder of a Bearer Security is unable to produce any such unmatured Coupon or Coupons or matured Coupon or Coupons in default, such exchange may be effected if the Bearer Securities

are accompanied by payment in funds acceptable to the Company, the Guarantors and the Trustee in an amount equal to the face amount of such missing Coupon or Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Company, the Guarantors and the Trustee if there is furnished to them such Security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to any Paying Agent any such missing Coupon in respect of which such a payment shall have been made, such Holder shall be entitled to receive the amount of such payment; provided, however, that, except as otherwise provided in Section 1002, interest represented by Coupons shall be payable only upon presentation and surrender of those Coupons at an office or agency located outside the United States. Notwithstanding the foregoing, in case a Bearer Security of any series is surrendered at any such office or agency in exchange for a Registered Security of the same series and of like tenor after the close of business at such office or agency on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the Coupon relating to such Interest Payment Date or proposed date for payment, as the case may be, and interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture.

Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee or an Authenticating Agent shall authenticate and deliver, the Securities which the holder making the exchange is entitled to receive.

Notwithstanding the foregoing, except as otherwise specified as contemplated by Section 301, any permanent global Security shall be exchangeable only as provided in this paragraph. If the beneficial owners of interests in a permanent global Security are entitled to exchange such interests for Securities of such series and of like tenor and principal amount of another authorized form and denomination as specified as contemplated by Section 301, then without unnecessary delay but in any event not later than the earliest date on which such interests may be so exchanged, the Company shall deliver to the Trustee or Authenticating Agent definitive Securities in aggregate principal amount equal to the principal amount of such permanent global Security, executed by the Company. On or after the earliest date on which such interests may be so exchanged, such permanent global Security shall be surrendered by the U.S. Depositary or such other Depository as shall be specified in the Company Order with respect thereto, to the Trustee or an Authenticating Agent, as the Company's agent for such purpose, to be exchanged, in whole or from time to time in part, for definitive Securities without charge and the Trustee or Authenticating Agent shall authenticate and deliver, in

exchange for each portion of such permanent global Security, an equal aggregate principal amount of definitive Securities of the same series of authorized denominations and of like tenor as the portion of such permanent global Security to be exchanged which, unless the Securities of the series are not issuable both as Bearer Securities and as Registered Securities, as specified as contemplated by Section 301, shall be in the form of Bearer Securities or Registered Securities, or any combination thereof, as shall be specified by the beneficial owner thereof; provided, however, that no such exchanges may occur during a period beginning at the opening of business 15 days before any selection of

Securities of that series to be redeemed and ending on the relevant Redemption Date; and provided further, that (unless otherwise specified as contemplated by Section 301) no Bearer Security delivered in exchange for a portion of a permanent global Security shall be mailed or otherwise delivered to any location in the United States. If a Registered Security is issued in exchange for any portion of a permanent global Security after the close of business at the office or agency where such exchange occurs on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and the opening of business at such office or agency on the related proposed date for payment of Defaulted Interest, interest or Defaulted Interest, as the case may be, will not be payable on such Interest Payment Date or proposed date for payment, as the case may be, in respect of such Registered Security, but will be payable on such Interest Payment Date or proposed date for payment, as the case may be, only to the Person to whom interest in respect of such portion of such permanent global Security is payable in accordance with the provisions of this Indenture.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company and the Guarantors, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Registered Security presented or surrendered for registration of transfer or for exchange or redemption shall (if so required by the Company or the Security Registrar or any transfer agent) be duly endorsed, or be accompanied by a written instrument of transfer substantially in the form attached hereto as Exhibit B duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer, exchange or redemption of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 906 or 1107 not involving any transfer.

Except as otherwise specified as contemplated by Section 301, the Company shall not be required to (i) issue, register the transfer of or exchange Securities of any series during a period beginning at the opening of business 15 days before any selection of Securities of that series to be redeemed and ending at the close of business on (A) if Securities of the series are issuable only as Registered Securities, the day of the mailing of the relevant notice of redemption and (B) if Securities of the series are issuable as Bearer Securities, the day of the first publication of the relevant notice of redemption, or, if Securities of the series are also issuable as Registered Securities and there is no publication, the mailing of the relevant notice of redemption, or (ii) register the transfer of or exchange any Registered Security so selected for redemption, in whole or in part, except the unredeemed portion of any Security being redeemed in part, (iii) exchange any Bearer

Security so selected for redemption except that such a Bearer Security may be exchanged for a Registered Security of the same series and of like tenor, provided that such Registered Security shall be simultaneously surrendered for redemption or (iv) issue, register the transfer of or exchange any Security which, in accordance with its terms specified as

contemplated by Section 301, has been surrendered for repayment at the option of the Holder, except the portion, if any, of such Security not repaid.

SECTION 306.
Mutilated, Destroyed, Lost and Stolen Securities and Coupons.

If any mutilated Security or a Security with a mutilated Coupon appertaining to it is surrendered to the Trustee or an Authenticating Agent, the Company shall execute and the Trustee or such Authenticating Agent shall authenticate and deliver in exchange therefor a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding, with Coupons corresponding to the Coupons, if any, appertaining to the surrendered Security.

If there shall be delivered to the Company, the Guarantors and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security or Coupon and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company, the Guarantors or the Trustee that such Security or Coupon has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee or an Authenticating Agent shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security or in exchange for the Security to which a destroyed, lost or stolen Coupon appertains (with all appurtenant Coupons not destroyed, lost or stolen), a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding, with Coupons corresponding to the Coupons, if any, appertaining to such destroyed, lost or stolen Security or to the Security to which such destroyed, lost or stolen Coupon appertains.

In case any such mutilated, destroyed, lost or stolen Security or Coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security or Coupon; provided, however, that principal of, premium, if any, and interest on Bearer Securities shall, except as otherwise provided in Section 1002, be payable only at an office or agency located outside the United States and unless otherwise specified as contemplated by Section 301, any interest on Bearer Securities and any Additional Amounts with respect to such interest shall be payable only upon presentation and surrender of the Coupons appertaining thereto.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee or Authenticating Agent) connected therewith.

Every new Security of any series, with its Coupons, if any, issued pursuant to this Section in lieu of any destroyed, lost or stolen Security, or in exchange for a Security to which a destroyed, lost or stolen Coupon appertains shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security and its Coupons, if any, or the destroyed, lost or stolen Coupon shall be at any time enforceable by anyone, and any such new Security and Coupons, if any, shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that series and of like tenor and their Coupons, if any, duly issued hereunder.

The provisions of this Section 306, as amended or supplemented pursuant to this Indenture with respect to particular Securities or generally, shall (to the extent lawful) be exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or Coupons.

SECTION 307. Payment of Interest and Certain Additional Amounts; Rights to Interest and Certain Additional Amounts Preserved.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, interest on and any Additional Amounts with respect to any Registered Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest. In case a Bearer Security of any series is surrendered in exchange for a Registered Security of such series after the close of business (at an office or agency in a Place of Payment for such series) on any Regular Record Date and before the opening of business (at such office or agency) on the next succeeding Interest Payment Date, such Bearer Security shall be surrendered without the Coupon relating to such Interest Payment Date and interest will not be payable on such Interest Payment Date in respect of the Registered Security issued in exchange of such Bearer Security, but will be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture.

Any interest on and any Additional Amounts with respect to any Registered Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company or any Guarantor, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company or any Guarantor may elect to make payment of any Defaulted Interest to the Persons in whose names the Registered Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest. The Company or such Guarantor shall, no less than 15 calendar days prior to the date of the Special Record Date (fixed as set forth below), notify the Trustee and the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Registered Security of such series and the date of the proposed payment, and at the same time the Company or such Guarantor, as the case may be, shall deposit with the Paying Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Paying Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Special Record Date for the payment of such Defaulted Interest shall be the close of business on the tenth calendar day prior to the date of the proposed payment. The Trustee shall in the name and at the expense of the Company, cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Holder of Registered Securities of such series

at the address of such Holder as it appears in the Security Register, not less than 10 calendar days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date

therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Registered Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2). In case a Bearer Security of any series is surrendered at the office or agency in a Place of Payment for such series in exchange for a Registered Security of such series after the close of business at such office or agency on any Special Record Date and before the opening of business at such office or agency an the related proposed date for payment of Defaulted Interest, such Bearer Security shall be surrendered with the Coupon relating to such proposed date of payment and Defaulted Interest will not be payable on such proposed date of payment in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such Coupon when due in accordance with the provisions of this Indenture.

(2) The Company or any Guarantor may make payment of any Defaulted Interest on the Registered Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company or such Guarantor to the Trustee and the Paying Agent of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Paying Agent.

At the option of the Company, interest on the Registered Securities of any series that bears interest may be paid by mailing a check to the address of any Holder as such address shall appear in the Securities Register.

Subject to the foregoing provisions of this Section 307 and Section 305, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 308.
Persons Deemed Owners.

Prior to due presentment of a Registered Security for registration of transfer, the Company, the Guarantors, the Trustee and any agent of the Company, the Guarantors or the Trustee may treat the Person in whose name such Registered Security is registered as the owner of such Registered Security for the purpose of receiving payment of principal of, premium, if any, and (subject to Sections 305 and 307) any interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and none of the Company, the Guarantors, the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

Title to any Bearer Security and any Coupons appertaining thereto shall pass by delivery. The Company, the Guarantors, the Trustee and any agent of the Company, the Guarantors or the Trustee may treat the bearer of any Bearer Security and the bearer of any Coupon as the absolute

owner of such Security or Coupon for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not such Security or Coupon be overdue, and neither the Company, the Guarantors, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

No owner of any beneficial interest in any global Security held on its behalf by a Depository shall have any rights under this Indenture with respect to such global Security, and such Depository may be treated by the Company, the

Guarantors, the Trustee, and any agent of the Company, the Guarantors or the Trustee as the owner of such global Security for all purposes whatsoever. None of the Company, the Guarantors, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

SECTION 309.
Cancellation.

All Securities and Coupons surrendered for payment, redemption, registration of transfer or exchange or for credit against any sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee. All Registered Securities and matured Coupons so delivered shall be promptly cancelled by the Trustee. The Company or the Guarantors may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company or the Guarantors may have acquired in any manner whatsoever and the Company may deliver to the Trustee for cancellation any Securities previously authenticated hereunder which the Company has not issued and sold, and all Securities so delivered shall be promptly cancelled by the Security Registrar. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by or pursuant to this Indenture. All cancelled Securities and Coupons held by the Trustee shall be disposed of in accordance with the customary procedures of the Trustee.

SECTION 310.
Computation of Interest.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, interest on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 311.
Support Agreement.

The Trustee and Holders of any series of Securities and Coupons issued under this Indenture will be entitled to the benefits of the Support Agreement on the terms, and subject to the conditions, set forth in the Support Agreement.

SECTION 312.
CUSIP Numbers.

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any

notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company will promptly notify the Trustee in writing (which may be by facsimile transmission) of any change in the "CUSIP" numbers.

ARTICLE FOUR

SATISFACTION AND DISCHARGE

SECTION 401.

Satisfaction and Discharge of Indenture.

This Indenture shall upon Company Request or Guarantor Request cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for, and any right to receive Additional Amounts, as provided in Section 1004), and the Trustee, at the expense of the Company, when

(1) either

(A) all Securities theretofore authenticated and delivered and all Coupons, if any, appertaining thereto (other than (i) Coupons appertaining to Bearer Securities surrendered in exchange for Registered Securities and maturing after such exchange, whose surrender is not required or has been waived as provided in Section 305, (ii) Securities and Coupons which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 306, (iii) Coupons appertaining to Securities called for redemption and maturing after the relevant Redemption Date, whose surrender has been waived as provided in Section 1106, and (iv) Securities and Coupons for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Security Registrar for cancellation; or

(B) all such Securities and, in the case of (i) or (ii) below, any Coupons appertaining thereto not theretofore delivered to the Security Registrar for cancellation

(i) have become due and payable; or

(ii) will become due and payable at their Stated Maturity within one year; or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company and the Guarantors,

and the Company or any Guarantor, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds, in cash or Government Obligations, in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities

and Coupons not theretofore delivered to the Security Registrar for cancellation, for principal, premium, if any, and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company or any Guarantor has paid or caused to be paid all other sums payable hereunder by the Company with respect to the Outstanding Securities of such series and any Coupons appertaining thereto; and

(3) the Company has delivered to the Trustee a Company Officers' Certificate and an Opinion of Counsel and each Guarantor has delivered to the Trustee a Guarantor's Officers' Certificate, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

In the event there are Securities of two or more series hereunder, the Trustee shall be required to execute an instrument acknowledging satisfaction and

discharge of this Indenture only if requested to do so with respect to Securities of such series as to which it is Trustee and if the other conditions thereto are met.

Notwithstanding the satisfaction and discharge of this Indenture with respect to any series of Securities, the rights, privileges and immunities of the Trustee under Article Seven, the obligations of the Company and the Guarantors to the Trustee under Section 606, the obligations of the Company to any Authenticating Agent under Section 613 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Sections 305, 306, 402, 1002 and the last paragraph of Section 1003 shall survive, with respect to the payment of Additional Amounts, if any, with respect to such Securities as contemplated by Section 1004 (but only to the extent that the Additional Amounts payable with respect to such Securities exceed the amount deposited in respect of such Additional Amounts pursuant to Section 401(1)(B)).

SECTION 402.
Application of Trust Money.

Subject to the provisions of the last paragraph of Section 1003, all money and Government Obligations deposited with the Trustee pursuant to Sections 401 and 403 shall be held in trust and applied by it, in accordance with the provisions of the Securities, the Coupons and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal, premium, if any, interest and Additional Amounts, if any, for the payment of which such money and Government Obligations have been deposited with the Trustee; but such money and Government Obligations need not be segregated from other funds except to the extent required by law.

SECTION 403.
Defeasance and Covenant Defeasance.

(1) Unless pursuant to Section 301, either or both of (i) defeasance of the Securities of or within a series under clause (2) of this Section 403 shall not be applicable with respect to the Securities of such series or (ii) covenant defeasance of the Securities of or within a series under clause (3) of this Section 403 shall not be applicable with respect to the Securities of such series, then such provisions, together with the other provisions of this Section 403 (with such

modifications thereto as may be specified pursuant to Section 301 with respect to any Securities), shall be applicable to such Securities and any related Coupons, and the Company may at its option by Company Board Resolution, at any time, with respect to such Securities and any related Coupons, elect to have Section 403(2) or Section 403(3) be applied to such Outstanding Securities and any related Coupons upon compliance with the conditions set forth below in this Section 403. Unless otherwise specified pursuant to Section 301 with respect to the Securities of any series, defeasance under clause (2) of this Section 403 and covenant defeasance under clause (3) of this Section 403 may be effected only with respect to all, and not less than all, of the Outstanding Securities of any series. To the extent that the terms of any Security or Coupon appertaining thereto established in or pursuant to this Indenture permit the Company or any Holder thereof to extend the date on which any payment of principal of, or premium, if any, or interest, if any, on, or Additional Amounts, if any, with respect to such Security or Coupon is due and payable, then unless otherwise provided pursuant to Section 301, the right to extend such date shall terminate upon defeasance or covenant defeasance, as the case may be.

(2) Upon the Company's exercise of the above option applicable to this Section 403(2) with respect to any Securities of or within a series, each of the Company and the Guarantors shall be deemed to have been discharged from its obligations with respect to such Outstanding Securities and any related Coupons and of the Guarantee in respect thereof on the date the conditions set forth in clause (4) of this Section 403 are satisfied (hereinafter, "defeasance"). For this purpose, such defeasance means that the Company and the Guarantors shall be deemed to have paid and discharged the entire indebtedness represented by such Outstanding Securities and any related Coupons, and under the Guarantee in respect thereof, which shall thereafter be deemed to be "Outstanding" only for the purposes of clause (5) of this Section 403 and the other Sections of this Indenture referred to in clauses (i) and (ii) below, and to have satisfied all of its other obligations under such Securities and any related Coupons, and under the Guarantee in respect thereof, and this Indenture insofar as such Securities and any related Coupons and under the Guarantee in respect thereof, are concerned (and the Trustee, at the expense of the Company and the Guarantors, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (i) the rights of Holders of such Outstanding Securities and any related Coupons to receive, solely from the trust fund described in clause (4) of this Section 403 and as more fully set forth in such clause, payments in respect of the principal of, premium, if any, and interest and additional interest, if any, on, and Additional Amounts, if any, with respect to, such Securities and any related Coupons when such payments are due, (ii) the obligations of the Company and the Trustee with respect to such Securities under Sections 305, 306, 1002 and 1003 and with respect to the payment of Additional Amounts, if any, on such Securities as contemplated by Section 1004 (but only to the extent that the Additional Amounts payable with respect to such Securities exceed the amount deposited in respect of such Additional Amounts pursuant to Section 403(4)(a) below), (iii) the rights, powers, trusts, duties and immunities of the Trustee hereunder and (iv) Section 402, this Section 403 and Section 404. The Company may exercise its option under this Section 403(2) notwithstanding the prior exercise of its option under clause (3) of this Section 403 with respect to such Securities and any related Coupons.

(3) Upon the Company's exercise of the option to have this Section 403(3) apply with respect to any Securities of or within a series, the Company shall be released from its obligations

under Sections 1005, 1006 and 1007 and, to the extent specified pursuant to Section 301, any other covenant applicable to such Securities, with respect to such Outstanding Securities and any related Coupons on and after the date the conditions set forth in clause (4) of this Section 403 are satisfied (hereinafter, "covenant defeasance"), and such Securities and any related Coupons shall thereafter be deemed to be not "Outstanding" for the purposes of any direction, waiver, consent or declaration or Act of Holders (and the consequences of any thereof) in connection with any such covenant, but shall continue to be deemed "Outstanding" for all other purposes hereunder. For this purpose, such covenant defeasance means that, (i) with respect to such Outstanding Securities and any related Coupons, the Company may omit to comply with, and shall have no liability in respect of, any term, condition or limitation set forth in any such Section or such other covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such Section or such other covenant or by reason of reference in any such Section or such other covenant to any other provision herein or in any other document and such omission to comply shall not constitute a default or an Event of Default under Section 501(4) or 501(10) or otherwise, as the case may be, and (ii) the occurrence of any event or condition specified in Section 501(6) shall not constitute an Event of Default with respect to such Outstanding Securities, but, except as specified above, the remainder of this Indenture and such

Securities and related Coupons shall be unaffected thereby.

(4) The following shall be the conditions to application of clause (2) or (3) of this Section 403 to any Outstanding Securities of or within a series and any related Coupons:

(a) The Company or any Guarantor shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee satisfying the requirements of Section 607 who shall agree to comply with the provisions of this Section 403 applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities and any related Coupons, (1) an amount in Dollars or in such Foreign Currency in which such Securities and any related Coupons are then specified as payable at Stated Maturity, or (2) Government Obligations applicable to such Securities and related Coupons (determined on the basis of the currency in which such Securities and related Coupons are then specified as payable at Stated Maturity) which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment of principal of, premium, if any, and interest and additional interest, if any, on such Securities and any related Coupons, money in an amount, or (3) a combination thereof, in any case, in an amount, sufficient, without consideration of any reinvestment of such principal and interest, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge, (y) the principal of, premium, if any, and interest, if any, on and Additional Amounts, if any, with respect to such Outstanding Securities and any related Coupons at the Stated Maturity of such principal or installment of principal or premium or interest and (z) any mandatory sinking fund payments or analogous payments applicable to such Outstanding Securities and any related Coupons on the days on which such payments are due and payable in accordance with the terms of this Indenture and of such Securities and any related Coupons.

(b) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, this Indenture or any other agreement or instrument to which the Company or any Guarantor is a party or by which it is bound if the breach, violation or default would have a material adverse effect on the Company or any Guarantor.

(c) Such defeasance or covenant defeasance shall not cause the Trustee to have a conflicting interest as defined in the indenture and for purposes of the Trust Indenture Act with respect to any Securities.

(d) Such defeasance or covenant defeasance shall not result in the trust created by this deposit constituting an investment company within the meaning of the Investment Company Act of 1940, unless the trust is registered under that Act as exempt from that registration.

(e) The Company must deliver to the Trustee a Company Officers' Certificate stating that the deposit was not made with the intent of preferring the Holders of Outstanding Securities over other creditors with the intent of defeating, hindering, delaying or defrauding such creditors or others.

(f) No Event of Default or event which with notice or lapse of time or both would become an Event of Default with respect to such Securities and any related Coupons shall have occurred and be continuing on the date of establishment of such trust and, with respect to

defeasance only, at any time during the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

(g) In the case of an election under clause (2) of this Section 403, the Company or any Guarantor shall have delivered to the Trustee an Opinion of Counsel stating that (i) the Company or such Guarantor has received from the Internal Revenue Service a letter ruling, or there has been published by the Internal Revenue Service a Revenue Ruling, or (ii) since the date of execution of this Indenture, there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of such Outstanding Securities and any related Coupons will not recognize income, gain or loss for Federal income tax purposes as a result of such defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred.

(h) In the case of an election under clause (3) of this Section 403, the Company or any Guarantor shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of such Outstanding Securities and any related Coupons will not recognize income, gain or loss for Federal income tax purposes as a result of such covenant defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

(i) The Company or any Guarantor shall have delivered to the Trustee an Opinion of Counsel to the effect that, assuming no intervening bankruptcy of the Company or any Guarantor between the date of deposit and the 91st day following the deposit and assuming that no Holder is an "insider" of the Company under applicable bankruptcy law, after the 91st day after the date of establishment of such trust, all money and Government Obligations (or other property as may be provided pursuant to Section 301) (including the proceeds thereof) deposited or caused to be deposited with the Trustee (or other qualifying trustee) pursuant to this clause (4) to be held in trust will not be subject to the effect of section 547 of the United States Bankruptcy Code or any applicable state bankruptcy, insolvency, reorganization or similar law affecting creditors.

(j) The Company or any Guarantor shall have delivered to the Trustee a Company Officers' Certificate or a Guarantor's Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent to the defeasance or covenant defeasance under clause (2) or (3) of this Section 403 (as the case may be) have been complied with.

(k) Notwithstanding any other provisions of this Section 403(4), such defeasance or covenant defeasance shall be effected in compliance with any additional or substitute terms, conditions or limitations which may be imposed on the Company or any Guarantor in connection therewith pursuant to Section 301.

Unless otherwise specified in or pursuant to this Indenture or any Security, if, after a deposit referred to in Section 403(4)(a) has been made, (a) the Holder of a Security in respect of which such deposit was made is entitled to, and does, elect pursuant to Section 301 or the terms of such Security to receive payment in a currency other than that in which the deposit pursuant to Section 403(4)(a) has been made in respect of such Security, or (b) a Conversion Event occurs in respect of the Foreign Currency in which the deposit pursuant to Section 403(4)(a) has been made, the indebtedness represented by such Security and any related Coupons shall be deemed to have been, and will be, fully discharged and satisfied through the payment of the principal of,

premium, if any, and interest, if any, on, and Additional Amounts, if any, with respect to, such Security as the same becomes due out of the proceeds yielded by converting (from time to time as specified below in the case of any such election) the amount or other property deposited in respect of such Security into the currency in which such Security becomes payable as a result of such election or Conversion Event based on (x) in the case of payments made pursuant to clause (a) above, the applicable market exchange rate for such currency in effect on the second Business Day prior to each payment date, or (y) with respect to a Conversion Event, the applicable market exchange rate for such Foreign Currency in effect (as nearly as feasible) at the time of the Conversion Event.

The Company shall pay and indemnify the Trustee (or other qualifying trustee, collectively for purposes of Section 402, the "Trustee") against any tax, fee or other charge, imposed on or assessed against the Government Obligations deposited pursuant to this Section 403 or the principal or interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of such Outstanding Securities and any related Coupons.

Anything in this Section 403 to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request, or any Guarantor, as the case may be, upon a Guarantor Request, any money or Government Obligations (or other property and any proceeds therefrom) held by it as provided in clause (4) of this Section 403 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect a defeasance or covenant defeasance, as applicable, in accordance with this Section 403.

SECTION 404.
Reinstatement.

If the Trustee is unable to apply any money or Government Obligations deposited in accordance with Section 401 or Section 403 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's and the Guarantors' obligations under this Indenture and the Securities and Coupons, if any, of such series shall be revived and reinstated as though no deposit had occurred pursuant to Section 401 or Section 403 until such time as the Trustee is permitted to apply all such money in accordance with Section 401 or Section 403; provided, however, that if the Company or any Guarantor has made any payment of principal, premium, if any, or interest on, or any Additional Amounts with respect to any Securities and Coupons of such series because of the reinstatement of its obligations, the Company or such Guarantor shall be subrogated to the rights of the Holders of such series of Securities and Coupons to receive such payment from the money or Government Obligations held by the Trustee.

ARTICLE FIVE

REMEDIES

SECTION 501.
Events of Default.

"Event of Default", wherever used herein with respect to Securities of any series, means any of the following events (whatsoever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or

any order, rule or regulation of any administrative or governmental body) unless it is either inapplicable to a particular series or it is specifically deleted or modified in or pursuant to the supplemental indenture, Company Board Resolution or Company Officers' Certificate establishing such series of Securities or in the form of Security for such series pursuant to this Indenture:

(1) default in the payment of any interest upon or any Additional Amounts payable in respect of any interest on any Security of such series or any related Coupon when such interest or Additional Amounts become due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of or premium, if any, on any Security of such series at its Maturity; or

(3) default in the deposit of any sinking fund payment, when, as and if due by the terms of a Security of that series; or

(4) default in the observance or performance of any covenant or agreement of the Company or any Guarantor on its part to be observed or performed contained in this Indenture (other than a covenant or agreement a default in the performance of which is elsewhere in this Section specifically dealt with or which has expressly been included in this Indenture solely for the benefit of one or more series of Securities other than that series), and continuance of such default or breach for a period of thirty (30) days after there has been given, by registered or certified mail, to the Company and the Guarantors by the Trustee or to the Company, the Guarantors and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of that series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) the Support Agreement shall have been terminated or revoked or HDI refuses to perform or otherwise breaches any of its obligations therein or thereunder or the Support Agreement or any provision thereof otherwise becomes unenforceable for any reason unless, prior to such termination, revocation, refusal to perform, breach or unenforceability, each of Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), Moody's Investor Service, Inc. ("Moody's") and any other "nationally recognized statistical rating organization" (as such term is defined for purposes of Rule 436(g)(2) under the Securities Act) then rating the Securities at the Company's request, has confirmed that the rating assigned to the Securities by such rating agency immediately prior to such termination, revocation, refusal to perform, breach or unenforceability, will not be downgraded as a result of such termination, revocation, refusal to perform, breach or unenforceability of the Support Agreement.

(6) any event of default by the Company, the Guarantors or any of their respective Subsidiaries as defined in any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Indebtedness of the Company, the Guarantors or any of their respective Subsidiaries, as the case may be, whether such Indebtedness now exists or shall hereafter be created, resulting in such Indebtedness in principal amount of at least $25,000,000 becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, and such acceleration shall not be rescinded or annulled within a period of 30 days after there has been given, by registered or certified mail, to the Company and the Guarantors by the Trustee or to the Company, the Guarantors and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Securities of that series a written notice specifying such default

or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(7) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company or any Guarantor or any of their respective Subsidiaries or, so long as the Support Agreement shall continue to be in full force and effect for the benefit of the Holders of Securities of any series, HDI in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency,

reorganization or other similar law or (B) a decree or order adjudging the Company or any Guarantor or any of their respective Subsidiaries or, so long as the Support Agreement shall continue to be in full force and effect for the benefit of the Holders, HDI bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or any Guarantor or any of their respective Subsidiaries or, so long as the Support Agreement shall continue to be in full force and effect for the benefit of the Holders, HDI under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or any Guarantor or any of their respective Subsidiaries or, so long as the Support Agreement shall continue to be in full force and effect for the benefit of the Holders, HDI, or of any substantial part of the property of the Company or any Guarantor or any of their respective Subsidiaries or, so long as the Support Agreement shall continue to be in effect for the benefit of the Holders, HDI or ordering the winding up or liquidation of the affairs of the Company or any Guarantor or any of their respective Subsidiaries or, so long as the Support Agreement shall continue to be in full force and effect for the benefit of the Holders, HDI, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive days; or

(8) the commencement by the Company or any Guarantor or any of their respective Subsidiaries or, so long as the Support Agreement shall continue to be in full force and effect for the benefit of the Holders, HDI of a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by the Company or any Guarantor or any of their respective Subsidiaries or, so long as the Support Agreement shall continue to be in full force and effect for the benefit of the Holders, HDI to the entry of a decree or order for relief in respect of it in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by the Company or any Guarantor or any of their respective Subsidiaries or, so long as the Support Agreement shall continue to be in full force and effect for the benefit of the Holders, HDI of a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or any Guarantor or any of their respective Subsidiaries or, so long as the Support Agreement shall continue to be in full force and effect for the benefit of the Holders, HDI of any substantial part of their respective property, or the making by it of an assignment for the benefit of creditors, or the admission by the Company or any Guarantor or any of their respective Subsidiaries or, so long as the Support Agreement shall continue to be in full force and effect for the benefit of the Holders, HDI in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company or any Guarantor, so long as the Support Agreement shall continue to be in effect for the benefit of the Holders, in

furtherance of any such action;

(9) final judgment of money in excess of $25,000,000 (not covered by third-party insurance), singularly or in the aggregate, shall be rendered against the Company or any Guarantor or any of their respective Subsidiaries and shall remain undischarged and unstayed for a period (during which execution shall not be effectively stayed) of 60 days after such judgment becomes final; or

(10) any other Event of Default provided in or pursuant to this Indenture with respect to Securities of such series.

SECTION 502.
Acceleration of Maturity: Rescission and Annulment.

If an Event of Default with respect to Securities of any series occurs and is continuing, then either the Trustee or the Holders of not less than 25% in aggregate principal amount of the Outstanding Securities of that series may declare the principal amount (or, if any of the Securities of that series are Original Issue Discount Securities, such portion of the principal amount of such Securities as may be specified in the terms of that series) of all of the Securities of that series, and accrued and unpaid interest and Additional Amounts, if any, thereon to be due and payable immediately, by a notice in writing to the Company and the Guarantors (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) and such accrued and unpaid interest and Additional Amounts, if any, thereon shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to Securities of any series has been made, but before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of not less than a majority in principal amount of the Outstanding Securities of that series, by written notice to the Company, the Guarantors and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company or any Guarantor has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue interest on and any Additional Amounts payable in respect of all Securities of that series,

(B) the principal of, and premium, if any, on any Securities of that series which has become due otherwise than by such declaration of acceleration and any interest thereon at the rate or rates prescribed therefor in such Securities,

(C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in such Securities, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(2) all Events of Default with respect to Securities of that series, other than the non-payment of the principal of, any premium and interest on, and any Additional

Amounts with respect to Securities which has become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or, impair any right consequent thereon.

An Event of Default described in paragraph (7) or (8) of Section 501 shall cause the principal amount of (and premium, if any) (or such lessor amount as provided for in the Securities of such series) and accrued and unpaid interest and Additional Amounts, if any, with respect to the Securities of such series to become immediately due and payable without any declaration or other act by the Trustee or any Holder.

SECTION 503.
Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company and Guarantors covenant with respect to Securities of any series, that if

(1) default is made in payment of any interest on or any Additional Amounts payable in respect of any Security of such series when such interest or Additional Amounts become due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of, premium, if any, on, or any Security of such series at the Maturity thereof, or

(3) default is made in the deposit of any sinking fund payment when due by the terms of a security of that series,

the Company or any Guarantor, as the case may be, will, upon demand of the Trustee, pay to the Trustee, for the benefit of the Holders of such Securities of such series and related Coupons, the whole amount of money then due and payable with respect to such Securities of such series and Coupons for principal, premium, if any, and interest or Additional Amounts, if any, and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal, premium, if any, and on any overdue interest or any Additional Amounts, at the rate or rates prescribed therefor in such Securities of such series and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company or the Guarantors fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or the Guarantors or any other obligor upon such Securities of such series and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or the Guarantors or any other obligor upon such Securities of such series , wherever situated.

If an Event of Default occurs and is continuing with respect to Securities of any series, the Trustee may in its discretion proceed to protect and enforce its rights, including the rights of the Holders of Securities of such series and any related Coupons, by such appropriate judicial

proceedings as the Trustee shall deem most effectual to protect and enforce any

such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or such Securities or in aid of the exercise of any power granted herein or therein, or to enforce any other proper remedy.

SECTION 504.
Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or the Guarantors or any other obligor upon the Securities or the property of the Company, the Guarantors or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company or the Guarantors for the payment of any overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal, premium, if any, and interest and any Additional Amounts owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders of Securities and Coupons allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such Judicial proceeding is hereby authorized by each Holder of Securities and Coupons to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders of Securities and Coupons, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 606.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder of a Security or Coupon any plan of reorganization, arrangement, adjustment or composition affecting the Securities or Coupons or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder of a Security or Coupon in any such proceeding.

SECTION 505.
Trustee May Enforce Claims Without Possession of Securities or Coupons.

All rights of action and claims under this Indenture or the Securities or Coupons may be prosecuted and enforced by the Trustee without the possession of any of the Securities or Coupons or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation,

expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities and Coupons in respect of which such judgment has been recovered.

SECTION 506.

Application of Money Collected.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal, premium, if any, or interest or any Additional Amounts, upon presentation of the Securities or Coupons, or both, as the case may be, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 606;

SECOND: To the payment of the amounts then due and unpaid for principal of, premium, if any, and interest or any Additional Amounts payable in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities and Coupons for principal and any premium and interest or any Additional Amounts, respectively; and

THIRD: The balance, if any, to the Person or Persons entitled thereto.

SECTION 507.
Limitation on Suits.

No Holder of any Security of any series or any related Coupons shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of that series shall have made a written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holders have offered to the Trustee indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities of that series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture (including,

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without limitation, the provisions of Section 512) to affect, disturb or prejudice the rights of any other of such Holders (it being understood that the Trustee does not have an affirmative duty to ascertain whether or not such actions or forbearances are unduly prejudicial to such Holders), or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

SECTION 508.
Unconditional Right of Holders to Receive Principal, Premium, Interest and Additional Amounts.

Notwithstanding any other provision in this Indenture, the Holder of any Security or Coupon shall have the right, which is absolute and unconditional, to receive payment of the principal of, premium, if any, and (subject to Sections 305 and 307) any interest on or any Additional Amounts with respect to such Security or such Coupon, as the case may be, on the respective Stated Maturity or Maturities therefor specified in such Security or Coupon (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 509.
Restoration of Rights and Remedies.

If the Trustee or any Holder of a Security or Coupon has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Guarantors, the Trustee and the Holders of Securities and Coupons shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 510.
Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities or Coupons in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders of Securities or Coupons is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 511.
Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Security or Coupon to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders of Securities or Coupons may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders of Securities or Coupons, as the case may be.

SECTION 512.
Control by Holders of Securities.

The Holders of a majority in principal amount of the Outstanding Securities of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Securities of such series and any Coupons appertaining thereto; provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture,

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(3) the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall, by a Responsible Officer or officers of the Trustee, determine that the action so directed would involve the Trustee in personal liability.

SECTION 513.
Waiver of Past Defaults.

The Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series and any related Coupons waive any past default or Event of Default hereunder with respect to the Securities of such series and its consequences, except a default

(1) in the payment of the principal of, premium, if any, or interest on or Additional Amounts payable in respect of any Security of such series or Coupons appertaining thereto, or

(2) in respect of a covenant or provision hereof which under Article Ten cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default with respect to such series arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 514.
Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Security or Coupon by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any

Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities of any series, or to any suit instituted by any Holder of any Security or Coupon for the enforcement of the payment of the principal of, premium, if any, or interest on or any Additional Amounts in respect of any Security or the payment of any Coupon on or after the Stated Maturity or Maturities expressed in such Security or Coupon (or, in the case of redemption, on or after the Redemption Date).

SECTION 515.
Waiver of Usury, Stay or Extension Laws.

Each of the Company and the Guarantors covenants that (to the extent that it may lawfully do so) it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or any other law wherever enacted, now or at any time hereafter in force, which would prohibit or forgive the Company and the Guarantors from paying all or any portion of the principal of or premium, if any, or interest, if any, on or Additional Amounts, if any, with respect to any Securities as contemplated herein and therein or which may affect the covenants or the performance of this Indenture; and each of the Company and the Guarantors expressly waive (to the extent that it may lawfully do so) all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

THE TRUSTEE

SECTION 601.
Notice of Defaults.

Within 90 days after the occurrence of any default hereunder with respect to the Securities of any series, the Trustee shall transmit in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, notice of such default hereunder known to the Trustee, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of, premium, if any, or interest or any Additional Amounts or any sinking fund installment with respect to, any Security of such series, the Trustee shall be protected in withholding such notice of and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of Securities of such series; and provided, further, that in the case of any default of the character specified in Section 501(4) with respect to Securities of such series, no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Securities of such series.

SECTION 602.
Certain Rights of Trustee.

Subject to the provisions of Sections 315(a) through 315(d) of the Trust Indenture Act:

(a) the Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion,

report, notice, request, direction, consent, order, bond, debenture, note, coupon, other evidence of indebtedness or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order or of a Guarantor mentioned herein shall be sufficiently evidenced by a Guarantor Request or a Guarantor Order or as otherwise expressly provided herein and any resolution of the Company's Board of Directors may be

sufficiently evidenced by a Company Board Resolution or of a Guarantor's Board of Directors may be sufficiently evidenced by such Guarantor's Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon a Company Officers' Certificate or, if such matter pertains to a Guarantor, such Guarantor's Officers' Certificate;

(d) the Trustee may consult with counsel of its selection and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Securities of any series or any related Coupons pursuant to this Indenture, unless such Holders shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, coupon, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company and Guarantors, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the Trustee shall not be liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion, rights or powers conferred upon it by this Indenture;

(i) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it;

(j) the Trustee shall not be deemed to have notice of any default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Securities and this Indenture;

(k) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation,

its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder, and each agent, custodian and other Person employed to act hereunder; and

(l) the Trustee may request that the Company deliver a Company Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Company Officers' Certificate may be signed by any person authorized to sign a Company Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

(m) The Trustee may, and shall, upon receipt of a written request by Holders of not less than 25% of the aggregate principal amount of the Outstanding Securities and the offer of by such Holders of indemnity satisfactory to the Trustee against the cost, expenses and liabilities to be incurred in compliance with such request, on behalf of the Holders and on its own behalf, enforce the obligations of HDI to HDFS under the Support Agreement only if HDFS has not pursued, or is not pursuing, its rights under the Support Agreement in a prompt or otherwise diligent manner (an "Enforcement Event"). If (1) the Trustee for 60 days after receipt of such request and offer of indemnity has failed to institute such enforcement action, (2) no direction inconsistent with such request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Notes, and (3) a Holder has given written notice of the occurrence of an Enforcement Event, then such Holder of an Outstanding Security shall have the right to enforce the rights of HDFS under the Support Agreement.

SECTION 603.
Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, or any document issued in connection with the sale of the Securities (except the Trustee's certificates of authentication) and in any Coupons shall be taken as the statements of the Company and the Guarantors, and neither the Trustee nor any Authenticating Agent assumes responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities or Coupons, except that the Trustee represents that it is duly authorized to execute and deliver this Indenture, authenticate the Securities and perform its obligations hereunder and, if applicable,

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that the statements made by it in a Statement of Eligibility on Form T-1 supplied to the Company are true and accurate, subject to the qualifications set forth therein. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof or any money paid to the Company or upon the Company's direction under any provision hereof. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application of any money received by any Paying Agent other than the Trustee, without limiting the application of any other provision of this Indenture.

SECTION 604.
May Hold Securities.

The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Trustee, the Company or the Guarantors, in its individual or any other capacity, may become the owner or pledgee of Securities and Coupons and, subject to Sections 310(b) and 311 of the Trust Indenture Act, may otherwise deal with the Company and the Guarantors with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or other agent.

SECTION 605.
Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law and shall be held uninvested. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Company or the Guarantors.

SECTION 606.
Compensation and Reimbursement.

The Company agrees and the Guarantors agree, in each case:

(1) to pay to the Trustee from time to time such compensation as shall be agreed in writing between the Company and the Trustee for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture or arising out of or in connection with the acceptance or administration of the trust or trusts hereunder (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify each of the Trustee and any successor Trustee and its agents, officers, directors and employees for, and to hold them harmless against, any and all loss, liability, damage, claim or expense, including taxes (other than taxes based on the income of the Trustee) incurred without negligence or bad faith on their part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending themselves against any claim (whether asserted by the Company, a Guarantor, a Holder or any other Person) or liability in

connection with the exercise or performance of any of its powers or duties hereunder except to the extent that any such loss, liability or expense was due to the Trustee's negligence or bad faith.

As security for the performance of the obligations of the Company and the Guarantors under this Section 606, the Trustee shall have a lien prior to the Securities of any series upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of, premium, if any, interest, if any, on or Additional Amounts, if any, with respect to, particular Securities or any related Coupons.

The obligations of the Company under this Section 606 to compensate and indemnify the Trustee for expenses, disbursements and advances shall constitute additional Indebtedness under this Indenture and shall survive the resignation or removal of the Trustee, the satisfaction and discharge of this Indenture and any rejection or termination of this Indenture under any applicable bankruptcy law.

If the Trustee incurs expenses or renders services after an Event of Default specified in Section 501(7) or (8) has occurred, those expenses (including the reasonable charges and expenses of its agents and attorneys) and its compensation for services shall be preferred over the status of the Holders in

any reorganization or similar proceeding and the parties hereto, and the Holders, by their acceptance of the Securities, hereby agree that such expenses, compensation and indemnity are intended to constitute expenses of administration under any applicable bankruptcy law.

SECTION 607.
Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder that is a corporation, organized and doing business under the laws of the United States, eligible under Section 310(a)(1) and (5) of the Trust Indenture Act to act as trustee under the Trust Indenture Act, and that has a combined capital and surplus (computed in accordance with Section 310(a)(2) of the Trust Indenture Act) of at least $50,000,000. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 607, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 608.
Disqualification, Conflicting Interests.

If the Trustee has or shall acquire any conflicting interest, as defined in Section 310(b) of the Trust Indenture Act, with respect to the Securities of any series, the Trustee shall either eliminate such conflicting interest or resign, to the extent and in the manner provided by, and subject to, Section 310 of the Trust Indenture Act and this Indenture.

SECTION 609.
Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 610.

(b) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company and the Guarantors. If the instrument of acceptance by a successor Trustee required by Section 610 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(c) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Trustee and to the Company and the Guarantors. If the instrument of acceptance by a successor Trustee required by Section 610 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(d) If at any time:

(1) the Trustee shall fail to comply with the obligations imposed on it under Section 310(b) of the Trust Indenture Act with respect to the Securities of any series after written request therefor by the Company, the Guarantors or by any Holder of a Security who has been a bona fide Holder of a Security of such series for at least six months, or

(2) the Trustee shall cease to be eligible under Section 607 and shall fail to resign after written request therefor by the Company, the Guarantors or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company, by or pursuant to a Company Order, or the Guarantors, by or pursuant to such Guarantor's Order may remove the Trustee with respect to all Securities of such series, or (ii) subject to Section 514, any Holder of a Security of such series who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated (including those who have been Holders for less than six months), petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Securities of one or more series, the Company, by or pursuant to a Company Board Resolution shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there

shall be only one Trustee with respect to the Securities of any particular series) and such successor Trustee or Trustees shall comply with the applicable requirements of Section 610. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company, the Guarantors and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 610, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company and the Guarantors. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company and the Guarantors or the Holders of Securities and accepted appointment in the manner required by Section 610, any Holder of a Security who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated (including those who have been Holders for less than six months), petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series by mailing written notice of such event by first class mail, postage prepaid, to the Holders of Registered Securities, if any, of such series as their names and addresses appear in the Security Register and, if Securities of such series are issued as Bearer Securities, by publishing notice of such event once in an Authorized Newspaper in each Place of Payment located outside the United States. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

(g) In no event shall any retiring Trustee be liable for the acts or omissions of any successor Trustee hereunder.

SECTION 610.
Acceptance of Appointment by Successor.

(a) In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company, the Guarantors and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company, the Guarantors or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the Guarantors, the

retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees as co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and that no Trustee shall be responsible for any notice given to, or received by, or any act or failure to act on the part of any other Trustee hereunder; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein, such retiring Trustee shall have no further responsibility for the exercise of rights and powers or for the performance of the duties and obligations vested in the Trustee under this Indenture with respect to the Securities of that or those series to which the appointment of such successor Trustee relates other than as hereinafter expressly set forth, and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company, any Guarantor or any successor Trustee, such retiring Trustee shall upon payment of all amounts owed it hereunder, duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company and the Guarantors shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 611.
Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided

such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

SECTION 612.
Preferential Collection of Claims Against the Company and the Guarantors.

If and when the Trustee shall be or become a creditor of the Company or any Guarantor (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of Section 311 of the Trust Indenture Act regarding the collection of claims against the Company or such Guarantor (or any such other obligor).

SECTION 613.
Appointment of Authenticating Agent.

The Trustee may, with the consent of the Company and the Guarantors, appoint an Authenticating Agent or Authenticating Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series issued upon original issue or upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 306, and if the Trustee is required to appoint one or more Authenticating Agents with respect to any series of Securities, to authenticate Securities of such series upon original issuance and to take such other actions as are specified in Sections 303, 304 and 309, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Notwithstanding anything to the contrary in this Section 613 or in any other Section of this Indenture, an Authenticating Agent shall not be authorized to authenticate Securities constituting the first issuance of Securities of any series until and unless the requirements of Section 301 hereof have been, or are concurrently therewith being, complied with.

Each Authenticating Agent shall be acceptable to the Company and the Guarantors, and except as specified by Section 301, each Authenticating Agent shall at all times be a corporation that would be permitted by Section 310(a) (1) and (5) of the Trust Indenture Act to be able to act as a trustee under an indenture qualified under the Trust Indenture Act, is authorized under applicable law and by its charter to act as such and that has a combined capital and surplus (computed in accordance with Section 310(a) (2) of the Trust Indenture Act) of not less than $50,000,000. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section. If the Authenticating Agent has or shall acquire any conflicting, interest, as defined in Section 310(b) of the Trust Indenture Act, with respect to Securities of any series, the Authenticating Agent shall take action as is required pursuant to said Section 310(b).

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party or any corporation succeeding to all or substantially all the corporate agency or corporate trust business of such Authenticating Agent, shall continue to be an Authenticating Agent; provided, that such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or such Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee, the Guarantors and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent, the Guarantors and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and the Guarantors and shall (i) mail written notice of such appointment by first class mail, postage prepaid, to all Holders of Registered Securities, if any, of the series with respect to which such Authenticating Agent will serve, as their names and addresses appear in the Security Register, and (ii) if Securities of the series are issued as Bearer Securities, publish notice of such appointment at least once in an Authorized Newspaper in the place where such successor Authenticating Agent has its principal office if such office is located outside the United States. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company and the Guarantors agree to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

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

BNY MIDWEST TRUST COMPANY
as Trustee
By:
As Authenticating Agent
By:
Authorized Signatory

If all of the Securities of a series may not be originally issued at one time, and if the Trustee does not have an office capable of authenticating Securities upon original issuance

located in a Place of Payment where the Company wishes to have Securities of such series authenticated upon original issuance, the Trustee, if so requested by the Company in writing (which writing need not comply with Section 102 and need not be accompanied by an opinion of Counsel), shall appoint in, accordance with this Section an Authenticating Agent having an office in a Place of Payment designated by the Company with respect to such series of Securities.

ARTICLE SEVEN

HOLDERS' LISTS AND REPORTS BY TRUSTEE, COMPANY AND GUARANTORS

SECTION 701.
Company to Furnish Trustee Names and Addresses of Holders.

In accordance with Section 312(a) of the Trust Indenture Act, the Company will furnish or cause to be furnished to the Trustee:

(a) semiannually, on dates mutually acceptable to the Trustee and the Company, a list, in such form as the Trustee may reasonably require, the names and addresses of the Holders of Securities as of a date mutually acceptable to the Trustee and the Company, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content, such list to be dated as of a date not more than 15 days prior to the time such list is furnished;

notwithstanding the foregoing, so long as the Trustee is the Security Registrar with respect to a particular series of Securities, no such list shall be required to be furnished in respect of such series.

SECTION 702.
Preservation of Information; Communications to Holders.

The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and privileges of the Trustee, shall be as provided by the Trust Indenture Act.

Every Holder of Securities or Coupons, by receiving and holding the same,

agrees with the Company and the Trustee that neither the Company, the Guarantors, the Trustee nor any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders of Securities in accordance with Section 312 of the Trust Indenture Act, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 312(b) of the Trust Indenture Act.

SECTION 703.
Reports by Trustee.

(a) Within 60 days after May 15 of each year commencing with the year following the first issuance of Securities pursuant to Section 301, if required by Section 313(a) of the Trust Indenture Act, the Trustee shall transmit pursuant to Section 313(c) of the Trust Indenture Act, a brief report dated as of such May 15 with respect to any of the events specified in said Sections, 313(a) and 313(b)(2) which may have occurred since the later of the immediately preceding May 15 and the date of this Indenture.

(b) The Trustee shall transmit the reports required by Section 313(a) of the Trust Indenture Act at the times specified therein.

(c) Reports pursuant to this Section shall be transmitted in the manner and to the Persons required by Sections 313(c) and (d) of the Trust Indenture Act.

(d) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each stock exchange, if any, upon which the Securities are listed and with the Company. The Company will promptly notify the Trustee in writing when the Securities are listed on any stock exchange and of any delisting thereof.

SECTION 704.
Reports by Company and the Guarantors.

(a) The Company and each Guarantor, as applicable, pursuant to Section 314(a) of the Trust Indenture Act, shall:

(1) file with the Trustee, within 15 days after the Company or any Guarantor, as the case may be, is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company or such Guarantor, as the case may be, may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company or any Guarantor, as the case may be, is not required to file information, documents or reports pursuant to either of said Sections, then it shall file with the Trustee and the Commission, to the extent required by and in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a Security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) unless the Company and the Guarantors furnish information to the Commission in accordance with Rule 12g3-2(b) under or pursuant to Section 13 or 15(d) of the Exchange Act, the Company and the Guarantors shall promptly furnish or cause to be furnished such information as

is specified pursuant to Rule 144(d)(4) under the Securities Act (or any successor provision thereto) to any Holder or beneficial owner of a Security or to a prospective purchaser of a Security who is designated by such Holder or beneficial owner and is a qualified institutional buyer (as defined in Rule 144A), upon the

request of such Holder or beneficial owner or prospective purchaser, in order to permit compliance by such Holder or beneficial owner with Rule 144A under the Securities Act.;

(3) file with the Trustee and the Commission, to the extent required by and in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company or any Guarantor, as the case may be, with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations;

(4) transmit within 30 days after the filing thereof with the Trustee, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, such summaries of any information, documents and reports required to be filed by the Company or any Guarantor pursuant to paragraphs (1) and (2) of this Section as may be required by rules and regulations prescribed from time to time by the Commission; and

(5) transmit within 30 days after May 15 of each year to the Trustee, a brief certificate from the principal executive officer, principal financial officer, principal accounting officer, treasurer or controller of the Company and each Guarantor as to his or her knowledge of such obligor's compliance with all conditions and covenants under the Indenture as determined without regard to any period of grace or requirement of notice provided under the Indenture;

(6) as soon as available and in any event within 120 days after the end of the fiscal year of HDFS, a copy of HDFS' Consolidated balance sheet as of the end of HDFS' fiscal year and Consolidated statements of income, cash flows and changes in shareholders' equity of HDFS for such fiscal year, accompanied by an opinion by Ernst & Young LLP or other nationally recognized firm of independent public accountants having been prepared in accordance with GAAP;

(7) as soon as available and in any event within 60 days after the end of each of the first three quarters of each fiscal year of HDFS, the unaudited Consolidated balance sheet of HDFS as of the end of such quarter and unaudited Consolidated statements of income, cash flows and changes in shareholders' equity of HDFS for such quarter and for the period commencing at the end of the previous fiscal year and ending with the end of such quarter; and

(8) as soon as possible, and in any event within five days after the occurrence of each Event of Default (or an event that, with the passage of time or the giving of notice, or both, would become an Event of Default) continuing on the date of such statement, a statement of the chief financial officer of the Company and the Guarantors setting forth details of such Event of Default or event and the action that the Company or the Guarantors have taken and proposes to take with respect thereto.

(b) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from

information contained therein, including the Company's or any Guarantor's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Company Officers' Certificates or any Guarantor's Officers' Certificate).

ARTICLE EIGHT

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 801.
Company May Consolidate, Etc., Only on Certain Terms.

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

(1) either (A) the Company shall be the continuing Person (in the case of a merger), or (B) the successor Person (if other than the Company) formed by such consolidation or into which the Company is merged or which acquires by sale, assignment, transfer, lease or other conveyance all or substantially all the properties and assets of the Company shall be a corporation organized and existing under the laws of the United States and shall expressly assume, by an indenture (or indentures, if at such time there is more than one Trustee) supplemental hereto, executed by such successor corporation and the Guarantors and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of, premium, if any, and interest on, and any Additional Amounts with respect to, all the Outstanding Securities and the due and punctual performance and observance of every obligation in this Indenture and the Outstanding Securities on the part of the Company to be performed or observed;

(2) at the time of such proposed transaction and immediately after giving effect to such transaction and treating any Indebtedness which becomes an obligation of the Company and the Guarantors as a result of such transaction as having been incurred by the Company at the time of such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing; and

(3) the Guarantees shall remain in full force and effect; and

(4) either the Company or the successor Person shall have delivered to the Trustee a Company Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with. No such consolidation, merger, conveyance, transfer or lease shall be permitted by this Section unless prior thereto each Guarantor shall have delivered to the Trustee a Guarantor's Officers' Certificate and an Opinion of Counsel, each stating that such Guarantor's obligations hereunder shall remain in full force and effect thereafter.

SECTION 802.
Successor Person Substituted for Company.

Upon any consolidation of the Company with, or merger of the Company into, any other Person or any conveyance, transfer or lease of the properties and assets of the Company as an entity or substantially as an entirety in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person shall be released from all obligations and covenants under this Indenture and the Securities and Coupons.

SECTION 803.
Each Guarantor May Consolidate, Etc., Only on Certain Terms.

Each Guarantor shall not consolidate with or merge into any other Person (whether or not affiliated with such Guarantor), or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to any other Person (whether or not affiliated with such Guarantor), unless:

(1) either (A) such Guarantor shall be the continuing Person (in the case of a merger), or (B) the successor Person (if other than such Guarantors) formed by such consolidation or into which such Guarantor is merged or which acquires by sale, assignment, transfer, lease or other conveyance all or substantially all the properties and assets of such Guarantor shall be a corporation organized and existing under the laws of the United States and shall expressly assume, by an indenture (or indentures, if at such time there is more than one Trustee) supplemental hereto, executed by such successor corporation and the Company and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of, premium, if any, and interest on, and any Additional Amounts with respect to, all the Outstanding Securities and the due and punctual performance and observance of every obligation in this Indenture and the Guarantees on the part of such Guarantor to be performed or observed;

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

(3) the Guarantees (other than the Guarantee of such Guarantor (subject to clause 803(1) hereof)) shall remain in full force and effect; and

(4) either such Guarantor or the successor Person shall have delivered to the Trustee a Guarantor's Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with. No such consolidation, merger, conveyance, transfer or lease shall be permitted by this Section unless prior thereto each Guarantor shall have delivered to the Trustee a Guarantor's Officers' Certificate and an Opinion of

Counsel, each stating that such Guarantor's obligations hereunder shall remain in full force and effect thereafter.

SECTION 804.
Successor Person Substituted for a Guarantor.

Upon any consolidation or merger or any conveyance, transfer or lease of all or

substantially all of the properties and assets of any Guarantor to any Person in accordance with Section 803, the successor Person formed by such consolidation or into which such Guarantor is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, such Guarantor under this Indenture with the same effect as if such successor Person had been named a Guarantor herein, and thereafter, except in the case of a lease to another Person, the predecessor Person shall be released from all obligations and covenants under this Indenture.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 901.
Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders of Securities or Coupons, the Company, when authorized by or pursuant to a Company Board Resolution, the Guarantors, when authorized by or pursuant to a Guarantor's Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto for any of the following purposes:

(1) to evidence the succession of another Person to the Company or a Guarantor, and the assumption by any such successor of the covenants of the Company or such Guarantor herein and in the Securities; or

(2) to add to the covenants of the Company or a Guarantor for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company or a Guarantor with respect to all or any series of the Securities; or

(3) to add any additional Events of Default with respect to all or any series of the Securities (and, if such Event of Default is applicable to less than all series of Securities, specifying the series to which such Event of Default is applicable); or

(4) to add to or change any of the provisions of this Indenture to provide that Bearer Securities may be registrable as to principal, to change or eliminate any restrictions on the payment of principal of, premium, if any, or interest on Bearer Securities, to permit Bearer Securities to be issued in exchange for Registered Securities, to permit Bearer Securities to be issued in exchange for Bearer Securities of other authorized denominations or to permit or facilitate the issuance of Securities in uncertificated form; provided, that any such action shall not adversely affect the interests

of the Holders of Securities of any series or any related Coupons in any material respect; or

(5) to establish the form or terms of Securities of any series and any related Coupons as permitted by Sections 201 and 301; or

(6) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this

Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 610(b); or

(7) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make or amend any other provisions with respect to matters or questions arising under this Indenture; provided, that such other provisions as may be made shall not adversely affect the interests of the Holders of Securities of any series or any related Coupons in any material respect; or

(8) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary or helpful to effect the qualification of the Indenture under the Trust Indenture Act and to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary or helpful to conform to any mandatory or optional provisions of the Trust Indenture Act as the same may from time to time be amended; or

(9) to add to, delete from or revise the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Securities, as herein set forth; or

(10) to modify, eliminate or add to the provisions of any Security to allow for such Security to be held in certificated form by the Holder thereof; or

(11) to secure the Securities of the applicable series; or

(12) to amend or supplement any provision contained herein or in any supplemental indenture or in any Securities (which amendment or supplement may apply to one or more series of Securities or to one or more Securities within any series as specified in such supplemental indenture or indentures), provided that such amendment or supplement does not apply to any Outstanding Security issued prior to the date of such supplemental indenture and entitled to the benefits of such provision; or

(13) to modify, delete or add to any of the provisions of this Indenture other than as contemplated by clauses (1) through (10) of this Section, provided that any such modification, deletion or addition shall become effective only with respect to series of Securities established pursuant to Section 301 after the effective date of such modification, deletion or addition; or

(14) to add to or change any of the provisions of this Indenture in connection with the issuance of any Bearer Securities to comply with United States federal income tax provisions relating to the deductibility of interest.

Any amendment described in clause (7) above made solely to conform this Indenture to the final offering memorandum provided to investors in connection with the offering of the Securities by the Company and the Guarantors will not be deemed to materially and adversely affect the interests of the Holders of Securities of any series or any related Coupons.

SECTION 902.
Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities of each series (voting together as a single class) affected by such supplemental indenture, by Act of said Holders delivered to the Company, the Guarantors and the Trustee, the Company (when authorized by or pursuant to a Company Board Resolution) each Guarantor (when authorized by or pursuant to a Guarantor's Board Resolution) and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities of such series and any related Coupons under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) change the Stated Maturity of the principal of, or premium, if any, or any installment of interest, if any, on, or any Additional Amounts, if any, with respect to, any Security, or reduce the principal amount thereof or the rate (or modify the calculation of such rate) of interest thereon, or reduce any Additional Amounts payable with respect thereto or any premium payable upon the redemption thereof or otherwise, or change the obligation of the Company to pay Additional Amounts pursuant to Section 1004 (except as contemplated by Section 801(1) and permitted by Section 901(1)), or reduce the amount of the principal of any Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502 or the amount thereof provable in bankruptcy pursuant to Section 504, or change the Place of Payment where or the coin or currency in which the principal of, any premium or interest on, or any Additional Amounts with respect to any Security is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date) in each case as such Stated Maturity, Redemption Date or date for repayment may, if applicable, be extended in accordance with the terms of such Security or any Coupon appertaining thereto; or

(2) reduce the percentage in principal amount of the Outstanding Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or reduce the requirements of Section 1304 for quorum or voting; or

(3) modify any of the provisions of this Section, Section 513 or Section 1010, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Holders of Securities under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 903.
Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall receive, and (subject to Section 315 of the Trust Indenture Act) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture, a Company Officers' Certificate and a Guarantor's Officers' Certificate of each Guarantor stating that all conditions precedent to the execution of such supplemental indenture have been fulfilled. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties, immunities or liabilities under this Indenture or otherwise.

SECTION 904.
Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder and of any Coupons appertaining shall be bound thereby.

SECTION 905.
Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 906.
Reference in Securities to Supplemental Indentures.

Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Company, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company and the Guarantors shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee, the Company and the Guarantors, to any such supplemental indenture may be prepared and executed by the Company and authenticated

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delivered by the Trustee or an Authenticating Agent in exchange for Outstanding Securities of such series.

ARTICLE TEN

COVENANTS

SECTION 1001.
Payment of Principal, Premium and Interest.

The Company covenants and agrees for the benefit of each series of Securities that it will duly and punctually pay the principal of, premium, if any, and interest on or any Additional Amounts payable in respect of the Securities of that series in accordance with the terms of the Securities, any Coupons appertaining thereto and this Indenture. Unless otherwise specified as contemplated by Section 301 with respect to any series of Securities; any interest due on and any Additional Amounts payable in respect of Bearer Securities other than Additional Amounts, if any, payable as provided in Section 1004 in respect of principal of, premium, if any, on such Security shall be payable only upon presentation and surrender of the several Coupons for such interest installments as are evidenced thereby as they severally mature.

SECTION 1002.
Maintenance of Office or Agency.

The Company and the Guarantors will maintain in each Place of Payment for such series (but not Bearer Securities, except as otherwise provided below, unless such Place of Payment is located outside the United States) an office or agency where Securities of that series may be presented or surrendered for payments, where Securities of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company or the Guarantors in respect of the Securities of that series and this Indenture may be served. If Securities of a series are issuable as Bearer Securities, the Company and the Guarantors will maintain, subject to any laws or regulations applicable thereto, in a Place of Payment for that series located outside the United States, an office or agency where Securities of that series and related Coupons may be presented and surrendered for payment (including payment of any Additional Amounts payable on Securities of that series pursuant to Section 1004); provided, however, that if the Securities of that series are listed on The Stock Exchange of the United Kingdom and the Republic of Ireland, the Luxembourg Stock Exchange or any other stock exchange located outside the United States and such stock exchange shall so require, the Company and the Guarantors will maintain a Paying Agent for the Securities of that series in London, Luxembourg or any other required city located outside the United States, as the case may be, so long as the Securities of that series are listed on such exchange. The Company and the Guarantors will give prompt written notice to the Trustee and the Holders of such series of the location, and any change in the location, of any such office or agency. If at any time the Company and the Guarantors shall fail to maintain any such required office or agency in respect of any series of Securities or shall fail to furnish the Trustee with the address thereof, such presentations and surrenders of Securities of that series may be made and notices and demands may be made or served at the Corporate Trust Office of the Trustee, except that Bearer Securities of that series and the related Coupons may be presented and surrendered for payment (including payment of any Additional Amounts payable on Bearer Securities of that series pursuant to Section 1004) at the place specified for that purpose pursuant to Section 301, and the Company

and the Guarantors hereby appoints the same as its agent to receive such respective presentations, surrenders, notices and demands.

Except as otherwise specified or contemplated by Section 301, no payment of principal, premium or interest on Bearer Securities shall be made at any office or agency of the Company in the United States or by check mailed to any address in the United States or by transfer to an account maintained with a bank located in the United States; provided, however, that, if the Securities of a series are denominated and payable in Dollars, payment of principal of, premium, if any, and interest on any Bearer Security (including any Additional Amounts payable on Securities of such series pursuant to Section 1004) may be made at the office of the Company's or the Guarantors' Paying Agent in the Borough of Manhattan, The City of New York, if (but only if) payment in Dollars of the full amount of such principal, premium, interest or Additional Amounts, as the case may be, at all offices or agencies outside the United States maintained for that purpose by the Company or the Guarantors in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

The Company and the Guarantors may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company or the Guarantors of its obligation to maintain an office or agency in accordance with the requirements

set forth above for Securities of any series for such purposes. The Company or the Guarantors will give prompt written notice to the Trustee and the Holders of such series of any such designation or rescission and of any change in the location of any such other office or agency.

Unless otherwise provided in or pursuant to this Indenture, the Company hereby designates the Borough of Manhattan, the City of New York as a Place of Payment for each series of Securities, initially appoints the Corporate Trust Office of the Trustee in the Borough of Manhattan, the City of New York as the Company's Office or Agency in the Borough of Manhattan, The City of New York for such purpose and initially appoints the Trustee as the Security Registrar for each series of Securities. The Company may subsequently appoint a different Office or Agency in the Borough of Manhattan, The City of New York and, as provided in Section 305, may remove and replace from time to time the Security Registrar.

SECTION 1003.
Money for Securities Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it will, on or before each due date of the principal of, premium, if any, or interest on any of the Securities of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum in the currency or currencies, currency unit or units or composite currency or currencies in which the Securities of such series are payable (except as otherwise specified pursuant to Section 301 for the Securities of such series) sufficient to pay the principal, premium, if any, interest or Additional Amounts, as the case may be, so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company and the Guarantors shall have one or more Paying Agents for any series of Securities, it will, on or before each due date of the principal of, premium, if any, or interest on or any Additional Amounts with respect to any Securities of that series, deposit with a Paying Agent a sum (in the currency or currencies, currency unit or units or composite currency or currencies described in the preceding paragraph) sufficient to pay the principal, premium, if any, interest and additional Amounts so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company and the Guarantors will promptly notify the Trustee of its action or failure so to act.

The Company and the Guarantors will cause each Paying Agent for any series of Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of, premium, if any, interest on or Additional Amounts with respect to Securities of that series in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company or the Guarantors (or any other obligor upon the Securities of that series) in the making of any payment of principal of, premium, if any, or interest on the Securities of that series and, if so, the amount of such defaulted payment; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the

Trustee all sums so held in trust by such Paying Agent.

The Company or the Guarantors may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order or Guarantor Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Except as otherwise provided hereby or pursuant hereto, any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium, if any, or interest on or Additional Amounts with respect to any Security of any series or any related Coupon and remaining unclaimed for two years after such principal, premium, if any, or interest or Additional Amount has become due and payable shall be paid to the Company on Company Request, (or if deposited by any Guarantor, paid to such Guarantor on Guarantor Request), or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security or any Coupon appertaining thereto shall thereafter, as an unsecured general creditor, look only to the Company and the Guarantors for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of

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the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, shall at the expense and at the direction of the Company or a Guarantor in the case of Bearer Securities cause to be published once, in an Authorized Newspaper in each Place of Payment, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company or the Guarantors, as the case may be.

SECTION 1004.
Additional Amounts.

If the Securities of a series provide for the payment of Additional Amounts, the Company and the Guarantors will pay to the Holder of any Security of such series or any Coupon appertaining thereto Additional Amounts as provided therein. Whenever in this Indenture there is mentioned, in any context, the payment of the principal of or any premium or interest on, or in respect of, any Security of any series or payment of any related Coupon or the net proceeds received on the sale or exchange of any Security of any series, such mention shall be deemed to include mention of the payment of Additional Amounts provided for in this Section to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to the provisions of this Section and express mention of the payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

Except as otherwise provided herein or pursuant hereto, if the Securities of a series provide for the payment of Additional Amounts, at least 10 days prior to the first Interest Payment Date with respect to that series of Securities (or if the Securities of that series will not bear interest prior to Maturity, the first day on which a payment of principal and any premium is made), and at least 10 days prior to each date of payment of principal and any premium or interest if there has been any change with respect to the matters set forth in the below-mentioned officers' certificates, the Company or the Guarantors, as

the case may be, will furnish the Trustee and the principal Paying Agent or Paying Agents, if other than the Trustee, with a Company Officers' Certificate or a Guarantor's Officers' Certificate, as the case may be, instructing the Trustee and such Paying Agent or Paying Agents whether such payment of principal of and any premium or interest on the Securities of that series shall be made to Holders of Securities of that series or any related Coupons who are United States Aliens without withholding for or on account of any tax, assessment or other governmental charge described in the Securities of that series. If any such withholding shall be required, then such Company Officers' Certificate or Guarantor's Officers' Certificate, as the case may be, shall specify by country the amount, if any, required to be withheld on such payments to such Holders of Securities or Coupons and the Company will pay to such Paying Agent the Additional Amounts required by the terms of such Securities. The Company and the Guarantors covenant to indemnify the Trustee and any Paying Agent for, and to hold them harmless against any loss, liability or expense reasonably incurred without negligence or bad faith on their part arising out of or in connection with actions taken or omitted by any of them in reliance on any Company Officers' Certificate or Guarantor's Officers' Certificate furnished pursuant to this Section.

SECTION 1005.
Limitation on Liens.

The Company and the Guarantors will not, nor will they permit any Subsidiary to issue or assume any Indebtedness secured by a Lien upon any Property (now owned or hereinafter acquired) of the Company or the Guarantors or any Subsidiary without in any such case effectively providing concurrently with the issuance or assumption of any such Indebtedness that all of the Securities of any applicable series outstanding (together with, if the Company or the Guarantors shall so determine, any other Indebtedness of the Company or the Guarantors or any Subsidiary ranking equally with the applicable series of Securities 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 Guarantors or the Subsidiaries and so secured by Liens, together with all other Indebtedness of the Company, the Guarantors or the 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 (xiii) of the immediately following paragraph, does not at the time 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 applicable series of Securities;

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

(iii) Liens on any Property existing at the time such Property is acquired by the Company, any Guarantor or a Subsidiary, 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, any Guarantor or a Subsidiary 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, any Guarantor or a Subsidiary 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 a Subsidiary owing to the Guarantors or to another Subsidiary;

(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 Guarantors or any of their Subsidiaries;

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

(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 Guarantors or any Subsidiary;

(xii) any interest or title of the lessor in the Property subject to any operating lease entered into by the Company, any Guarantor or any Subsidiary in the ordinary course of business;

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

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

SECTION 1006.
Existence.

Subject to Article Eight, the Company and each of the Guarantors will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence,

rights (charter and statutory) and franchises; provided, however, that the Company or the Guarantors shall not be required to preserve any such right or franchise if the Company's Board of Directors or the applicable Guarantor's Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of its respective businesses and that the loss thereof is not disadvantageous in any material respect to any Holder.

SECTION 1007.
Payment of Taxes and Other Claims.

The Company and each of the Guarantors will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company, each of the Guarantors or any of their respective subsidiaries or upon the income, profits or property of the Company, the Guarantors or any of their respective subsidiaries, and (2) all lawful claims for labor, materials and supplies which, if unpaid, may by law become a Lien upon the property of the Company, the Guarantors or any of their respective subsidiaries (other than Liens permitted by Section 1005); provided, however, that neither the Company nor either of the Guarantors shall be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim (or any interest, penalties or fines realting thereto) whose amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 1008.
Change in Nature of Business.

Neither the Company nor any Guarantor will make any material change in the nature of their business as carried on at the initial date of the issuance of the Securities.

SECTION 1009.
Accounting Changes.

Neither the Company nor any Guarantor will make or permit, or permit any of its Subsidiaries to make or permit, any change in accounting policies or reporting practices, except as required or permitted by GAAP.

SECTION 1010.
Waiver of Certain Covenants.

The Company or the Guarantors may omit in any particular instance to comply with any term, provision or condition set forth in Sections 1002 to 1009, inclusive, with respect to the Securities of any series if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Securities of such series shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company or the Guarantors and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

SECTION 1011.
Calculation of Original Issue Discount.

The Company shall file with the Trustee promptly at the end of each calendar year (i) a written notice specifying the amount of original issue discount, if any (including daily rates and accrual periods), accrued on Outstanding Securities as of the end of such year and (ii) such other

specific information relating to such original issue discount as may then be relevant under the Internal Revenue Code of 1986, as amended from time to time.

ARTICLE ELEVEN

REDEMPTION OF SECURITIES

SECTION 1101.
Applicability of Article.

Securities of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise provided herein or therein pursuant hereto) in accordance with this Article.

SECTION 1102.
Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities shall be evidenced by either a Company Board Resolution or a Company Officers' Certificate. In the case of any redemption at the election of the Company of Securities of any series, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Securities of such series to be redeemed. In the case of any redemption of Securities (i) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture, or (ii) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities, the Company shall furnish the Trustee with a Company Officers' Certificate evidencing compliance with such restriction or condition.

SECTION 1103.
Selection by Trustee of Securities to Be Redeemed.

If less than all the Securities of any series with identical terms and conditions are to be redeemed, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series not previously called for redemption, by lot or by such other method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities of that series or any integral multiple thereof) of the principal amount of Registered Securities of such series of a denomination larger than the minimum authorized denomination for Securities of that series. Notwithstanding the preceding sentence, if the list of Holders of Securities of any series to be redeemed is maintained by computer or other data processing equipment by a Security Registrar, a Paying Agent or another Person authorized to maintain such a list under this Indenture, the Trustee may, and if reasonably requested by the Company shall, utilize the computer or data processing equipment of such Security Registrar, Paying Agent or other authorized Person for the purpose of determining by lot or by such other method as the Trustee shall deem fair and appropriate the Securities to be redeemed. No partial redemption shall reduce the portion of the principal amount of a Registered Security of a series not redeemed to less than the minimum denominations for a Security of such series established herein pursuant hereto.

The Trustee shall promptly notify the Company and the Security Registrar (if other than itself) in writing of the Securities selected for redemption and, in

the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

SECTION 1104.
Notice of Redemption.

Notice of redemption shall be given in the manner provided in Section 106 to the Holders of Securities to be redeemed not less than 30 nor more than 60 days prior to the Redemption Date unless a shorter period is specified pursuant to Section 301 with respect to the Securities to be redeemed.

Failure to give notice by mailing in the manner herein provided to the Holder of any Registered Securities designated for redemption as a whole or in part, or any defect in the notice to any such Holder, shall not affect the validity of the proceedings for the redemption of any other Securities or portion thereof.

Any notice that is mailed to the Holder of any Registered Securities in the manner herein provided shall be conclusively presumed to have been duly given, whether or not such Holder receives the notice.

All notices of redemption shall identify the Securities to be redeemed and state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) if less than all the Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Securities to be redeemed,

(4) in case any Security is to be redeemed in part only, the notice which relates to such Security shall state that on and after the Redemption Date, upon surrender of such Security, the Holder of such Security will receive, without charge, a new Security or Securities of authorized denominations for the principal amount thereof remaining unredeemed,

(5) that on the Redemption Date the Redemption Price will become due and payable upon each such Security to be redeemed and, if applicable, that interest thereon and Additional Amounts, if any, will cease to accrue on and after said date,

(6) the place or places where such Securities, together in the case of Bearer Securities with all Coupons appertaining thereto, if any, maturing after the Redemption Date, are to be surrendered for payment of the Redemption Price,

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(7) that the redemption is for a sinking fund, if such is the case,

(8) that, unless otherwise specified in such notice, Bearer Securities of any series, if any, surrendered for redemption must be accompanied by all Coupons maturing subsequent to the date fixed for redemption or the amount of any such missing Coupon or Coupons will be deducted

from the Redemption Price, unless security or indemnity satisfactory to the Company, the Trustee and any Paying Agent is furnished,

(9) if Bearer Securities of any series are to be redeemed and no Registered Securities of such series are to be redeemed, and if such Bearer Securities may be exchanged for Registered Securities not subject to redemption on the Redemption Date pursuant to Section 305 or otherwise, the last date, as determined by the Company, on which such exchanges may be made, and

(10) the CUSIP number or the Euroclear or Clearstream, Luxembourg reference numbers of the Securities to be so redeemed, if any.

A notice of redemption published as contemplated by Section 106 need not identify particular Registered Securities to be redeemed.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company, in which event the Company shall provide the Trustee with the information required by Clauses (1) through (10) above.

If at the time notice of redemption shall be given the Company shall not have deposited with a Paying Agent and/or irrevocably directed the Trustee or a Paying Agent to apply, from money held by it available to be used for the redemption of Securities which are to be redeemed, an amount in cash sufficient to redeem all of the Securities called for redemption, including accrued interest and Additional Amounts to the Redemption Date, such notice shall state that it is subject to the receipt of the redemption monies by the Trustee or a Paying Agent on or before the Redemption Date and such notice shall be of no effect unless such monies are so received before such date.

SECTION 1105.
Deposit of Redemption Price.

At or before 10:00 a.m., New York City time, on any Redemption Date, the Company shall deposit with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on and any Additional Amounts with respect thereto, all the Securities which are to be redeemed on that date. The Paying Agent shall provide notice to the Trustee of such deposit.

SECTION 1106.
Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid if required pursuant to the terms of the Securities being redeemed, the Securities so to be redeemed shall, on the Redemption Date,

become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Securities shall cease to bear interest and the Coupons for such interest appertaining to any Bearer Securities so to be redeemed, except to the extent provided below, shall be void. Upon surrender of any such Security for redemption in accordance with said notice, together with all Coupons, if any, appertaining thereto maturing after the Redemption Date, such Security shall be paid by the Company at the Redemption Price, together with accrued interest (and any Additional Amounts)

to the Redemption Date; provided, however, that installments of interest on Bearer Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable only at an office or agency located outside the United States (except as otherwise provided in Section 1002) and, unless otherwise specified as contemplated by Section 301, only upon presentation and surrender of Coupons for such interest; and provided, further, that, unless otherwise specified as contemplated by Section 301, installments of interest on Registered Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant Coupons maturing after the Redemption Date, such Security may be paid after deducting from the Redemption Price an amount equal to the face amount of all such missing Coupons, or the surrender of such missing Coupon or Coupons may be waived by the Company and the Trustee or Authenticating Agent if there be furnished to them such Security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Security shall surrender to the Trustee or Authenticating Agent or any paying Agent any such missing Coupon in respect of which a deduction shall have been made from the Redemption Price, such Holder shall be entitled to receive the amount so deducted; provided, however, that interest represented by Coupons and any Additional Amounts payable with respect thereto shall be payable only at an office or agency located outside the United states (except as otherwise provided in Section 1002) and, unless otherwise specified as contemplated by Section 301, only upon presentation and surrender of those Coupons.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal, and premium, if any, shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security or, if no rate is prescribed therefor in the Security, at the rate of interest, if any, borne by such Security..

SECTION 1107.
Securities Redeemed in Part.

Any Registered Security which is to be redeemed only in part shall be surrendered at a Place of Payment therefor (with, if the Company or the Security Registrar so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee or Authenticating Agent shall authenticate and deliver to the Holder of such Security without service charge, a new Registered Security or Securities of the same series and of like tenor, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the

unredeemed portion of the principal of the Security so surrendered. If a Security in global form is so surrendered, the Company shall execute, and the Trustee shall authenticate and deliver to the U.S. Depositary or other Depository for such Security in global form as shall be specified in the Company Order with respect thereto to the Trustee, without service charge, a new Security in global form in a denomination equal to and in exchange for the unredeemed portion of the principal of the Security in global form so surrendered.

However, if less than all the Securities of any series with differing issue dates, interest rates and stated maturities are to be redeemed, the Trustee will select the notes or portions thereof to be redeemed. In this case, the

Trustee will select the particular notes or portions thereof for redemption from the outstanding notes not previously called by lot, pro rata or by any other method the Trustee considers fair and appropriate.

ARTICLE TWELVE

SINKING FUNDS

SECTION 1201.
Applicability of Article.

The provisions of this Article shall be applicable to any sinking fund for the retirement of Securities of a series, except as otherwise specified as contemplated by Section 301 for Securities of such series.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment". If provided for by the terms of Securities of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 1202. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series and this Indenture.

SECTION 1202.
Satisfaction of Sinking Fund Payments with Securities.

The Company (1) may deliver Outstanding Securities of a series (other than any previously called for redemption), together in the case of any Bearer Securities of such series with all unmatured Coupons appertaining thereto, and (2) may apply as a credit Securities of a series which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Securities of such series required to be made pursuant to the terms of such Securities as provided for by the terms of such series; provided, that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Security Registrar at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly. If, as a result of the delivery or credit of Securities of any series in lieu of cash payments pursuant to this Section 1202, the principal amount of Securities of such series to

be redeemed in order to satisfy the remaining sinking fund payment shall be less than $100,000, the Trustee need not call Securities of such series for redemption, except upon Company Request, and such cash payment shall be held by the Trustee or a Paying Agent and applied to the next succeeding sinking fund payment, provided, however, that the Trustee or such Paying Agent shall at the request of the Company from time to time pay over and deliver to the Company any cash payment so being held by the Trustee or such Paying Agent upon delivery by the Company to the Trustee of Securities of that series purchased by the Company having an unpaid principal amount equal to the cash payment requested to be released to the Company.

SECTION 1203.
Redemption of Securities for Sinking Fund.

Not less than 75 days prior to each sinking fund payment date for Securities of

any series, the Company will deliver to the Trustee a Company Order specifying the amount of the next ensuing sinking fund payment for such Securities pursuant to the terms of such Securities, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting Securities of that series pursuant to Section 1202 and the optional amount, if any, to be added in cash to the next ensuing mandatory sinking fund payment and will also deliver to the Security Registrar any Securities to be so credited and not theretofore delivered. If such Company Order shall specify an optional amount to be added in cash to the next ensuing mandatory sinking fund payment, the Company shall thereupon be obligated to pay the amount therein specified. Not less than 60 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in or permitted by Section 1103 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 1104. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 1106 and 1107.

ARTICLE THIRTEEN

MEETINGS OF HOLDERS OF SECURITIES

SECTION 1301.
Purposes for Which Meetings May Be Called.

A meeting of Holders of Securities of any or all series may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Securities of such series.

SECTION 1302.
Call, Notice and Place of Meetings.

(a) The Trustee may at any time call a meeting of Holders of Securities of any series for any purpose specified in Section 1301, to be held at such time and at such place in the Borough of Manhattan, The City of New York, or if the Securities of such series are issued as Bearer Securities, in London or such other place outside of the United States as the Trustee shall determine. Notice of every meeting of Holders of Securities of any series, setting forth the time and the place of such meeting and in general terms the action

proposed to be taken at such meeting, shall be given, in the manner provided in Section 106, not less than 20 nor more than 180 days prior to the date fixed for the meeting.

(b) In case at any time the Company, pursuant to a Company Board Resolution, a Guarantor, pursuant to a Guarantor's Board Resolution or the Holders of at least 10% in aggregate principal amount of the outstanding Securities of any series shall have requested the Trustee to call a meeting of the Holders of Securities of such series for any purpose specified in Section 1301, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the first publication of the notice of such meeting within 20 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Securities of such series in the amount above specified, as the case may be, may determine the time and the place in the Borough of Manhattan, The City of New York, or in London, as the case may be, for such meeting and may call such meeting for such

purposes by giving notice thereof as provided in subsection (a) of this Section.

SECTION 1303.
Persons Entitled to Vote at Meetings.

To be entitled to vote at any meeting of Holders of Securities of any series, a Person shall be (1) a Holder of one or more Outstanding Securities of such series, or (2) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series by such Holder or Holders. The only Persons who shall be entitled to be present or to speak at any meeting of Holders of Securities of any series shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel, any representative of a Guarantor and its counsel and any representatives of the Company and its counsel.

SECTION 1304.
Quorum; Action.

The Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of a series shall constitute a quorum for a meeting of Holders of Securities of such series; provided, however, that if any action is to be taken at such meeting with respect to a consent or waiver which this Indenture expressly provides may be given by the Holders of not less than 66-2/3% in aggregate principal amount of the Outstanding Securities of a series, the Persons entitled to vote 66-2/3% in aggregate principal amount of the Outstanding Securities of such series shall constitute a quorum. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series, be dissolved. In any other case, the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 1302(a), except that such notice need be given only once not less than five days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall

state expressly the percentage, as provided above, of the aggregate principal amount of the outstanding Securities of such series which shall constitute a quorum.

Except as limited by the proviso to Section 902, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted by the affirmative vote of the Holders of a majority in aggregate principal amount of the Outstanding Securities of that series; provided, however, that, except as limited by the proviso to Section 902, any resolution with respect to any consent or waiver which this Indenture expressly provides may be given by the Holders of not less than 66-2/3% in aggregate principal amount of the outstanding Securities of a series may be adopted at a meeting or an adjourned meeting duly convened and at which a quorum is present as aforesaid only by the affirmative vote of the Holders of 66-2/3% in aggregate principal amount of the outstanding Securities of that series; and provided, further, that, except as limited by the proviso to Section 902, any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action which this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage, which is less than a majority, in aggregate principal amount of the Outstanding Securities of a series may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative

vote of the Holders of such specified percentage in aggregate principal amount of the Outstanding Securities of that series.

Any resolution passed or decision taken at any meeting of Holders of Securities of any series duly held in accordance with this Section shall be binding on all the Holders of Securities of a series and the related Coupons, whether or not present or represented at the meeting.

SECTION 1305.
Determination of Voting Rights; Conduct and Adjournment of Meetings.

(a) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities of a series in regard to proof of the holding of Securities of such series and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the holding of Securities shall be proved in the manner specified in Section 104 and the appointment of any proxy shall be proved in the manner specified in Section 104 or by having the signature of the person executing the proxy witnessed or guaranteed by any trust company, bank or banker authorized by Section 104 to certify to the holding of Bearer Securities. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 104 or other proof.

(b) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of Securities as provided in Section 1302(b), in which case the Company, a Guarantor or the Holders of Securities of the series calling the meeting, as the case may be, shall appoint a temporary chairman. A permanent chairman and a permanent secretary

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of the meeting shall be elected by vote of the Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of such series represented at the meeting.

(c) At any meeting each Holder of a Security of such series and each proxy shall be entitled to one vote for each $1,000 principal amount of the Outstanding Securities of such series held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security of such series or as a proxy.

(d) Any meeting of Holders of Securities of any series duly called pursuant to Section 1302 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of such series represented at the meeting; and the meeting may be held as so adjourned without further notice.

SECTION 1306.
Counting Votes and Recording Action of Meetings.

The vote upon any resolution submitted to any meeting of Holders of Securities of any series shall be by written ballots on which shall be subscribed the signatures of the Holders of Securities of such series or of their representatives by proxy and the principal amounts and serial numbers of the

Outstanding Securities of such series held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record, at least in duplicate of the proceedings of each meeting of Holders of Securities of any series shall be prepared by the secretary of the meeting and there shall be attached to such record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that such a notice was given as provided in Section 1302 and, if applicable, Section 1304. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company and the Guarantors, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

ARTICLE FOURTEEN

GUARANTEES

SECTION 1401.
Guarantees.

Subject to the provisions of this Article Fourteen, the Guarantors hereby irrevocably and unconditionally guarantee, jointly and severally, on a senior basis to each Holder of a Security authenticated and delivered hereunder and to the Trustee the due and punctual payment of the

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principal of, any premium and interest on, and any Additional Amounts with respect to such Security and the due and punctual payment of the sinking fund payments (if any) provided for pursuant to the terms of such Security, when and as the same shall become due and payable, whether at maturity, by acceleration, redemption, repayment or otherwise, and the due and punctual payment of interest on overdue principal of and premium, if any, and interest, if any, on the Securities, to the extent lawful, in accordance with the terms of such Security and of this Indenture, and the due and punctual performance of all other obligations of the Company, to the Holders or the Trustee all in accordance with the terms of the Securities and this Indenture (the foregoing, collectively, the "Guaranteed Obligations"). In case of the failure of the Company punctually to pay any such principal, premium, interest, Additional Amounts, sinking fund payment or other amounts, each Guarantor hereby agrees to cause any such payment to be made punctually when and as the same shall become due and payable, whether at maturity, upon acceleration, redemption, repayment or otherwise, and as if such payment were made by the Company.

Each Guarantor hereby agrees that its obligations hereunder shall be as principal and not merely as surety, and shall be absolute, irrevocable and unconditional, irrespective of, and shall be unaffected by, any invalidity, irregularity or unenforceability of any Security or this Indenture, any failure to enforce the provisions of any Security or this Indenture, or any waiver, modification, consent or indulgence granted with respect thereto by the Holder of such Security or the Trustee, the recovery of any judgment against the Company or any action to enforce the same, or any other circumstances which may otherwise constitute a legal or equitable discharge of a surety or guarantor. Each Guarantor hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of merger, insolvency or bankruptcy of the Company, any right to require a proceeding first against the Company, protest or notice with respect to any such Security or the Indebtedness evidenced thereby and all demands whatsoever, and covenants that no Guarantee will be

discharged except by payment in full of the principal of, any premium and interest on, and any Additional Amounts and sinking fund payments required with respect to, the Securities and the complete performance of all other obligations contained in the Securities and this Indenture.

The maturity of the obligations guaranteed hereby may be accelerated as provided in Article Five for the purposes of this Article Fourteen. In the event of any declaration of acceleration of such obligations as provided in Article Five, such obligations (whether or not due and payable) shall forthwith become due and payable by each Guarantor for the purpose of this Article Fourteen. In addition, without limiting the foregoing provisions, upon the effectiveness of an acceleration under Article Five, the Trustee shall promptly make a demand for payment on the Securities under each Guarantee provided for in this Article Fourteen.

If the Trustee or the Holder of any Security is required by any court or otherwise to return to the Company or any Guarantor, or any custodian, receiver, liquidator, trustee, sequestrator or other similar official acting in relation to the Company or any Guarantor, any amount paid to the Trustee or such Holder in respect of a Security, any Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor further agrees, to the fullest extent that it may lawfully do so, that, as between it, on the one hand, and the Holders and the Trustee, on the other hand, the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Five hereof for the purposes of each Guarantee,

notwithstanding any stay, injunction or other prohibition issued or imposed under any applicable bankruptcy law preventing such acceleration in respect of the obligations guaranteed hereby.

Until this Indenture is discharged and all of the Securities are discharged and paid in full, each Guarantor hereby irrevocably waives and agrees not to exercise any claim or other rights which it may now or hereafter acquire against the Company that arise from the existence, payment, performance or enforcement of the Company's obligations under the Securities or this Indenture and such Guarantor's obligations under this Guarantee and this Indenture, in any such instance including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, indemnification, and any right to participate in any claim or remedy against the Company, whether or not such claim, remedy or right arises in equity, or under contract, statute or common law, including, without limitation, the right to take or receive from the Company, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim or other rights. If any amount shall be paid to any Guarantor in violation of the preceding sentence and any amounts owing to the Trustee or the Holders of Securities under the Securities, this Indenture, or any other document or instrument delivered under or in connection with such agreements or instruments, shall not have been paid in full, such amount shall be deemed to have been paid to such Guarantor for the benefit of, and held in trust for the benefit of, the Holders of the Securities, and shall forthwith be paid to the Trustee for the benefit of such Holders to be credited and applied to the Securities, whether matured or unmatured, in accordance with the terms of this Indenture. Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by this Indenture and that the waiver set forth in this Section is knowingly made in contemplation of such benefits.

Anything to the contrary in this Indenture notwithstanding, each Guarantee by a Guarantor shall be, and hereby is, limited to the maximum amount that can be guaranteed by the applicable Guarantor without rendering such Guarantee, as it relates to such Guarantor, voidable under any applicable law relating to fraudulent conveyance, fraudulent transfer or similar laws affecting the rights

of creditors generally.

Each Guarantee set forth in this Section 1401 shall not be valid and obligatory for any purpose with respect to a Security until the certificate of authentication of such Security shall have been signed by or on behalf of the Trustee or any Authenticating Agent.

Each Guarantee is a guarantee of payment and not of collection.

SECTION 1402.
Operation of Guarantees.

By execution of this Agreement or a supplemental indenture and upon delivery of a Guarantor's Order to the Trustee by the Guarantors prior to the issuance of any Security of a series, the Guarantee of each Guarantor in respect of such Securities shall be set forth in Section 1401 and shall be effective for all purposes upon authentication of such Security by or on behalf of the Trustee and shall not require any Guarantor's endorsement on the Securities.

SECTION 1403.
Release of Guarantee.

Concurrently with the payment in full of all of the Guaranteed Obligations, the Guarantors shall be released from and relieved of their obligations under this Article Fourteen. Upon the delivery by the Company to the Trustee of a Company Officers' Certificate and, if requested by the Trustee, an Opinion of Counsel to the effect that the transaction giving rise to the release of such obligations was made by the Company in accordance with the provisions of this Indenture and the Securities, the Trustee shall execute any documents reasonably required in order to evidence the release of the Guarantors from their obligations. If any of the Guaranteed Obligations are revived and reinstated after the termination of this Guarantee, then all of the obligations of the Guarantors under this Guarantee shall be revived and reinstated as if this Guarantee had not been terminated until such time as the Guaranteed Obligations are paid in full, and the Guarantors shall enter into an amendment to this Guarantee, reasonably satisfactory to the Trustee, evidencing such revival and reinstatement.

ARTICLE FIFTEEN

SECURITIES IN FOREIGN CURRENCIES

SECTION 1501.
Applicability of Article.

Whenever this Indenture provides for (i) any action by, or the determination of any of the rights of, Holders of Securities of any series in which not all of such Securities are denominated in the same currency or (ii) any distribution to Holders of Securities of any series in which not all of such Securities are denominated in the same currency, in the absence of any provision to the contrary in or pursuant to this Indenture or the Securities of such series, any amount in respect of any Security denominated in a currency other than Dollars shall be treated for any such action, determination or distribution as that amount of Dollars that could be obtained for such amount on such reasonable basis of exchange and as of the record date with respect to Registered Securities of such series (if any) for such action, determination or distribution (or, if there shall be no applicable record date, such other date reasonably proximate to the date of such distribution) as the Company may specify in a written notice to the Trustee or, in the absence of such written notice, as the Trustee may determine.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed and attested, all as of the day and year first above written.

HARLEY-DAVIDSON FUNDING CORP.
as Issuer
By
Name:
Title:
HARLEY-DAVIDSON FINANCIAL
SERVICES, INC.
as a Guarantor

By:
Name:
Title:
HARLEY-DAVIDSON CREDIT CORP.
as a Guarantor
By:
Name:
Title:
BNY MIDWEST TRUST COMPANY,
as Trustee
By:
Name:
Title:

STATE OF)
: ss.:
COUNTY OF)

On the day of , 2003, before me personally came , to me known, who., being by me duly sworn, did depose and say that he is of HARLEY-DAVIDSON FUNDING CORP., one of the corporations described in and which executed the foregoing instrument and that he signed his name thereto by like authority.

Notary Public, State of
My Commission Expires

STATE OF New York)
: ss.:
COUNTY OF New York)

On the { }th day of { }, 2003, before me personally came { }, to me known, who., being by me duly sworn, did depose and say that she is { } of BNY MIDWEST TRUST COMPANY one of the corporations described in and which executed the foregoing instrument and that she signed her name thereto by like authority.

Notary Public, State of New York
Commission Expires

Exhibit A-1

{Form of 144A Global Note}

HARLEY-DAVIDSON FUNDING CORP.
MEDIUM-TERM NOTES, SERIES A

Fully and Unconditionally Guaranteed, Jointly and Severally, by
Harley-Davidson Financial Services, Inc. and 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.

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), (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT OR (C) IT IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF 501(a)(1), (2), (3), (7) OR (8) UNDER THE SECURITIES ACT (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN PRIOR TO THE DATE WHICH IS THE LATER OF (i) TWO YEARS (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144(k) OF THE SECURITIES ACT) AFTER THE LATER OF (Y) THE DATE OF ORIGINAL ISSUANCE HEREOF AND (Z) THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE (AS DEFINED IN RULE 405 UNDER THE SECURITIES ACT) OF THE COMPANY WAS THE HOLDER OF THIS SECURITY OR SUCH INTEREST OR

PARTICIPATION (OR ANY PREDECESSOR THERETO) AND (ii) SUCH LATER DATE, IF ANY, AS MAY BE REQUIRED BY ANY SUBSEQUENT CHANGE IN APPLICABLE LAW, ONLY (A) TO THE

COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON THE HOLDER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER", AS DEFINED IN RULE 144A, THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a) (1), (2), (3), (7) OR (8) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THIS SECURITY OR SUCH INTEREST OR PARTICIPATION 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, THAT, PRIOR TO SUCH TRANSFER FURNISHES (OR HAS FURNISHED ON ITS BEHALF BY A U.S. BROKER DEALER) TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS SECURITY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE FOR THIS SECURITY), (D) PURSUANT TO OFFERS AND SALES TO NON-US PERSONS THAT OCCUR OUTSIDE THE UNITED STATES PURSUANT TO REGULATION S UNDER THE SECURITIES ACT, (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN TWO YEARS AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY, IF THE PROPOSED TRANSFEREE IS AN ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE AND THE COMPANY SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

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.

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HARLEY-DAVIDSON FUNDING CORP.
MEDIUM-TERM NOTES, SERIES A

%Notes due

Fully and Unconditionally Guaranteed, Jointly and Severally, by
Harley-Davidson Financial Services, Inc. and Harley-Davidson Credit Corp.

No.

Principal Amount $

CUSIP No.
ISIN No.
Common Code
Issue Price:
Original Issue Date:

as revised by the Schedule of Increases and Decreases in Global Security attached hereto
Maturity Date:
Index Maturity:
o Original Issue Discount Note
Total Amount of OID:
Yield to Maturity: %
Initial Accrual Period OID:

o Fixed Rate
Interest Rate: %
Interest Rate Basis:
CD Rate

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

CMT Rate
Designated CMT Moneyline Telerate Page:
Designated CMT Maturity Index:

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

Commercial Paper Rate
Federal Funds Rate
LIBOR
o LIBOR Reuters:
o LIBOR Moneyline Telerate:
o LIBOR Currency:

Authorized Denomination:

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oIndex Maturity:
oDesignated LIBOR Page:

Place of Payment:

Prime Rate
Treasury Rate
Other
Spread (Plus Or Minus):

Initial Redemption Date:
Initial Redemption Percentage:
Annual Redemption Percentage Reduction:
Repayment Date:

Spread Multiplier: %

Renewable: oYes o No
Extendible: o Yes o No

Interest Category:
o Regular Floating Rate Note
o Floating Rate/Fixed Rate Note
Fixed Rate Commencement Date:
Fixed Interest Rate: %

Final Maturity Date:

oInverse Floating Rate Note
Initial Interest Reset Date:
Interest Reset Dates:

Maximum Interest Rate: %
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):
Regular Record Dates (if other than as set forth below):
Interest Determination Dates:
Additional Amounts applicable for Company:
o Yes
o No
Additional Amounts applicable for Guarantors:

o Yes
o No
Addendum Attached
o Yes
o No

Other Provisions:

Authorized Denomination (only if non-U. S. dollar denominated Note):
Calculation Agent (if other than the Trustee):
Interest Payment Period:

Harley-Davidson Funding Corp., a corporation duly organized under the laws of the State of Nevada (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 Security 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 a duly authorized issue of notes of the Company (herein referred to as the "Notes"), all issued or to be issued in one or more series under an indenture, dated as of November , 2003 (as may be supplemented from time to time, the "Indenture"), among the Company, Harley-Davidson Financial Services, Inc., Harley-Davidson Credit Corp., (each of Harley-Davidson Financial Services, Inc. and Harley-Davidson Credit Corp. being a "Guarantor" and, collectively, the "Guarantors") and BNY Midwest Trust Company, 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 Guarantors 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 Guarantors 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, each 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:

(1) the capital city of the country issuing the Specified Currency; or

(2) the capital city of the country to which the LIBOR Currency relates,

except, in each case, 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 the LIBOR Currency specified above, 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 and of each year (each such date fixed for the payment of interest, an "Interest Payment Date") commencing on and 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 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 of 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 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.

BNY Midwest Trust Company 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 selected by the Calculation Agent 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 Calculation Agent 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 the rate displayed on the Designated CMT Moneyline Telerate Page (as defined below) under the caption "...Treasury Constant Maturities...Federal Reserve Board Release H.15...Mondays Approximately 3:45 p.m.," under the column for the Designated CMT Maturity Index for (i) if the Designated CMT Moneyline Telerate Page is specified above as 7051, 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, as published in H.15(519) under the caption "Treasury Constant Maturities," as the yield is displayed on Moneyline Telerate (or any successor service), on page 7051 (or any other page as may replace page 7051 on that service) ("Moneyline Telerate Page 7051"), for the applicable CMT Interest Determination Date. If the rate referred to in the preceding sentence does not appear on Moneyline Telerate Page 7051, 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 Calculation Agent (from five Reference Dealers selected by the Calculation Agent 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 Calculation Agent from five Reference Dealers selected by the Calculation Agent 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 and (ii) if the CMT Moneyline Telerate Page is 7052, 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 published in H.15(519) opposite the caption "Treasury Constant Maturities," as the yield is displayed on Moneyline Telerate (or any successor service) on page 7052 (or any other page as may replace page 7052 on that service) ("Moneyline Telerate Page 7052"), 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 Moneyline Telerate Page 7052, 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 Calculation Agent (from five Reference Dealers selected by the Calculation Agent 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 Calculation Agent (from five Reference Dealers selected by the Calculation Agent 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.

"Designated CMT Moneyline Telerate Page" means the display on Moneyline Telerate or any successor service on the page specified above (or any other page as may replace the specified page on that service for the purpose of displaying Treasury Constant Maturities as reported in H.15(519)). If no such page is specified above, the Designated CMT Moneyline Telerate Page shall be 7052, for the most recent week.

"Designated CMT Maturity Index" means the original period to maturity of the U.S. Treasury securities (either 1, 2, 3, 5, 7, 10, 20 or 30 years) specified above with respect to which the CMT Rate will be calculated. If no such maturity is specified, the Designated CMT Maturity Index shall be two years.

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 Calculation Agent 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 Moneyline Telerate or any successor service on page 120 or any other page as may replace the applicable page on that service ("Moneyline Telerate Page 120") or, if such rate does not appear on Moneyline Telerate Page 120, 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 Rate." 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 Calculation Agent 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 Calculation Agent 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 in accordance with the following provisions:

(i) LIBOR will be either: (a) if "LIBOR Reuters" is specified above, LIBOR will be the arithmetic mean of the offered rates (unless the specified Designated LIBOR Page (as defined below) by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the LIBOR Currency having the Index Maturity specified above, commencing on the second London Banking Day immediately following such LIBOR Interest Determination Date, that appear on the Designated LIBOR Page specified above, as of 11:00 a.m., London time, on the applicable LIBOR Interest Determination Date, if at least two such offered rates appear (unless, as aforesaid, only a single rate is required) on such Designated LIBOR Page, or (b) if "LIBOR Moneyline Telerate" is specified

above or if neither "LIBOR Reuters" nor "LIBOR Moneyline Telerate" is specified as the method for calculating LIBOR, LIBOR will be the rate for deposits in the LIBOR Currency (as defined below) having the Index Maturity specified above, commencing on the second London Banking Day immediately following such LIBOR Interest Determination Date that appears on the Designated LIBOR Page as of 11:00 a.m., London time, on the applicable LIBOR Interest Determination Date. If fewer than two such offered rates appear, or if no such rate appears, as the case may be, LIBOR in respect of the related LIBOR Interest Determination Date will be determined in accordance with provisions described in clause (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, on the applicable Designated LIBOR Page as specified in clause (i) above, the rate calculated by the Calculation Agent will be the arithmetic mean of at least two quotations obtained by the Calculation Agent after requesting the principal London offices of each of four major reference banks, which may include an agent of the Company or such agent's affiliates, in the London interbank market, to provide the Calculation Agent with its offered quotation for deposits in the LIBOR Currency for the period of the Index Maturity specified above,

commencing on the second London Banking Day immediately following the applicable LIBOR Interest Determination Date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on the applicable LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in the applicable LIBOR Currency in that market at that time. If fewer than two quotations are provided, LIBOR determined on the applicable LIBOR Interest Determination Date calculated by the Calculation Agent will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., in the applicable Principal Financial Center, on the LIBOR Interest Determination Date by three major banks, which may include an agent of the Company or such agent's affiliates, in the applicable Principal Financial Center(s) selected by the Calculation Agent for loans in the LIBOR Currency to leading European banks, having the Index Maturity specified above and in a principal amount that is representative for a single transaction in the applicable LIBOR Currency in that market at that time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such LIBOR Interest Determination Date will be the LIBOR rate in effect on the applicable LIBOR Interest Determination Date.

"LIBOR Currency" means the currency (including composite currencies) specified above as the currency for which LIBOR shall be calculated. If no such currency is specified above, the LIBOR Currency shall be United States dollars.

"Designated LIBOR Page" means either (a) if "LIBOR Reuters" is specified above, the display on the Reuters Monitor Money Rates Service or any successor service specified above for the purpose of displaying the London interbank rates of major banks for the applicable LIBOR Currency, or (b) if "LIBOR Moneyline Telerate" is specified above or neither "LIBOR Reuters" nor "LIBOR Moneyline Telerate" is specified as the method for calculating LIBOR, the display on Moneyline Telerate or any successor service specified above, for the purpose of displaying the London interbank rates of major banks for the applicable LIBOR Currency.

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 Calculation Agent. However, if the banks selected by the Calculation Agent 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 designated as "US PRIME 1 Page" on the Reuters Monitor Money Rates Service (or any successor service on the "US PRIME 1 Page" or other page as may replace the US PRIME 1 Page on such 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 Moneyline Telerate or any successor service on page 56 or any other page as may replace page 56 on that service or page 57 or any other page as may replace page 57 on that service, 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 Calculation Agent, 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

Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate will be the Treasury Rate in effect on the applicable Treasury Rate Determination Date.

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

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

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

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

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

The interest so payable on any Interest Payment Date will, subject to certain exceptions in the Indenture hereinafter referred to, be paid to the person in whose name this Note is registered at the close of business on the Regular Record Date (as defined below) immediately preceding such Interest Payment Date or, if the Interest Payment Date is the Maturity Date or the date of earlier redemption or repayment, to the person in whose name this Note is registered at the close of business on the Maturity Date or such earlier date of redemption or repayment; provided, however, that if the Original Issue Date is between a Regular Record Date and an Interest Payment Date or on an Interest Payment Date, interest for the period from and including the Original Issue Date to, but excluding, the Interest Payment Date relating to such Regular Record Date shall be paid on the next succeeding Interest Payment Date to the person in whose name this Note is registered on the close of business on the Regular Record Date preceding such Interest Payment Date. If this Note bears interest at a Fixed Rate, as specified above, unless otherwise specified above, the "Regular Record Date" with respect to any Interest Payment Date shall be the first day of and , preceding such Interest Payment Date, whether or

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

Payment of principal, premium, if any, and interest in respect of this Note due on the Maturity Date or any earlier redemption or repayment date will be made in immediately available funds upon presentation and surrender of this Note; provided, however, that if a Specified Currency is specified above and such payment is to be made in such Specified Currency in accordance with the provisions set forth below, such payment will be made by wire

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

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

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

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

which the applicable dealer commits to execute a contract. All currency exchange costs will be borne by the Holder of this Note by deductions from such payments. If three such bid quotations are not available, payments on this Note will be made in the Specified Currency.

If a Specified Currency is specified above, the Holder of this Note may elect to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect

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

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

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

In case an Event of Default (as defined in the Indenture) with respect to Notes of this series shall occur and be continuing, the principal amount (or, if the Note is an Original Issue Discount Note, such lesser portion of the principal amount as may be applicable) of the Notes of this series may be declared due and payable, and, with respect to certain Events of Default, shall automatically become due and payable, in each case in the manner and with the effect provided in the Indenture. If this Note is an Original Issue Discount Note, in the event of an acceleration of the Maturity Date hereof, the amount payable to the Holder of this Note upon such acceleration will be determined by this Note but will be an amount less than the amount payable at the Maturity Date of this Note.

The Indenture permits, with certain exceptions as therein provided, the modification of the rights and obligations of the Company and the Guarantors 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 Guarantors 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 Guarantors 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 $1,000 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 or exchange, 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 Notes will be subject to redemption at the option of the Company, in whole or in part at any time 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 Notes 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 basis points, and accrued but unpaid interest thereon.

"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.

"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 the trustee obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

"Quotation Agent" means the Reference Treasury Dealer appointed by the Company.

"Reference Treasury Dealer" means (i) each of Banc One Capital Markets, Inc. and Citigroup Global Markets Inc. (and their respective successors) and three other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by the Company; provided, however, that if the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer; and (ii) any other Primary Treasury Dealer selected by the Company.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Trustee, 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 trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

Notice of any redemption will be-mailed 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. 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.

The Company can "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.

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.

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 Guarantors, 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.

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

HARLEY-DAVIDSON FUNDING
CORP.
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.

BNY MIDWEST TRUST COMPANY,
as Trustee
By:
Authorized Signatory

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GUARANTEE

For value received, each of the undersigned hereby fully, irrevocably and unconditionally guarantees, jointly and severally, 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
FINANCIAL
SERVICES, INC.
a Delaware corporation
By:
Name:
Title:

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

Exhibit A-2

{Form of Regulation S Temporary Global Note}

HARLEY-DAVIDSON FUNDING CORP.
MEDIUM-TERM NOTES, SERIES A

Fully and Unconditionally Guaranteed, Jointly and Severally, by Harley-Davidson Financial Services, Inc. and 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.

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), (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT OR (C) IT IS AN ACCREDITED INVESTOR WITHIN THE MEANING OF 501(a)(1), (2), (3), (7) OR (8) UNDER THE SECURITIES ACT (2) AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN PRIOR TO THE DATE WHICH IS THE LATER OF (i) TWO YEARS (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY RULE 144(k) OF THE SECURITIES ACT) AFTER THE LATER OF (Y) THE DATE OF ORIGINAL ISSUANCE HEREOF AND (Z) THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE (AS DEFINED IN RULE 405 UNDER THE SECURITIES ACT) OF THE COMPANY WAS THE HOLDER OF THIS SECURITY OR SUCH INTEREST OR PARTICIPATION (OR ANY PREDECESSOR THERETO) AND (ii) SUCH LATER DATE, IF

ANY, AS MAY BE REQUIRED BY ANY SUBSEQUENT CHANGE IN APPLICABLE LAW, ONLY (A) TO THE COMPANY OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON THE HOLDER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER", AS DEFINED IN RULE 144A, THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (C) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT TO AN "ACCREDITED INVESTOR" WITHIN THE MEANING OF SUBPARAGRAPH (a) (1), (2), (3), (7) OR (8) OF RULE 501 UNDER THE SECURITIES ACT THAT IS ACQUIRING THIS SECURITY OR SUCH INTEREST OR PARTICIPATION 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, THAT, PRIOR TO SUCH TRANSFER FURNISHES (OR HAS FURNISHED ON ITS BEHALF BY A U.S. BROKER DEALER) TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS SECURITY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE FOR THIS SECURITY), (D) PURSUANT TO OFFERS AND SALES TO NON-US PERSONS THAT OCCUR OUTSIDE THE UNITED STATES PURSUANT TO REGULATION S UNDER THE SECURITIES ACT, (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR (F) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY OR ANY INTEREST OR PARTICIPATION HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN TWO YEARS AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY, IF THE PROPOSED TRANSFEREE IS AN ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE AND THE COMPANY SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANING GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

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

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TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF INTEREST HEREON.

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HARLEY-DAVIDSON FUNDING CORP.
MEDIUM-TERM NOTES, SERIES A

%Notes due

Fully and Unconditionally Guaranteed, Jointly and Severally, by
Harley-Davidson Financial Services, Inc. and Harley-Davidson Credit Corp.

No.	Principal Amount $
CUSIP No.	
ISIN No.	
Common Code	
Issue Price:	Maturity Date:
Original Issue Date:	Index Maturity:
	o Original Issue Discount Note
	Total Amount of OID:
	Yield to Maturity: %
	Initial Accrual Period OID:
o Fixed Rate	
Interest Rate:	
%	
Interest Rate Basis:	
CD Rate	Specified Currency (if other than U.S. dollars):
CMT Rate	
Designated CMT Moneyline	
Telerate Page:	
Designated CMT Maturity	Option To Receive Payments In Specified Currency
Index:	(non-U.S. dollar denominated Note):
Commercial Paper Rate	
Federal Funds Rate	
LIBOR	
o LIBOR Reuters:	Authorized Denomination:
o LIBOR Moneyline	
Telerate:	
o LIBOR Currency:	

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o Index Maturity:
o Designated LIBOR Page:
Prime Rate
Treasury Rate
Other
Spread (Plus Or Minus):

Spread Multiplier: %

Interest Category:
o Regular Floating Rate Note
o Floating Rate/Fixed Rate Note
Fixed Rate Commencement Date:
Fixed Interest Rate: %
o Inverse Floating Rate Note
Initial Interest Reset Date:
Interest Reset Dates:
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):
Regular Record Dates (if other than as set forth below):
Interest Determination Dates:
Additional Amounts applicable for Company:
o Yes
o No
Additional Amounts applicable for Guarantors:

Place of Payment:

Initial Redemption Date:
Initial Redemption Percentage:
Annual Redemption Percentage Reduction:
Repayment Date:
Renewable: o Yes o No
Extendible: o Yes o No

Final Maturity Date:

Maximum Interest Rate: %
Minimum Interest Rate: %

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o Yes
o No
Addendum Attached
o Yes
o No
Authorized Denomination (only if non-U. S. dollar denominated Note):
Calculation Agent (if other than the Trustee):
Interest Payment Period:

Other Provisions:

Harley-Davidson Funding Corp., a corporation duly organized under the laws of the State of Nevada (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 Security 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 a duly authorized issue of notes of the Company (herein referred to as the "Notes"), all issued or to be issued in one or more series under an indenture, dated as of November , 2003 (as may be supplemented from time to time, the "Indenture"), among the Company, Harley-Davidson Financial Services, Inc., Harley-Davidson Credit Corp., (each of Harley-Davidson Financial Services, Inc. and Harley-Davidson Credit Corp. being a "Guarantor" and, collectively, the "Guarantors") and BNY Midwest Trust Company, 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 Guarantors 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 Guarantors 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, each 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:

(1) the capital city of the country issuing the Specified Currency; or

(2) the capital city of the country to which the LIBOR Currency relates,

except, in each case, 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 the LIBOR Currency specified above, 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 and of each year (each such date fixed for the payment of interest, an "Interest Payment Date") commencing , and 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 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 of 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 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.

BNY Midwest Trust Company 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 selected by the Calculation Agent 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 Calculation Agent 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 the rate displayed on the Designated CMT Moneyline Telerate Page (as defined below) under the caption "...Treasury Constant Maturities...Federal Reserve Board Release H.15...Mondays Approximately 3:45 p.m.," under the column for the Designated CMT Maturity Index for (i) if the Designated CMT Moneyline Telerate Page is specified above as 7051, 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, as published in H.15(519) under the caption "Treasury Constant Maturities," as the yield is displayed on Moneyline Telerate (or any successor service), on page 7051 (or any other page as may replace page 7051 on that service) ("Moneyline Telerate Page 7051"), for the applicable CMT Interest Determination Date. If the rate referred to in the preceding sentence does not appear on Moneyline Telerate Page 7051, 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 Calculation Agent (from five Reference Dealers selected by the Calculation Agent 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 Calculation Agent from five Reference Dealers selected by the Calculation Agent 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 and (ii) if the CMT Moneyline Telerate Page is 7052, 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 published in H.15(519) opposite the caption "Treasury Constant Maturities," as the yield is displayed on Moneyline Telerate (or any successor service) on page 7052 (or any other page as may replace page 7052 on that service) ("Moneyline Telerate Page 7052"), 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 Moneyline Telerate Page 7052, 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 Calculation Agent (from five Reference Dealers selected by the Calculation Agent 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 Calculation Agent (from five Reference Dealers selected by the Calculation Agent 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.

"Designated CMT Moneyline Telerate Page" means the display on Moneyline Telerate or any successor service on the page specified above (or any other page as may replace the specified page on that service for the purpose of displaying Treasury Constant Maturities as reported in H.15(519)). If no such page is specified above, the Designated CMT Moneyline Telerate Page shall be 7052, for the most recent week.

"Designated CMT Maturity Index" means the original period to maturity of the U.S. Treasury securities (either 1, 2, 3, 5, 7, 10, 20 or 30 years) specified above with respect to which the CMT Rate will be calculated. If no such maturity is specified, the Designated CMT Maturity Index shall be two years.

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 Calculation Agent 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 Moneyline Telerate or any successor service on page 120 or any other page as may replace the applicable page on that service ("Moneyline Telerate Page 120") or, if such rate does not appear on Moneyline Telerate Page 120, 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 Rate." 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 Calculation Agent 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 Calculation Agent 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 in accordance with the following provisions:

(i) LIBOR will be either: (a) if "LIBOR Reuters" is specified above, LIBOR will be the arithmetic mean of the offered rates (unless the specified Designated LIBOR Page (as defined below) by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the LIBOR Currency having the Index Maturity specified above, commencing on the second London Banking Day immediately following such LIBOR Interest Determination Date, that appear on the Designated LIBOR Page specified above, as of 11:00 a.m., London time, on the applicable LIBOR Interest Determination Date, if at least two such offered rates appear (unless, as aforesaid, only a single rate is required) on such Designated LIBOR Page, or (b) if "LIBOR Moneyline Telerate" is specified above or if neither "LIBOR Reuters" nor "LIBOR Moneyline Telerate" is specified as the method for calculating LIBOR, LIBOR will be the rate for deposits in the LIBOR Currency (as defined below) having the Index Maturity specified above, commencing on the second London Banking Day immediately following such LIBOR Interest Determination Date that appears on the Designated LIBOR Page as of 11:00 a.m., London time, on the applicable LIBOR Interest Determination Date. If fewer than two such offered rates appear, or if no such rate appears, as the case may be, LIBOR in respect of the related LIBOR Interest Determination Date will be determined in accordance with provisions described in clause (ii) below.

(ii) With respect to a LIBOR Interest Determination Date on which fewer than two offered rates appear, or no rate appears, as the case may be, on the applicable Designated LIBOR Page as specified in clause (i) above, the rate calculated by the Calculation Agent will be the arithmetic mean of at least two quotations obtained by the Calculation Agent after requesting the principal London offices of each of four major reference banks, which may include an agent of the Company or such agent's affiliates, in the London interbank market, to provide the Calculation Agent with its offered quotation for deposits in the LIBOR Currency for the period of the Index Maturity specified above,

commencing on the second London Banking Day immediately following the applicable LIBOR Interest Determination Date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on the applicable LIBOR Interest Determination Date and in a principal amount that is

representative for a single transaction in the applicable LIBOR Currency in that market at that time. If fewer than two quotations are provided, LIBOR determined on the applicable LIBOR Interest Determination Date calculated by the Calculation Agent will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., in the applicable Principal Financial Center, on the LIBOR Interest Determination Date by three major banks, which may include an agent of the Company or such agent's affiliates, in the applicable Principal Financial Center(s) selected by the Calculation Agent for loans in the LIBOR Currency to leading European banks, having the Index Maturity specified above and in a principal amount that is representative for a single transaction in the applicable LIBOR Currency in that market at that time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR determined as of such LIBOR Interest Determination Date will be the LIBOR rate in effect on the applicable LIBOR Interest Determination Date.

"LIBOR Currency" means the currency (including composite currencies) specified above as the currency for which LIBOR shall be calculated. If no such currency is specified above, the LIBOR Currency shall be United States dollars.

"Designated LIBOR Page" means either (a) if "LIBOR Reuters" is specified above, the display on the Reuters Monitor Money Rates Service or any successor service specified above for the purpose of displaying the London interbank rates of major banks for the applicable LIBOR Currency, or (b) if "LIBOR Moneyline Telerate" is specified above or neither "LIBOR Reuters" nor "LIBOR Moneyline Telerate" is specified as the method for calculating LIBOR, the display on Moneyline Telerate or any successor service specified above, for the purpose of displaying the London interbank rates of major banks for the applicable LIBOR Currency.

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 Calculation Agent. However, if the banks selected by the Calculation Agent 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 designated as "US PRIME 1 Page" on the Reuters Monitor Money Rates Service (or any successor service on the "US PRIME 1 Page" or other page as may replace the US PRIME 1 Page on such 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 Moneyline Telerate or any successor service on page 56 or any other page as may replace page 56 on that service or page 57 or any other page as may replace page 57 on that service, 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 Calculation Agent, 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

Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate will be the Treasury Rate in effect on the applicable Treasury Rate Determination Date.

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

succeeding week.

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

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

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

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

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

Payment of principal, premium, if any, and interest in respect of this Note due on the Maturity Date or any earlier redemption or repayment date will be made in immediately available funds upon presentation and surrender of this Note; provided, however, that if a Specified Currency is specified above and such payment is to be made in such Specified Currency in accordance with the provisions set forth below, such payment will be made by wire

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

Whenever in this Note or in the Indenture there is a reference, in any context, to the payment of the principal of, or interest, if any, on, or in respect of, the Notes, such payment shall be deemed to include the payment of Additional

Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect of such payment pursuant to the provisions hereof or thereof and express mention of the payment of Additional Amounts (if applicable) in any provision hereof or thereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

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

If a Specified Currency is specified above, the Holder of this Note may elect to receive any amount payable hereunder in such Specified Currency. If the Holder of this Note shall not have duly made an election to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect of this Note in such Specified Currency, any United States dollar amount to be received by the Holder of this Note will be based on the highest bid quotation in The City of New York received by the Exchange Rate Agent at approximately 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date from three recognized foreign exchange dealers (one of whom may be the Exchange Rate Agent) selected by the Exchange Rate Agent and approved by the Company for the purchase by the quoting dealer of the Specified Currency for United States dollars for settlement on such payment date in the aggregate amount of the Specified Currency payable to all Holders of Notes scheduled to receive United States dollar payments and at which the applicable dealer commits to execute a contract. All currency exchange costs will be borne by the Holder of this Note by deductions from such payments. If three such bid quotations are not available, payments on this Note will be made in the Specified Currency.

If a Specified Currency is specified above, the Holder of this Note may elect to receive all or a specified portion of any payment of principal, premium, if any, and/or interest in respect

of this Note in such Specified Currency by submitting a written request for such payment to the Trustee at the Place of Payment specified above 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 Guarantors 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 Guarantors 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 Guarantors 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 $1,000 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 or exchange, 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 Notes will be subject to redemption at the option of the Company, in whole or in part at any time 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 Notes 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 basis points, and accrued but unpaid interest thereon.

"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.

"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 the trustee obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such Quotations.

"Quotation Agent" means the Reference Treasury Dealer appointed by the Company.

"Reference Treasury Dealer" means (i) each of Banc One Capital Markets, Inc. and Citigroup Global Markets Inc. (and their respective successors) and three other nationally recognized investment banking firms that are Primary Treasury Dealers specified from time to time by the Company; provided, however, that if the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Company shall substitute therefor another Primary Treasury Dealer; and (ii) any other Primary Treasury Dealer selected by the Company.

"Reference Treasury Dealer Quotations" means, with respect to each Reference

Treasury Dealer and any redemption date, the average, as determined by the Trustee, 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 trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such redemption date.

Notice of any redemption will be-mailed 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. 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.

The Company can "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.

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.

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 Guarantors, 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 FUNDING CORP.
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.

BNY MIDWEST TRUST COMPANY,
as Trustee
By:
Authorized Signatory

A-2-24

GUARANTEE

For value received, each of the undersigned hereby fully, irrevocably and unconditionally guarantees, jointly and severally, 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
FINANCIAL
SERVICES, INC.
a Delaware corporation
By:
Name:
Title:

HARLEY-DAVIDSON CREDIT
CORP.
a Nevada corporation
By:
Name:
Title:

Attest:
By:
Name:
Title:

A-2-25

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

{FORM OF CERTIFICATE OF TRANSFER}

Harley-Davidson Funding Corp.

4150 Technology Way
Carson City, Nevada 89706
Facsimile:
Attention:

BNY Midwest Trust Company
2 North LaSalle Street, Suite 1020
Chicago, Illinois 60602
Facsimile:
Attention: Corporate Trust Department

Re: % Notes due 20 CUSIP:

Reference is hereby made to the Indenture, dated as of November , 2003 (the "Indenture"), among Harley-Davidson Funding Corp., a corporation duly organized and existing under the laws of the State of Nevada (the "Company"), the Guarantors and BNY Midwest Trust Company, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

(the "Transferor") owns and proposes to transfer the Note{s} or interest in such Note{s} specified in Annex A hereto, in the principal amount at maturity of $ in such Note{s} or interests (the "Transfer"), to (the "Transferee"), as further specified in Annex A hereto. In connection with the Transfer, the Transferor hereby certifies that:

{CHECK ALL THAT APPLY}

1. o Check if Transferee will take delivery of a beneficial interest in the 144A global Note or a definitive Note Pursuant to Rule 144A. The Transfer is being effected pursuant to and in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, the Transferor hereby further certifies that the beneficial interest or definitive Note is being transferred to a Person that the Transferor reasonably believed and believes is purchasing the beneficial interest or definitive Note for its own account, or for one or more accounts with respect to which such Person exercises sole investment discretion, and such Person and each such account is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and such Transfer is in compliance with any applicable blue sky securities laws of any state of the United States. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or definitive Note shall be subject to the restrictions on transfer enumerated in the legend printed on the 144A global Note and/or the definitive Note and in the Indenture and the Securities Act.

2. o Check if Transferee will take delivery of a beneficial interest in the Regulation S temporary global Note, Regulation S permanent global Note or a definitive Note pursuant to Regulation S. The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and, accordingly, the Transferor hereby further certifies that (i) the Transfer is not being made to a person in the United States and (x) at the time the buy order was originated, the Transferee was outside the United States or such Transferor and any Person acting on its behalf reasonably believed and believes that the Transferee was outside the United States or (y) the transaction was executed in, on or through the facilities of a designated offshore securities market and neither such Transferor nor any Person acting on its behalf knows that the transaction was prearranged with a buyer in the United States, (ii) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S under the Securities Act, (iii) the transaction is not part of a plan or scheme to evade

the registration requirements of the Securities Act and (iv) if the proposed transfer is being made prior to the expiration of the "Restricted Period" as defined in Regulation S, the transfer is not being made to a U.S. Person or for the account or benefit of a U.S. Person (other than the Agents). Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or definitive Note shall be subject to the restrictions on Transfer enumerated in the legend printed on the Regulation S temporary global Note, Regulation S permanent global Note and/or the definitive Note and in the Indenture and the Securities Act.

3. o Check and complete if Transferee will take delivery of a beneficial interest in a definitive Note pursuant to any provision of the Securities Act other than Rule 144A or Regulation S. The Transfer is being effected in compliance with the transfer restrictions applicable to beneficial interests in restricted global Notes and restricted definitive Notes and pursuant to and in accordance with the Securities Act and any applicable blue sky securities laws of any state of the United States, and accordingly the Transferor hereby further certifies that (check one):

(a) o such Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act; or

(b) o such Transfer is being effected to the Company or a subsidiary thereof; or

(c) o such Transfer is being effected pursuant to an effective registration statement under the Securities Act and in compliance with the prospectus delivery requirements of the Securities Act; or

(d) o such Transfer is being effected to an institutional "accredited investor" as defined in Rule 501(a)(1), (2), (3), (7) or (8) under the Securities Act who is not also a qualified institutional buyer (as defined in Rule 144A) and pursuant to an exemption from the registration requirements of the Securities Act other than Rule 144A, Rule 144 or Rule 904, and the Transferor hereby further certifies that it has not engaged in any general solicitation within the meaning of Regulation D under the Securities Act and the Transfer complies with the transfer restrictions applicable to beneficial interests in a restricted global Note or restricted definitive Notes and the requirements of the exemption claimed, which certification is supported by (1) a certificate executed by the

Transferee in the form of Exhibit C to the Indenture and (2) if the principal amount of Notes to be transferred is less than {$100,000}, a written opinion from legal counsel provided by the Transferor or the Transferee (a copy of which the Transferor has attached to this certification), to the effect that such Transfer is in compliance with the Securities Act. Upon consummation of the proposed transfer in accordance with the terms of the Indenture, the transferred beneficial interest or definitive Note shall be subject to the restrictions on transfer enumerated in the legend printed on the definitive Notes and in the Indenture and the Securities Act.

4. o Check if Transferee will take delivery of a beneficial interest in an unrestricted global Note or of an unrestricted definitive Note.

(a) o Check if Transfer is Pursuant to Rule 144. (i) The Transfer is being effected pursuant to and in accordance with Rule 144 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the

Indenture, the transferred beneficial interest or definitive Note shall no longer be subject to the restrictions on transfer enumerated in the legend printed on the restricted global Notes, on restricted definitive Notes and in the Indenture.

(b) o Check if Transfer is Pursuant to Regulation S. (i) The Transfer is being effected pursuant to and in accordance with Rule 903 or Rule 904 under the Securities Act and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any state of the United States and (ii) the restrictions on transfer contained in the Indenture and the legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or definitive Note shall no longer be subject to the restrictions on transfer enumerated in the legend printed on the restricted global Notes, on restricted definitive Notes and in the Indenture.

(c) o Check if Transfer is Pursuant to Other Exemption. (i) The Transfer is being effected pursuant to and in compliance with an exemption from the registration requirements of the Securities Act other than Rule 144, Rule 903 or Rule 904 and in compliance with the transfer restrictions contained in the Indenture and any applicable blue sky securities laws of any State of the United States and (ii) the restrictions on transfer contained in the Indenture and the legend are not required in order to maintain compliance with the Securities Act. Upon consummation of the proposed Transfer in accordance with the terms of the Indenture, the transferred beneficial interest or definitive Note shall not be subject to the restrictions on transfer enumerated in the legend printed on the restricted global Notes or restricted definitive Notes and in the Indenture.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company.

{Insert Name of Transferor}
By
Name:
Title:
Dated:

ANNEX A TO CERTIFICATE OF TRANSFER

1. The Transferor owns and proposes to transfer the following:

{CHECK ONE OF (A) OR (B)}

(A) o a beneficial interest in the:
(i) o 144A global Note (CUSIP:); or
(ii) o Regulation S global Note (CUSIP:); or
(B) o a restricted definitive Note.

2. After the Transfer the Transferee shall hold:

{CHECK ONE}

(A) o a beneficial interest in the:
(i) o 144A global Note (CUSIP:); or
(ii) o Regulation S global Note (CUSIP:); or
(iii) o unrestricted global Note; or
(B) o a restricted definitive Note; or
(C) o an unrestricted definitive Note,

in accordance with the terms of the Indenture.

EXHIBIT C

{FORM OF CERTIFICATE FROM

ACQUIRING INSTITUTIONAL ACCREDITED INVESTOR}

Harley-Davidson Funding Corp.
4150 Technology Way
Carson City, Nevada 89706
Facsimile:
Attention:

BNY Midwest Trust Company
2 North LaSalle Street, Suite 1020
Chicago, Illinois 60602
Facsimile:
Attention: Corporate Trust Department

Re: % Notes due 20 CUSIP:

Reference is hereby made to the Indenture, dated as of November , 2003 (the "Indenture"), among Harley-Davidson Funding Corp., a corporation duly organized and existing under the laws of the State of Nevada (the "Company"), the Guarantors and BNY Midwest Trust Company, as Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

In connection with our proposed purchase of $ aggregate principal amount at maturity of:

(a) o beneficial interest in a global Note, or

(b) o a definitive Note,

we confirm that:

1. We understand that any subsequent transfer of the Notes or any interest therein is subject to certain restrictions and conditions set forth in the Indenture and the undersigned agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes or any interest therein except in compliance with, such restrictions and conditions and the United States Securities Act of 1933, as amended (the "Securities Act").

2. We understand that the offer and sale of the Notes have not been

registered under the Securities Act, and that the Notes and any interest therein may not be offered or sold except as permitted in the following sentence. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that if we should sell the Notes or any interest therein, we shall do so only (A) to the Company or any subsidiary thereof, (B) in accordance with Rule 144A under the Securities Act to a "qualified institutional buyer" (as defined therein), (C) to an institutional "accredited investor" (as defined below) that, prior to such transfer, furnishes (or has furnished on its behalf by a U.S. broker-dealer) to you and to the

Company a signed letter substantially in the form of this letter and a written opinion from legal counsel in form reasonably acceptable to the Company to the effect that such transfer is in compliance with the Securities Act, (D) outside the United States in accordance with Rule 904 of Regulation S under the Securities Act, (E) pursuant to the provisions of Rule 144 under the Securities Act or (F) pursuant to an effective registration statement under the Securities Act, and we further agree to provide to any person purchasing the definitive Note or beneficial interest in a global Note from us in a transaction meeting the requirements of clauses (A) through (E) of this paragraph a notice advising such purchaser that resales thereof are restricted as stated herein.

3. We understand that, on any proposed resale of the Notes or beneficial interest therein, we shall be required to furnish to you and the Company such certifications, legal opinions and other information as you and the Company may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Notes purchased by us shall bear a legend to the foregoing effect.

4. We are an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3), (7) or (8) of Regulation D under the Securities Act) and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Notes, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

5. We are acquiring the Notes or beneficial interest therein purchased by us for our own account or for one or more accounts (each of which is an institutional "accredited investor") as to each of which we exercise sole investment discretion.

You and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

{Insert Name of Accredited Investor}
By
Name:
Title:
Dated:

EXHIBIT D

{FORM OF CERTIFICATE TO BE GIVEN BY PERSON ENTITLED

TO RECEIVE BEARER SECURITY}

CERTIFICATE

HARLEY-DAVIDSON FUNDING CORP.

{Insert title or sufficient description
of Securities to be delivered}

This is to certify that the above-captioned Securities are not being acquired by or on behalf of a United States person or for offer to resell or for resale to a United States person or any person inside the United States or, if a beneficial interest in the Securities is being acquired by or on behalf of a United States person or any person inside the United States, that such United States person is a financial institution within the meaning of Section 1.165-12(c)(1)(v) of the United States Treasury regulations which agrees to comply with the requirements of Section 165 (j) (3) (A), (B) or (C) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder and which is not purchasing for offer to resell or for resale inside the United States.

As used herein, "United States person" means any citizen or resident of the United States, any corporation, partnership or other entity created or organized in or under the laws of the United States and any estate the income of which is subject to United States Federal income taxation regardless of its source or a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have authority to control all substantial decisions of the trust, and "United States" means the United States (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

We undertake to advise you by telex if the above statement as to beneficial ownership is not correct on the date of delivery of the above-captioned Securities in bearer form as to all of such Securities.

This certificate excepts and does not relate to U.S. $ principal amount of the above-captioned Securities appearing in your books as being held for our account as to which we are not able to certify as to the matters set forth herein and as to which we understand exchange and delivery of definitive Securities cannot be made until we are able so to certify.

We understand that this certificate may be required in connection with certain tax legislation in the United States. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

Dated: , 20
{To be dated on or after
, 20 (the date
determined as provided in Section
303 of the Indenture)}

{Name of Person Entitled to
Receive Bearer Security}
{Authorized Signatory}
Name:
Title:

D-2

Exhibit 10.2

HARLEY-DAVIDSON, INC.

1995 STOCK OPTION PLAN

(as amended through February 15, 2006)

ARTICLE I

PURPOSE

The purpose of the Harley-Davidson, Inc. 1995 Stock Option Plan is to provide favorable opportunities for certain selected employees of Harley-Davidson, Inc. and its subsidiaries to purchase or receive shares of Common Stock of Harley-Davidson, Inc., or to benefit from the appreciation thereof. Such opportunities should provide an increased incentive for these employees to contribute to the future success and prosperity of Harley-Davidson, Inc., thus enhancing the value of the stock for the benefit of the shareholders, and increase the ability of Harley-Davidson, Inc. to attract and retain individuals of exceptional skill upon whom, in large

measure, its sustained progress, growth and profitability depend.

ARTICLE II

DEFINITIONS

The following capitalized terms used in the Plan shall have the respective meanings set forth in this Article:

2.1. BOARD: The Board of Directors of Harley-Davidson, Inc.

2.2. CODE: The Internal Revenue Code of 1986, as amended.

2.3. COMMITTEE: The human Resources Committee of the Board; provided that if any member of the Human Resources Committee is not both a Disinterested Person and Outside Director, the Committee shall be comprised of only those members of the Human Resources Committee who are both Disinterested Persons and Outside Directors.

2.4. COMMON STOCK: The common stock of Harley-Davidson, Inc.

2.5. COMPANY: Harley-Davidson, Inc. and any of its Subsidiaries.

2.6. DISABILITY: Disability within the meaning of Section 22(e)(3) of the Code, as determined by the Committee.

2.7. DISINTERESTED PERSONS: Non-employee directors within the meaning of Rule 16b-3 as promulgated under the Securities Exchange Act of1934, as amended.

2.8. EMPLOYER: The entity that employs the employee or Optionee.

2.9. FAIR MARKET VALUE: The average of the high and low reported sales prices of Common Stock on the New York Exchange Composite Tape on the date for which fair market value is being determined.

2.10. ISO: An incentive stock option within the meaning of Section 422 of the Code and which is designated as an incentive option by the Committee.

2.11. NON-ISO: A stock option which is not an ISO.

2.12. OPTION: A stock option granted under the Plan. Options include both ISOs and Non-ISOs.

2.13. OPTION PRICE: The purchase price of a share of Common Stock under an Option.

2.14. OPTIONEE: A person who has been granted one or more Options.

2.15. OUTSIDE DIRECTORS: Outside Directors within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder.

2.16. PARENT CORPORATION: The parent corporation, as define in Section 424(e) of the Code.

2.17. PLAN: The Harley-Davidson, Inc. 1990 Stock Option Plan.

2.18. RETIREMENT: Retirement on or after age sixty-two or, with the consent of the Committee, at an earlier age.

2.19. SUBSIDIARY: A corporation, limited partnership, general partnership, limited liability company, business trust or other entity of which more than fifty percent (50%) of the voting power or ownership interest is directly and/or indirectly held by the Harley-Davidson, Inc.

2.20. TERMINATION DATE: A date fixed by the Committee but not later than the day preceding the tenth anniversary of the date on which the Option is granted.

ARTICLE III

ADMINISTRATION

3.1. The Committee shall administer the Plan and shall have full power to grant Options, construe and interpret the Plan, establish and amend rules and regulations for its administration, and perform all other acts relating to the Plan, including the delegation of administrative responsibilities, which it believes reasonable and proper.

3.2. Subject to the provisions of the Plan, the Committee shall, in its discretion, determine who shall be granted Options, the number of shares subject to option under any such Options, the dates after which Options, the dates after which Options may be exercise, in whole or in part, whether Options shall be ISOs, and the terms and conditions of the Options.

3.3. Any decision made, or action taken, by the Committee arising out of or in connection with the interpretation and administration of the Plan shall be final and conclusive.

3.4 To the extent permitted by applicable law, the Committee may, in its discretion, delegate to the Chief Executive Officer of the Company any or all of the authority and responsibility of the Committee under the Plan to grant Options to employees of the Company or its affiliates and/or persons who have been engaged to become employees of the Company or its affiliates, in each case other than employees who are, or persons engaged to become employees who upon employment will be, subject to the provisions of Section 16 of the Securities and Exchange Act of 1934, as amended, at the time any such delegated authority or responsibility is exercised. To the extent that the committee has delegated to the Chief Executive Officer the authority and responsibility of the Committee, all references to the Committee in the Plan other than in this Section 3.4 shall include the Chief Executive Officer with respect to the

matters delegated. No such delegation shall preclude the Committee from exercising the authority and responsibility delegated.

ARTICLE IV

SHARES SUBJECT TO THE PLAN

4.1. The total number of shares of Common Stock available for grants of Options under the Plan shall be 15,200,000; provided that Options for not more than 800,000 shares of Common Stock shall be granted to an Optionee in any calendar year under the Plan, which amount shall be reduced by the amount of Common Stock subject to options granted to such Optionee in such calendar year under any other stock option plan of the Company. The foregoing amounts shall be subject to adjustment in accordance with Article VIII of the Plan. If an Option or portion thereof shall expire, be canceled or terminate for any reason without having been exercised in full, the unpurchased shares covered by such Option shall be available for future grants of Options. An Option, or portion thereof, exercised through the exercise of a stock appreciation right pursuant to Section 6.7 of the Plan shall be treated, for the purposes of this Article, as though the Option, or portion thereof, had been exercised through the purchase, that was so exercised shall not be available for future grants of Options.

ARTICLE V

ELIGIBILITY

5.1. Options may be granted to key employees of the Company or to persons who have been engaged to become key employees of the Company. Key employees will comprise, in general, those who contribute to the management, direction and overall success of the Company, including those who are members of the Board. Members of the Board who are not employees of the Company shall not be eligible for Option grants.

ARTICLE VI

TERM OF OPTIONS

6.1. OPTION AGREEMENTS: All Options shall be evidenced by written agreements executed by the Company. Such Options shall be subject to the applicable provisions of the Plan, and shall contain such provisions as are required by the Plan and any other provisions the Committee may prescribe. All agreements evidencing Options shall specify the total number of shares subject to each grant, the Option Price and the Termination Date. Those Options that comply with the requirements for an ISO set forth in Section 422 of the Code and are designated ISOs by the Committee shall be ISOs and all other Options shall be Non-ISOs.

6.2. OPTION PRICE: The Option Price shall be set by the Committee; provided, however, that the price per share shall not be less than the Fair Market Value of a share of Common Stock on the date the Option is granted.

6.3. PERIOD OF EXERCISE: The Committee shall determine the dates after which Options may be exercised in whole or in part. If Options are exercisable in installments, installments or portions thereof that are exercisable and not exercised shall accumulate and remain exercisable. The Committee may also amend an Option to accelerate the dates after which Options may be exercised in whole or in part. How ever, no Option or portion thereof shall be exercisable after the Termination Date.

6.4. SPECIAL RULES REGARDING ISOS GRANTED TO CERTAIN EMPLOYEES: Notwithstanding

any contrary provisions of Sections 6.2 and 6.3 of the Plan, no ISO shall be granted to any employee who, at the time the Option is granted, owns (directly or indirectly, within the meaning of Section 424(d) of the Code) more than ten percent of the total combined voting power of all classes of stock of the Employer or of any Subsidiary or Parent Corporation thereof, unless (a) the Option Price under such Option is at least 110 percent of the Fair Market Value of a share of Common Stock on the date the Option is granted and (b) the Termination Date of such Option is a date not later than the day preceding the fifth anniversary of the date on which the Option is granted.

6.5. MANNER OF EXERCISE AND PAYMENT: An Option, or portion thereof, shall be exercised by delivery of a written notice of exercise to the Company and payment of the full price of the shares being purchased pursuant to the Option. An Optionee may exercise an Option with respect to less than the full number of shares for which the Option may then be exercised, but an Optionee must exercise the Option in full shares of Common Stock.

The price of Common Stock purchased pursuant to an Option, or portion thereof, may be paid:

a. in United States dollars in cash or by check, bank draft or money order payable to the order of the Company.

b. through the delivery of shares of Common Stock with an aggregate Fair Market Value on the date of exercise equal to the Option Price, or

c. by any combination of the above methods of payment.

The Committee shall determine acceptable methods for tendering Common Stock as payment upon exercise of an Options and may impose such limitations and prohibitions on the use of Common Stock to exercise an Option as it deems appropriate, including, without, limitation, any limitation or prohibition designed to avoid certain accounting consequences which may result from the use of Common Stock as payment upon exercise of an Option.

6.6. WITHHOLDING TAXES: The Company may, in its discretion, require an Optionee to pay to the Company at the time of exercise the amount that the Company deems necessary to satisfy its obligation to withhold Federal, state or local income or other taxes incurred by reason of the exercise. Upon or prior to the exercise of an Option by the Company from the shares otherwise to be received. The number of shares so withheld shall have an aggregate Fair Market Value on the date of exercise sufficient to satisfy the applicable withholding taxes. The exercise of an Option does not give rise to an obligation to withhold Federal income taxes on the date of exercise, the Company may, in it discretion, require an Optionee to pay to the Company the amount that the Company deems necessary to satisfy its obligation to withhold Federal, state or local income or other taxes incurred by reason of the exercise of the Option, in which case the shares of Common Stock will be released from escrow to a written election to have shares of Common Stock held in escrow applied toward the Company's obligation to withhold Federal, state or local income or other taxes incurred by reason of the exercise of the Option, based on the Fair Market Value of the shares on the date of the termination of the escrow arrangement. Upon application of such shares toward the Company's withholding obligation, any shares of Common Stock held in escrow and not, in the judgment of the Committee, necessary to satisfy such obligation shall be released from escrow to the Optionee.

6.7. STOCK APPRECIATION RIGHTS: At or after the grant of an Option, the Committee, in its discretion, may provide an Optionee with an alternate means of exercising an Option, or a designated portion thereof, by granting the

Optionee a stock appreciation right. A "stock appreciation right: is a right to receive, upon exercise of an Option or any portion thereof, in the Committee's sole discretion, an amount of cash equal to, and/or shares of Common Stock having a Fair Market Value on the date of exercise equal to, the excess of the Fair Market Value of a share of Common Stock on the date of exercise over the Option Price, multiplied by the number of shares of Common Stock that the Optionee would have received had the Option or portion thereof been exercised through the purchase of shares of Common Stock at the Option Price, provided that (a) such Option

or portion thereof has been designated as exercisable in this alternative manner, (s) such Option or portion thereof is otherwise exercisable, and (c) the Fair Market Value of a share of Common Stock on the date of exercise exceeds the Option Price.

6.8. NONTRANSFERABILITY OF OPTIONS: Except as may otherwise be provided by the Committee, each Option shall, during the Optionee's lifetime, be exercisable only by the Optionee, and neither it nor any right hereunder shall be transferable otherwise than by will or the laws of descent and distribution or be subject to attachment, execution or other similar process. In the event of any attempt by the Optionee to alienate, assign, pledge, hypothecate or other wise dispose of an Option or of any right hereunder, except as provided for herein, or in the event of any levy or any attachment, execution or similar process upon the rights or interest hereby conferred, the Company may terminate the Option by notice to the Optionee and the Option shall thereupon become null and void. Transfers of Options under the Plan pursuant to any judgment, decree, or order (including approval of a property settlement agreement) which relates to the provision of child support, alimony payments, or marital property rights to a spouse, former spouse, child, or other dependent of a participant, and is made pursuant to a State domestic relations law (including a community property law) and satisfies, to the extent applicable, the provisions of Internal Revenue Code Section 414(p) are allowed.

6.9. CESSATION OF EMPLOYMENT OF OPTIONEE:

a. CESSATION OF EMPLOYMENT OTHER THAN BY REASON OF RETIREMENT, DISABILITY OR DEATH. Except as may be otherwise provided by the Committee, if an Optionee shall cease to be employed by the Company otherwise than by reason of Retirement, Disability, or death, (i) each Option held by the Optionee, together with all rights thereunder, that is not vested shall terminate on the date of cessation of employment, to the extent not previously exercised and (ii) the Optionee shall have a period of 90 days from the date of cessation of employment to exercise each Option held by the Optionee that is vested on the date of cessation of employment. At the end of such 90-day period, each such Option that has not been exercised, together with all rights thereunder, shall terminate, to the extent not previously exercised.

b. CESSATION OF EMPLOYMENT BY REASON OF RETIREMENT OR DISABILITY. If an Optionee shall cease to be employed by the Company by reason of Retirement or Disability, each Option held by the Optionee shall remain exercisable, to the extent it was exercisable at the time of cessation of employment, until the earliest of:

i. the Termination Date,

ii. the death of the Optionee, or such later date not more than one year after the death of the Optionee as the Committee, in its discretion, may provide pursuant to Section 6.9(c) of the Plan,

iii. the third anniversary of the date of the cessation of the Optionee's employment, if employment ceased by reason of Retirement, or

iv. the first anniversary of the date of the cessation of the Optionee's employment by reason of Disability;

v. and thereafter all such Options shall terminate together with all rights hereunder, to the extent not previously exercised.

c. CESSATION OF EMPLOYMENT BY REASON OF DEATH. In the event of the death of the Optionee, while employed by the Company, an Option may be exercised at any time or from time to time prior to the earlier of the Termination Date or the first anniversary of the date of the Optionee's death, by the person or persons to whom the Optionee's rights under each Option shall pass by will or by the applicable laws of descent and death. In the event of the death of the Optionee while entitled to exercise an Option pursuant to Section 6.9(b), the Committee, in its discretion, may permit such Option to be exercised at any time or from time to time prior to the Termination Date during a period of up to one year from the death of the Optionee, as shall pass by will of by the applicable laws of descent and distribution, to the extent that the Option was exercisable at the time of cessation of the Optionee's employment. Any person or person to whom an Optionee's rights under an Option have passed by will or by the applicable laws of descent and distribution shall be subject to all terms and condition of the plan and the Option applicable to the Optionee.

6.10. NOTIFICATION OF SALES OF COMMON STOCK: Any Optionee who disposes of shares of Common Stock acquired upon the exercise of an ISO either (a) within two years after the date of the grant of the ISO under which the stock was acquired or (b) within one year after the transfer of such shares to the Optionee, shall notify the Company of such disposition and of the amount realized upon such disposition.

ARTICLE VII

LIMITATIONS AND ACCELERATIONS ON EXERCISABILITY

7.1. Notwithstanding any other provision of this Plan, in the case of an ISO, the aggregate Fair Market Value (determined at the time the ISO is granted) of the shares of Common Stock with respect to which all "incentive stock options" (within the meaning of Section 422 of the Code) are first exercisable by the Optionee during any calendar year (under this Plan and under all other incentive stock option plans of the Employer, any Subsidiary and any Parent Corporation) shall not exceed $100,000.

7.2. Each Option granted under the Plan shall have a limited right of surrender allowing the Optionee to surrender that Option within the 30-day period following a Change of Control Event and to receive cash, in lieu of exercising the Option, in the amount by which the highest "COC Fair Market Value" (as hereinafter defined) of the number of shares of Common Stock covered by the Option during the 60 days preceding the date on which the Change of Control Event occurs exceeds the exercise price for the shares of Common Stock covered by the Option. For this purpose, the "COC Fair Market Value" of the Common Stock means the closing price of one share of Common Stock as reported on the New York Stock Exchange Composite Tape. If the Common Stock is not listed or admitted to trading on the New York Stock Exchange, the COC Fair Market Value of the Common Stock shall be the closing price of one share of Common Stock on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or, if the Common Stock is not listed or admitted to trading on any national securities exchange, the last quoted sale price or, if not so quoted, the average of the high bid and low asked prices in the

over-the-counter market of the Common Stock, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other system then in use, or, if on any such date the Common Stock is not quoted by any such organization, the average of the closing bid and asked prices of the Common Stock as furnished by a professional market making a market in the Common Stock selected by the Board. If on any such date no market maker is making a market in the Common Stock or other Stock, the COC Fair Market Value shall be determined in good faith by the Continuing Directors who are not Disinterested Persons. Each Option granted under the Plan shall become vested and immediately exercisable upon a Change of Control Event, whether or not the Option was theretofore exercisable. For purposes of this Section 7.2:

(a) "Change of Control Event" means any one of the following:

(i) Continuing Directors no longer constitute at least two-thirds of the Directors constituting the Board;

(ii) any person or groups (as defined in Rule 13d-5_ under the Securities Exchange Act of 1934, as amended ("Exchange Act")), together with its affiliates, becomes the beneficial owner, directly or indirectly, of 20% or more of Harley-Davidson, Inc.'s then outstanding Common Stock or 20% or more of the voting power of Harley-Davidson, Inc.'s Directors;

(iii) the approval by Harley-Davidson, Inc.'s stockholders of the merger or consolidation of Harley-Davidson, Inc. with any other corporation, the sale of substantially all of Harley-Davidson, Inc.'s assets or the liquidation or dissolution of Harley-Davidson, inc., unless, in the case of a merger or consolidation, the Continuing Directors in office immediately prior to such merger or consolidation constitute at least two-thirds of the directors constituting the board of directors of the surviving corporation of such merger or consolidation and any parent

(as defined in Rule 12b-2 under the Exchange Act) of such corporation; or

(iv) at least two-thirds of the Continuing Directors who are Disinterested Persons in office immediately prior to any other action proposed to be taken by Harley-Davidson, Inc.'s stockholders or by the Board determine that such proposed action, if taken, would constitute a change of control of Harley-Davidson, Inc. and such action is taken; and

(b) "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 (2/3) of the Continuing Directors (other than a person whose election was as a result of an actual or threatened proxy or other control contest).

ARTICLE VIII

ADJUSTMENTS

8.1. If (a) the Company shall at any time be involved in a transaction to which Section 424(a) of the Code is applicable; (b) the Company shall declare a dividend payable in, or shall subdivide or combine, its Common Stock; or (c) any other event shall occur which in the judgment of the Committee necessitates an adjustment to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee may, in such manner as it may deem equitable, adjust any or all of (i) the number

and type of securities subject to the Plan and which thereafter may be the subject of Options; (ii) the number and type of securities subject to outstanding Options; (iii) the Option Price with respect to any Option; and (iv) the number of shares of Common Stock that may be issued pursuant to Options granted to an Optionee in any calendar year; provided, however, that each such adjustment, in the case of ISOs, shall be made in such manner as not to constitute a "modification" within the meaning of Section 424(h)(3) of the Code. The judgment of the Committee with respect to any matter referred to in this Article shall be conclusive and binding upon each Optionee.

ARTICLE IX

AMENDMENT AND TERMINATION OF PLAN

9.1. The Board may at any time, or from time to time, suspend or terminate the Plan in whole or in part or amend it in such respects as the Board may deem appropriate, provided, however, that no such amendment shall be made, which would, without approval of the shareholders:

a. materially modify the eligibility requirements for receiving Options;

b. increase the aggregate number of Shares of Common Stock which may be issued pursuant to Options granted under the Plan, except as is provided for in accordance with Article VIII of the Plan;

c. increase the number of shares of Common Stock which may be issued pursuant to Options granted to an Optionee in any calendar year, except as is provided for in accordance with Article VIII of the plan;

d. reduce the minimum Option Price, except as is provided for in accordance with Article VIII of the Plan;

e. extend the period of granting Options; or

f. materially increase in any other way the benefits accruing to Optionees.

9.2. No Amendment, suspension or termination of this Plan shall, without the Optionee's consent, alter or impair any of the rights or obligations under any Option theretofore granted to an Optionee under the Plan.

9.3. The Board may amend this Plan, subject to the limitations cited above, in such manner as it deems necessary to permit the granting of Options meeting the requirements of future amendments or issued regulations, if any, to the Code.

ARTICLE X

GOVERNMENT AND OTHER REGULATIONS

10.1. The obligation of the Company to issue or transfer and deliver shares for Options exercised under the plan shall be subject to all applicable laws, regulations, rules, orders and approvals which shall then be in effect and required by governmental entities and the stock exchanges on which Common Stock is traded.

ARTICLE XI

MISCELLANEOUS PROVISIONS

11.1. PLAN DOES NOT CONFER EMPLOYMENT OR SHAREHOLDER RIGHTS: The right of the Employer to terminate (whether by dismissal, discharge, retirement or

otherwise) the Optionee's employment with it at any time at will, or as otherwise provided by any agreement between the Company and the Optionee, is specifically reserved. Neither the Optionee nor any person entitled to exercise the Optionee's rights in the event of the Optionee's death shall have any rights of a shareholder with respect to the shares subject to each Option, except to the extent that, and until, such shares shall have been issued upon the exercise of each Option.

11.2. PLAN EXPENSES: Any expenses of administering this Plan shall be borne by the Company.

11.3. USE OF EXERCISE PROCEEDS: Payments received from Optionees upon the exercise of Options shall be used for the general corporate purposes of the Company, except that any stock received in payment may be retired, or retained in the Company's treasury and reissued.

11.4. INDEMNIFICATION: In addition to such other rights of indemnification as they may have as members of the Board, or the Committee, the members of the Committee and the Board shall be indemnified by the Company against all costs and expenses reasonably incurred by them in connection with nay action, suit or proceeding to which they or any of them may be party by reason of any action taken or failure to act under or in connection with the Plan or any Option granted thereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except a judgment based upon a finding of bad faith; provided that upon the institution of any such action, suit or proceeding a Committee or Board member shall, in writing, give the Company notice thereof and an Opportunity, at its own expense, to handle and defend the same before such Committee or Board member undertakes to handle and defend it on such member's own behalf.

ARTICLE XII

SHAREHOLDER APPROVAL AND EFFECTIVE DATES

12.1. The Plan shall become effective when it is approved by the shareholders of Harley-Davidson, Inc. at a shareholders meeting by the requisite vote under New York Stock Exchange Rules, Internal Revenue Code Section 162(m) and Rule 16b-3 under the Securities Exchange Act of 1934. Options may not be granted under the Plan after April 26, 2005.

EXHIBIT 10.20

HARLEY-DAVIDSON, INC.
2004 INCENTIVE STOCK PLAN

(as amended on February 15, 2006)

1. Purposes, History and Effective Date.

(a) Purpose. The Harley-Davidson, Inc. 2004 Incentive Stock Plan has two complementary purposes: (i) to attract and retain outstanding individuals to serve as officers and other employees and (ii) to increase shareholder value. The Plan will provide participants incentives to increase shareholder value by offering the opportunity to acquire shares of the Company's common stock or receive monetary payments based on the value of such common stock on the potentially favorable terms that this Plan provides.

(b) History. Prior to the effective date of this Plan, the Company had in effect the 1995 Plan, which was originally effective May 6, 1995. Upon shareholder approval of this Plan, the 1995 Plan will terminate and no new awards will be granted under the 1995 Plan, although awards granted under such plan and still outstanding will continue to be subject to all terms and conditions of such plan.

(c) Effective Date. This Plan will become effective, and Awards may be granted under this Plan, on and after the Effective Date. This Plan will terminate as provided in Section 14.

2. Definitions. Capitalized terms used in this Plan have the following meanings:

(a) "1995 Plan" means the Harley-Davidson, Inc. 1995 Stock Option Plan, as amended.

(b) "Affiliate" has the meaning ascribed to such term in Rule 12b-2 promulgated under the Exchange Act or any successor rule or regulation thereto.

(c) "Award" means a grant of Options, Stock Appreciation Rights, Performance Shares, Performance Units, Restricted Stock, Restricted Stock Units, STIP Shares or Dividend Equivalent Units.

(d) "Award Agreement" means any written agreement, contract, or other instrument or document evidencing the grant of an Award in such form as the Committee determines.

(e) "Board" means the Board of Directors of the Company.

(f) "Change of Control" means the occurrence of any one of the following events:

(i) the Continuing Directors no longer constitute at least two-thirds of the Directors constituting the Board;

(ii) any person or group (as defined in Rule 13d-5 under the Exchange Act), together with its affiliates, becomes the beneficial owner, directly or indirectly, of 20% or more of the Company's then outstanding Stock or 20% or more of the voting power of the Company's then outstanding Stock;

(iii) the approval by the Company's shareholders of the merger or consolidation of the Company with any other corporation, the sale of substantially all of the Company's assets or the liquidation or dissolution of the Company, unless, in the case of a merger or consolidation, the Continuing Directors in office immediately prior to such merger or consolidation constitute at least two-thirds of the directors constituting the board of directors of the surviving corporation of such merger or consolidation and any parent (as defined in Rule 12b-2 under the Exchange Act) of such corporation; or

(iv) at least two-thirds of the then Continuing Directors in office immediately prior to any other action proposed to be taken by the Company's shareholders or by the Board determine that such proposed action, if taken, would constitute a change of control of the Company and such action is taken.

(g) "Change of Control Price" means the highest Fair Market Value price per Share during the sixty (60)-day period preceding the date of a Change of Control.

(h) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a specific provision of the Code includes any successor provision and the regulations promulgated under such provision.

(i) "Committee" means the Human Resources Committee of the Board (or a successor committee with the same or similar authority).

(j) "Company" means Harley-Davidson, Inc., a Wisconsin corporation, or any successor thereto.

(k) "Continuing Director" means any individual who is either (i) a member of the Board on the Effective Date or (ii) a member of the Board whose election or nomination to the Board was approved by a vote of at least two-thirds (2/3) of the Continuing Directors (other than a person whose election was as a result of an actual or threatened proxy or other control contest).

(l) "Director" means a member of the Board, and "Non-Employee Director" means a Director who is not also an employee of the Company or its Subsidiaries.

(m) "Disability" has the meaning ascribed to the term in Code Section 22(e)(3), as determined by the Committee.

(n) "Disinterested Persons" means the non-employee directors of the Company within the meaning of Rule 16b-3 as promulgated under the Exchange Act.

(o) "Dividend Equivalent Unit" means the right to receive cash equal to the cash dividends paid with respect to a Share.

(p) "Effective Date" means the date the Company's shareholders approve this Plan.

(q) "Exchange Act" means the Securities Exchange Act of 1934, as amended. Any reference to a specific provision of the Exchange Act includes any successor provision and the regulations and rules promulgated under such provision.

(r) "Fair Market Value" means, per Share on the date as of which Fair Market Value is being determined,, if the Stock is listed for trading on the New York Stock Exchange, the average of the high and low reported sales prices on the date in question as reported in The Wall Street Journal, or if no sales of Stock occur on the date in question, on the last preceding date on which there was a sale on such exchange. If the Stock is not listed or admitted to trading on the New York Stock Exchange on the date in question, then "Fair Market Value" means, per Share on the date as of which Fair Market Value is being determined, (i) the average of the high and low reported sales prices on the date in question on the principal national securities exchange on which the Stock is listed or admitted to trading, or if no sales of Stock occur on the date in question, on the last preceding date on which there was a sale on such exchange; or (ii) if the Stock is not listed or admitted to trading on any national securities exchange, the average of the highest and lowest quoted sale price on the date in question, or if no sales of Stock occur on the date in question, on the last preceding date on which there was a sale; or (iii) if not so quoted, the average of the high bid and low asked prices on the date in question in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other system then in use, or if no sales of Stock occur on the date in question, on the last preceding date on which there was a sale; or (iv) if on any such date the Stock is not quoted by any such organization, the average of the high bid and low asked prices on the date in question as furnished by a professional market maker making a market in the Stock selected by the Board for the date in question, or if no sales of Stock occur on the date in question, on the last preceding date on which there was a sale; or (v) if on any such date no market maker is making a market in the Stock, the price as determined in good faith by the Committee; provided that if Fair Market Value is being determined under clause (v) for purposes of determining the Change of Control Price, the value will be determined by the Continuing Directors.

(s) "Option" means the right to purchase Shares at a specified price for a specified period of time.

(t) "Participant" means an individual selected by the Committee to receive an Award, and includes any individual who holds an Award after the death of the original recipient.

(u) "Performance Goals" means any goals the Committee establishes that relate to one or more of the following for such period as the Committee specifies (in all cases excluding the effects of (A) extraordinary, unusual, transition, one-time and/or non-recurring items of gain or loss, (B) gains or losses on the disposition of a business or arising from the sale of assets outside the ordinary course of business, or (C) changes in tax or accounting regulations or laws):

(i) Any one or more of the following as determined for the Company on a consolidated basis, for any one or more Affiliates or divisions of the Company and/or for any other business unit or units of the Company, as determined by the Committee at the time an Award is made:

(1) Net sales;

(2) Cost of goods sold;

(3) Gross profit;

(4) Selling, administrative and engineering expenses;

(5) Income from operations;

(6) Income before interest and the provision for income taxes;

(7) Income before provision for income taxes;

(8) Net income;

(9) Average accounts receivable, calculated by taking the average of accounts receivable at the end of each fiscal month during the period in question;

(10) Average inventories, calculated by taking the average of inventories at the end of each fiscal month during the period in question;

(11) Return on average equity, with average equity calculated by taking the average of equity at the end of each fiscal month during the period in question;

(12) Return on year-end equity;

(13) Return on average assets, with average assets calculated by taking the average of assets at the end of each fiscal month during the period in question;

(14) Return on capital;

(15) Total shareholder return.

(16) Economic value added, or other measure of profitability that considers the cost of capital employed.

(17) Net cash provided by operating activities;

(18) Net cash provided by operating activities less net cash used in investing activities;

(19) Net increase (decrease) in cash and cash equivalents;

(20) Customer satisfaction;

(21) Market share; or

(22) Product quality.

(ii) Basic earnings per Share for the Company on a consolidated basis.

(iii) Diluted earnings per Share for the Company on a consolidated basis.

In the case of Awards that the Committee determines will not be considered "performance-based compensation" under Code Section 162(m), the Committee may establish other Performance Goals not listed in this Plan.

(v) "Performance Shares" means the right to receive Shares to the extent Performance Goals are achieved.

(w) "Performance Units" means the right to receive a payment valued in relation to a unit the value of which is equal to the Fair Market Value of one or more Shares, to the extent Performance Goals are achieved.

(x) "Person" has the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 14(d) and 15(d) thereof.

(y) "Plan" means this Harley-Davidson, Inc. 2004 Incentive Stock Plan, as may be amended from time to time.

(z) "Restricted Stock" means Shares that are subject to a risk of forfeiture and/or restrictions on transfer, which may lapse upon the achievement or partial achievement of Performance Goals and/or upon the completion of a period of service.

(aa) "Restricted Stock Unit" means the right to receive a payment valued in relation to a unit that has a value equal to the Fair Market Value of a Share, which right may vest upon the achievement or partial achievement of Performance Goals and/or upon the completion of a period of service.

(bb) "Retirement" means termination of employment from the Company and its Affiliates on or after age sixty-two (62) or, with the consent of the Committee, at an earlier age.

(cc) "Rule 16b-3" means Rule 16b-3 as promulgated by the United States Securities and Exchange Commission under the Exchange Act.

(dd) "Section 16 Participants" means Participants who are subject to the provisions of Section 16 of the Exchange Act.

(ee) "Share" means a share of Stock.

(ff) "STIP Shares" means Shares that the Company delivers in payment or partial payment of an award under the Harley-Davidson, Inc. Corporate Short Term Incentive Plan (or any successor thereto) or other incentive plans of the Company or its affiliates that the Committee designates from time to time.

(gg) "Stock" means the common stock of the Company.

(hh) "Stock Appreciation Right" or "SAR" means the right of a Participant to receive a payment equal to the appreciation of the Fair Market Value of a Share during a specified period of time.

(ii) "Subsidiary" means any corporation (other than the Company) in an unbroken

chain of corporations beginning with the Company if each such corporation owns stock possessing fifty percent (50%) or more of the total combined voting power in one of the other corporations in the chain.

3. Administration.

(a) Committee Administration. In addition to the authority specifically granted to the Committee in this Plan, the Committee has full discretionary authority to administer this Plan, including but not limited to the authority to (i) interpret the provisions of this Plan, (ii) prescribe, amend and rescind rules and regulations relating to this Plan, (iii) correct any defect, supply any omission, or reconcile any inconsistency in any Award or Award Agreement in the manner and to the extent it deems desirable to carry this Plan into effect and (iv) make all other determinations necessary or advisable for the administration of this Plan.

(b) Delegation to Other Committees or CEO. To the extent applicable law permits, the Board or the Committee may delegate to another committee of the Board, or the Committee may delegate to the Chief Executive Officer of the Company, any or all of the authority and responsibility of the Committee. However, no such delegation is permitted with

respect to Awards made to Section 16 Participants at the time any such delegated authority or responsibility is exercised. To the extent applicable law permits, the Board or the Committee also may delegate to another committee of the Board consisting entirely of Non-Employee Directors any or all of the authority and responsibility of the Committee with respect to individuals who are Section 16 Participants. If the Board or Committee has made such a delegation, then all references to the Committee in this Plan include such other committee or the Chief Executive Officer to the extent of such delegation.

(c) Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or the Committee, the members of the Committee and the Board shall be indemnified by the Company against all costs and expenses reasonably incurred by them in connection with any action, suit or proceeding to which they or any of them may be party by reason of any action taken or failure to act under or in connection with this Plan or any Award, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except a judgment based upon a finding of bad faith; provided that upon the institution of any such action, suit or proceeding a Committee or Board member shall, in writing, give the Company notice thereof and an opportunity, at its own expense, to handle and defend the same before such Committee or Board member undertakes to handle and defend it on such member's own behalf.

4. Eligibility. The Committee may designate any of the following as a Participant from time to time: any officer or other employee of the Company or any of its Affiliates, or an individual that the Company or an Affiliate has engaged to become an officer or other employee. The Committee's designation of a Participant in any year will not require the Committee to designate such person to receive an Award in any other year.

5. Types of Awards. Subject to the terms of this Plan, the Committee may grant any type of Award to any Participant it selects, but only employees of the Company or a Subsidiary may receive grants of incentive stock options. Awards may be granted alone or in addition to, in tandem with, or in substitution for any other Award (or any other award granted under another plan of the Company or any Affiliate of the Company). Awards granted under this Plan shall be evidenced by an Award Agreement except to the extent the Committee provides

otherwise.

6. Shares Reserved under this Plan.

(a) Plan Reserve. Subject to adjustment as provided in Section 16, an aggregate of 12,000,000 Shares, plus the number of Shares described in Section 6(c), are reserved for issuance under this Plan. The number of Shares reserved for issuance under this Plan shall be reduced only by the number of Shares delivered in payment or settlement of Awards. Notwithstanding the foregoing, subject to adjustment as provided in Section 16, the Company may issue only 12,000,000 Shares upon the exercise of incentive stock options. In addition, any Shares issued in connection with Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units shall count against the limit described in this Section 6(a) as two Shares for every one Share issued. Shares issued in connection with any other type of Award shall be counted against this limit as one Share for every one Share issued.

(b) Replenishment of Shares Under this Plan. If an Award lapses, expires, terminates or is cancelled without the issuance of Shares under the Award, or if Shares are forfeited under an Award, then the Shares subject to such Award may again be used for new Awards under this Plan under Section 6(a), including issuance as incentive stock options. If Shares are issued under any Award and the Company subsequently reacquires them pursuant to rights reserved upon the issuance of the Shares, or if previously owned Shares are delivered to the Company in payment of the exercise price of an Award, then such Shares may again be used for new Awards under this Plan under Section 6(a), but such Shares may not be issued pursuant to incentive stock options.

(c) Addition of Shares from Predecessor Plan. In addition to the Shares reserved for issuance under Section 6(a), the number of Shares which were reserved for issuance under the 1995 Plan but which are not subject to any outstanding awards under such plan as of the Effective Date shall be available for issuance under Awards granted under this Plan. Further, after the Effective Date, if any Shares subject to awards granted under the 1995 Plan would again become available for new grants under the terms of such plan if such plan were still in effect, then those Shares will be available for the purpose of granting Awards under this Plan, thereby increasing the number of Shares available for issuance under this Plan as determined under the first sentence of Section 6(a). Any such Shares will not be available for future awards under the terms of the 1995 Plan, which plan is terminated on the Effective Date.

(d) Participant Limitations. Subject to adjustment as provided in Section 16, no Participant may be granted Awards that could result in such Participant:

(i) receiving in any calendar year Options for, and/or Stock Appreciation Rights with respect to, more than 800,000 Shares (reduced, in the initial calendar year in which this Plan is effective, by the number of options granted to a Participant under the 1995 Plan in such year, if any);

(ii) receiving in any calendar year Awards of Restricted Stock and/or Restricted Stock Units relating to more than 400,000 Shares; or

(iii) receiving in any calendar year Awards of Performance Shares, and/or Awards of Performance Units, for more than 400,000 Shares.

In all cases, determinations under this Section 6(d) should be made in a manner that is consistent with the exemption for performance-based compensation that Code Section 162(m) provides.

7. Options. Subject to the terms of this Plan, the Committee will determine all terms and conditions of each Option, including but not limited to:

(a) Whether the Option is an "incentive stock option" which meets the requirements of Code Section 422, or a "nonqualified stock option" which does not meet the requirements of Code Section 422; provided that in the case of an incentive stock option, if the aggregate Fair Market Value (determined on the date of grant) of the Shares with respect to which all "incentive stock options" (within the meaning of Code Section 422) are first exercisable by the Participant during any calendar year (under this Plan and under all other incentive stock option plans of the Company or any Affiliate that is required to be included under Code Section 422) exceeds $100,000, such Option automatically shall be treated as a nonqualified stock option to the extent this limit is exceeded.

(b) The number of Shares subject to the Option.

(c) The exercise price, which may not be less than the Fair Market Value of the Shares subject to the Option as determined on the date of grant; provided that (i) no incentive stock option shall be granted to any employee who, at the time the Option is granted, owns (directly or indirectly, within the meaning of Code Section 424(d)) more than ten percent of the total combined voting power of all classes of stock of the Company or of any Subsidiary unless the exercise price is at least 110 percent of the Fair Market Value of a Share on the date of grant; and (ii) the exercise price may vary during the term of the Option if the Committee determines that there should be adjustments to the exercise price relating to achievement of Performance Goals and/or to changes in an index or indices that the Committee determines is appropriate (but in no event may the exercise price be less than the Fair Market Value of the Shares subject to the Option as determined on the date of grant).

(d) The terms and conditions of exercise, which may include a requirement that exercise of the Option is conditioned upon achievement of one or more Performance Goals; provided that, unless the Committee provides otherwise in an Award Agreement:

(i) An Option, or portion thereof, shall be exercised by delivery of a written notice of exercise to the Company (or its designee) and payment of the full exercise price of the Shares being purchased pursuant to the Option and any withholding taxes due thereon.

(ii) A Participant may exercise an Option with respect to less than the full number of Shares for which the Option may then be exercised, but a Participant must exercise the Option in full Shares.

(iii) The exercise price may be paid: in United States dollars in cash or by check, bank draft or money order payable to the order of the Company; through the delivery of Shares with an aggregate Fair Market Value on the date of exercise equal to the exercise price; or by any combination of the above methods of payment. The Committee shall determine acceptable methods for tendering Shares as payment upon exercise of an Option and may impose such limitations and prohibitions on the use of Shares to exercise an Option as it deems appropriate, including, without, limitation, any limitation or prohibition designed to avoid certain accounting consequences that may result from the use of Shares as payment upon exercise of an Option.

(e) The termination date, except that each Option must terminate no later than ten (10) years after the date of grant, and each incentive stock option granted to any employee who, at the time the Option is granted, owns (directly or

indirectly, within the meaning of Code Section 424(d)) more than ten percent of the total combined voting power of all classes of stock of the Company or of any Subsidiary must terminate no later than five (5) years after the date of grant.

(f) The exercise period following a Participant's termination of employment, provided that:

(i) Unless the Committee provides otherwise, if a Participant shall cease to be employed by the Company or any of its Affiliates other than by reason of Retirement, Disability, or death, (A) the portion of the Option that is not vested shall terminate on the date of such cessation of employment and (B) the Participant shall have a period ending on the earlier of the Option's termination date or 90 days from the date of cessation of employment to exercise the vested portion of the Option to the extent not previously exercised. At the end of such period, the Option shall terminate.

(ii) Unless the Committee provides otherwise, if a Participant shall cease to be employed by the Company or any of its Affiliates by reason of Retirement or Disability, the Option shall remain exercisable, to the extent it was exercisable at the time of cessation of employment, until the earliest of: the Option's termination date; the death of the Participant, or such later date not more than one year after the death of the Participant as the Committee, in its discretion, may provide; the third anniversary of the date of the cessation of the Participant's employment, if employment ceased by reason of Retirement; or the first anniversary of the date of the cessation of the Participant's employment by reason of Disability. At the end of such period, the Option shall terminate.

(iii) In the event of the death of the Participant while employed by the Company or any of its Affiliates, the Option may be exercised at any time prior to the earlier of the Option's termination date or the first anniversary of the date of the Participant's death to the extent that the Participant was entitled to exercise such Option on the Participant's date of death. In the event of the death of the Participant while entitled to exercise an Option pursuant to Section 7(f)(ii), the Committee, in its discretion, may permit such Option to be exercised prior to the Option's termination date during a period of up to one year from the death of the Participant, as determined by the Committee to the extent that the Option was exercisable at the time of cessation of the Participant's employment.

Any Participant who disposes of Shares acquired upon the exercise of an incentive stock option either (a) within two years after the date of the grant of such Option or (b) within one year after the transfer of such Shares to the Participant, shall notify the Company of such disposition and of the amount realized upon such disposition.

In all other respects, the terms of any incentive stock option should comply with the provisions of Code Section 422 except to the extent the Committee determines otherwise.

8. Stock Appreciation Rights. Subject to the terms of this Plan, the Committee will determine all terms and conditions of each SAR, including but not limited to:

(a) Whether the SAR is granted independently of an Option or relates to an Option; provided that if an SAR is granted in relation to an Option, then unless otherwise determined by the Committee, the SAR shall be exercisable or shall mature at the same time or times, on the same conditions and to the extent and in the proportion, that the related Option is exercisable and may be exercised or mature for all or part of the Shares subject to the related Option. Upon exercise of any number of SARs, the number of Shares subject to the related Option shall be reduced accordingly and such Option may not be exercised with respect to that number of Shares. The exercise of any number of Options that relate to an SAR shall likewise result in an equivalent reduction in the number of Shares covered by the related SAR.

(b) The number of Shares to which the SAR relates.

(c) The grant price, provided that (i) the grant price shall not be less than the Fair Market Value of the Shares subject to the SAR as determined on the date of grant and (ii) the grant price may vary during the term of the SAR if the Committee determines that there should be adjustments to the grant price relating to achievement of Performance Goals and/or to changes in an index or indices that the Committee determines is appropriate (but in no event may the grant price be less than the Fair Market Value of the Shares subject to the SAR as determined on the date of grant).

(d) The terms and conditions of exercise or maturity.

(e) The termination date, provided that an SAR must terminate no later than 10 years after the date of grant.

(f) The exercise period following a Participant's termination of employment.

(g) Whether the SAR will be settled in cash, Shares or a combination thereof.

9. Performance Awards. Subject to the terms of this Plan, the Committee will determine all terms and conditions of each Award of Performance Shares or Performance Units, including but not limited to:

(a) The number of Shares and/or units to which such Award relates.

(b) One or more Performance Goals that must be achieved during such period as the Committee specifies in order for the Participant to realize the benefit of such Award.

(c) Whether all or a portion of the Performance Goals subject to an Award are deemed achieved upon a Participant's death, Disability or Retirement.

(d) With respect to Performance Units, whether to settle such Award in cash, Shares, or a combination of cash and Shares.

10. Restricted Stock and Restricted Stock Unit Awards. Subject to the terms of this Plan, the Committee will determine all terms and conditions of each Award of Restricted Stock or Restricted Stock Units, including but not limited to:

(a) The number of Shares and/or units to which such Award relates.

(b) The period of time, if any, over which the risk of forfeiture or restrictions imposed on the Award will lapse, or the Award will vest, and whether, as a condition for the Participant to realize all or a portion of the benefit provided under the Award, one or more Performance Goals must be achieved during such period, if any, as the Committee specifies; provided that, subject to the provisions of Section 10(c), if an Award requires the achievement of Performance Goals, then the period to which such Performance Goals relate must be at least one year in length, and if an Award is not subject to Performance Goals, then the Award must have a restriction period of at least one year.

(c) Whether all or any portion of the period of forfeiture or restrictions imposed on the Award will lapse, or the vesting of the Award will be accelerated, upon a Participant's death, Disability or Retirement.

(d) With respect to Restricted Stock Units, whether to settle such Awards in cash, Shares, or a combination of cash and Shares.

(e) With respect to Restricted Stock, the manner of registration of certificates for such Shares, and whether to hold such Shares in escrow pending lapse of the period of forfeiture or restrictions or to issue such Shares with

an appropriate legend referring to such restrictions.

(f) Whether dividends paid with respect to an Award of Restricted Stock will be immediately paid or held in escrow or otherwise deferred and whether such dividends shall be subject to the same terms and conditions as the Award to which they relate.

11. STIP Shares. Subject to the terms and conditions of this Plan, the Committee may elect to have the Company deliver STIP Shares in payment or partial payment of awards under the Harley-Davidson, Inc. Corporate Short Term Incentive Plan (or any successor thereto) or other incentive plans of the Company or its affiliates that the Committee designates from time to time.

12. Dividend Equivalent Units. Subject to the terms and conditions of this Plan, the Committee will determine all terms and conditions of each Award of Dividend Equivalent Units, including but not limited to whether such Award will be granted in tandem with another Award, and the form, timing and conditions of payment.

13. Transferability. Awards are not transferable other than by will or the laws of descent and distribution, unless and to the extent the Committee allows a Participant to: (a) designate in writing a beneficiary to exercise the Award after the Participant's death; or (b) transfer an Award, provided that STIP Shares and other Shares that a Participant receives upon final payment of an Award shall be transferable unless the Committee designates otherwise at the time of the Award.

14. Termination and Amendment of Plan; Amendment, Modification or Cancellation of Awards.

(a) Term of Plan. Unless the Board or the Committee earlier terminates this Plan pursuant to Section 14(b), this Plan will terminate on the tenth anniversary of the Effective Date.

(b) Termination and Amendment. The Board or the Committee may amend, alter, suspend, discontinue or terminate this Plan at any time, subject to the following limitations:

(i) the Board must approve any amendment of this Plan to the extent the Company determines such approval is required by: (A) action of the Board, (B) applicable corporate law or (C) any other applicable law;

(ii) shareholders must approve any amendment of this Plan to the extent the Company determines such approval is required by: (A) Section 16 of the Exchange Act, (B) the Code, (C) the listing requirements of any principal securities exchange or market on which the Shares are then traded or (D) any other applicable law; and

(iii) shareholders must approve any of the following Plan amendments: (A) an amendment to materially increase any number of Shares specified in Section 6(a) or 6(d) (except as permitted by Section 16); or (B) an amendment to the provisions of Section 14(e).

(c) Amendment, Modification or Cancellation of Awards. Except as provided in Section 14(e) and subject to the requirements of this Plan, the Committee may modify or amend any Award or waive any restrictions or conditions applicable to any Award or the exercise of the Award, and the terms and conditions applicable to any Awards may at any time be amended, modified or canceled by mutual agreement between the Committee and the Participant or any other person(s) as may then have an interest in the Award, so long as any amendment or modification does not increase the number of Shares issuable under this Plan

(except as permitted by Section 16), but the Committee need not obtain Participant (or other interested party) consent for the cancellation of an Award pursuant to the provisions of Section 16(a) or the modification of an Award to the extent deemed necessary to comply with any applicable law or the listing requirements of any principal securities exchange or market on which the Shares are then traded, or to preserve favorable accounting treatment of any Award for the Company.

(d) Survival of Authority and Awards. Notwithstanding the foregoing, the authority of the Board and the Committee under this Section 14 will extend beyond the date of this Plan's termination. In addition, termination of this Plan will not affect the rights of Participants with respect to Awards previously granted to them, and all unexpired Awards will continue in full force and effect after termination of this Plan except as they may lapse or be terminated by their own terms and conditions.

(e) Repricing Prohibited. Notwithstanding anything in this Plan to the contrary, and except for the adjustments provided in Section 16, neither the Committee nor any other person may decrease the exercise price for any outstanding Option after the date of grant nor cancel or allow a Participant to surrender an outstanding Option to the Company as consideration for the grant of a new Option with a lower exercise price or the grant of another type of Award the effect of which is to reduce the exercise price of any outstanding Option.

(f) Foreign Participation. To assure the viability of Awards granted to Participants employed in foreign countries, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to, or amendments, restatements or alternative versions of, this Plan as it determines is necessary or appropriate for such purposes. Any such amendment, restatement or alternative versions that the Committee approves for purposes of using this Plan in a foreign country will not affect the terms of this Plan for any other country. In addition, all such supplements, amendments, restatements or alternative versions must comply with the provisions of Section 14(b)(ii).

15. Taxes. The Company is entitled to withhold the amount of any tax attributable to any amount payable or Shares delivered or deliverable under this Plan after giving the holder of the Award notice as far in advance as practicable, and the Company may defer making payment or delivery if any such tax may be pending unless and until indemnified to its satisfaction. The Committee may permit a Participant to satisfy all or a portion of the federal, state and local withholding tax obligations arising in connection with such Award 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 Fair Market Value equal to the amount to be withheld. However, the amount to be withheld may not exceed the total minimum federal, state and local tax withholding obligations associated with the

transaction. The election must be made on or before the date as of which the amount of tax to be withheld is determined and otherwise as the Committee requires.

16. Adjustment Provisions; Change of Control.

(a) Adjustment of Shares. If the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination,

repurchase, or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that the Committee determines an adjustment to be appropriate to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this Plan, then, subject to Participants' rights under Section 16(c), the Committee may, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares subject to this Plan (including the number and type of Shares described in Sections 6(a) and 6(d)) and which may after the event be made the subject of Awards under this Plan, (ii) the number and type of Shares subject to outstanding Awards, and (iii) the grant, purchase, or exercise price with respect to any Award. In any such case, the Committee may also (or in lieu of the foregoing) make provision for a cash payment to the holder of an outstanding Award in exchange for the cancellation of all or a portion of the Award (without the consent of the holder of an Award) in an amount determined by the Committee effective at such time as the Committee specifies (which may be the time such transaction or event is effective), but if such transaction or event constitutes a Change of Control, then (A) such payment shall be at least as favorable to the holder as the greatest amount the holder could have received in respect of such Award under Section 16(c) and (B) from and after the Change of Control, the Committee may make such a provision only if the Committee determines that doing so is necessary to substitute, for each Share then subject to an Award, the number and kind of shares of stock, other securities, cash or other property to which holders of Stock are or will be entitled in respect of each Share pursuant to the transaction or event in accordance with the last sentence of this subsection (a). However, in each case, with respect to Awards of incentive stock options, no such adjustment may be authorized to the extent that such authority would cause this Plan to violate Code Section 422(b). Further, the number of Shares subject to any Award payable or denominated in Shares must always be a whole number. Without limitation, subject to Participants' rights under Section 16(c), in the event of any reorganization, merger, consolidation, combination or other similar corporate transaction or event, whether or not constituting a Change of Control (other than any such transaction in which the Company is the continuing corporation and in which the outstanding Stock is not being converted into or exchanged for different securities, cash or other property, or any combination thereof), the Committee may substitute, on an equitable basis as the Committee determines, for each Share then subject to an Award, the number and kind of shares of stock, other securities, cash or other property to which holders of Stock are or will be entitled in respect of each Share pursuant to the transaction.

(b) Issuance or Assumption. Notwithstanding any other provision of this Plan, and without affecting the number of Shares otherwise reserved or available under this Plan, in connection with any merger, consolidation, acquisition of property or stock, or reorganization, the Committee may authorize the issuance or assumption of Awards upon such terms and conditions as it may deem appropriate.

(c) Change of Control. Except to the extent the Committee provides a result more favorable to holders of Awards (either in an Award Agreement or at the time of a Change of Control), in the event of a Change of Control and with respect to each Award the holder of which is employed by the Company or an Affiliate on the date of the Change of Control:

(i) each holder of an Option or SAR shall have the right at any time thereafter to exercise the Option or SAR in full whether ornot the Option or SAR was theretofore exercisable;

(ii) Restricted Stock and Restricted Stock Units that are not then vested shall vest, and any period of forfeiture or restrictions to which Restricted Stock and Restricted Stock Units are subject shall lapse, upon the date of the Change of Control;

(iii) each holder of a Performance Share and/or Performance Unit for which the performance period has not expired shall become vested in an amount equal to the product of the value of the Performance Share and/or Performance Unit and a fraction the numerator of which is the number of whole months that have elapsed from the beginning of the performance period to which the Award is subject to the date of the Change of Control and the denominator of which is the number of whole months in the performance period;

(iv) all Dividend Equivalent Units that were awarded in connection with another Award shall vest.

For purposes of this Section 16(c), the "value" of a Performance Share shall be equal to, and the "value" of a Performance Unit shall be based on, the Change of Control Price.

The rules of this Section 16(c) shall not prevent the Committee, in connection with a Change of Control transaction, from exercising the authority provided to the Committee under the last sentence of Section 16(a) to substitute, for each vested (taking into account the vesting rules of this Section 16(c)) and previously unexercised or undistributed Share then subject to or underlying an Award, the number and kind of shares of stock, other securities, cash or other property to which holders of Stock are or will be entitled in respect to each Share pursuant to the transaction.

Unless any agreement between the Participant and the Company provides for a payment by the Company to the Participant to cover the excise taxes due by the Participant upon receipt of an excess parachute payment within the meaning of Code Section 280G, if the receipt of any payment by a Participant under the circumstances described above would result in the payment by the Participant of any excise tax provided for in Section 280G and Section 4999 of the Code, then the amount of such payment shall be reduced to the extent required to prevent the imposition of such excise tax.

17. Miscellaneous.

(a) Other Terms and Conditions. The grant of any Award may also be subject to other provisions (whether or not applicable to the Award granted to any other Participant) as the Committee determines appropriate, including, without limitation, provisions for:

(i) one or more means to enable Participants to defer the delivery of Shares or recognition of taxable income relating to Awards or cash payments derived from the Awards on such terms and conditions as the Committee determines, including, by way of example, the form and manner of the deferral election, the treatment of dividends paid on the Shares during the deferral period or a means for providing a return to a Participant on amounts deferred, and the permitted distribution dates or events (provided that if Shares would have otherwise been issued under an Award but for the deferral described in this paragraph and ultimately Shares will be or are issued in respect of the Award, then such Shares shall be treated as if they were issued for purposes of Section 6(a));

(ii) the payment of the exercise price of Options by delivery of cash or other Shares or other securities of the Company (including by attestation) having a then Fair Market Value equal to the exercise price of the Shares being purchased pursuant to the Option, or by delivery (including by fax) to the Company or its designated agent of an executed irrevocable option exercise form together with irrevocable instructions to a broker-dealer to sell or margin a sufficient portion of the Shares and deliver the sale or margin loan proceeds directly to the Company to pay for the exercise price;

(iii) conditioning the grant or benefit of an Award on the Participant's

agreement to comply with covenants not to compete, not to solicit employees and customers and not to disclose confidential information that may be effective during or after the Participant's employment, and/or provisions requiring the Participant to disgorge any profit, gain or other benefit received in connection with an Award as a result of the breach of such covenant;

(iv) restrictions on resale or other disposition of Shares, including imposition of a retention period; and

(v) compliance with federal or state securities laws and stock exchange requirements.

(b) Employment. The issuance of an Award shall not confer upon a Participant any right with respect to continued employment with the Company or any Affiliate. Unless determined otherwise by the Committee, for purposes of this Plan and all Awards, the following rules shall apply:

(i) a Participant who transfers employment between the Corporation and any Affiliate of the Company, or between the Company's Affiliates, will not be considered to have terminated employment;

(ii) a Participant who ceases to be employed by the Company or an Affiliate of the Company and immediately thereafter becomes a Non-Employee Director, a non-employee director of any of its Affiliates, or a consultant to the Company or any of its Affiliates shall not be considered to have terminated employment until such Participant's service as a director of, or consultant to, the Company and its Affiliates has ceased; and

(iii) a Participant employed by an Affiliate of the Company will be considered to have terminated employment when such entity ceases to be an Affiliate of the Company.

(c) No Fractional Shares. No fractional Shares or other securities may be issued or delivered pursuant to this Plan, and the Committee may determine whether cash, other securities or other property will be paid or transferred in lieu of any fractional Shares or other securities, or whether such fractional Shares or other securities or any rights to fractional Shares or other securities will be canceled, terminated or otherwise eliminated.

(d) Unfunded Plan. This Plan is unfunded and does not create, and should not be construed to create, a trust or separate fund with respect to this Plan's benefits. This Plan does not establish any fiduciary relationship between the Company and any Participant or other person. To the extent any person holds any rights by virtue of an Award granted under this Plan, such rights are no greater than the rights of the Company's general unsecured creditors.

(e) Requirements of Law and Securities Exchange. The granting of Awards and the issuance of Shares in connection with an Award are subject to all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required. Notwithstanding any other provision of this Plan or any Award Agreement, the Company has no liability to deliver any Shares under this Plan or make any payment unless such delivery or payment would comply with all applicable laws and the applicable requirements of any securities exchange or similar entity, and unless and until the Participant has taken all actions required by the Company in connection therewith. The Company may impose such restrictions on any Shares issued under this Plan as the Company determines necessary or desirable to comply with all applicable laws, rules and regulations or the requirements of any national securities exchanges.

(f) Governing Law. This Plan, and all agreements under this Plan, will be

construed in accordance with and governed by the laws of the State of Wisconsin, without reference to any conflict of law principles. The parties agree that the exclusive venue for any legal action or proceeding with respect to this Plan, any Award or any Award Agreement shall be a court sitting in the County of Milwaukee, or the Federal District Court for the Eastern District of Wisconsin sitting in the County of Milwaukee, in the State of Wisconsin, and further agree that any such action may be heard only in a "bench" trial, and any party to such action or proceeding shall agree to waive its right to a jury trial.

(g) Limitations on Actions. Any legal action or proceeding with respect to this Plan, any Award or any Award Agreement must be brought within one year (365 days) after the day the complaining party first knew or should have known of the events giving rise to the complaint.

(h) Construction. Whenever any words are used herein in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are used in the singular or plural, they shall be construed as though they were used in the plural or singular, as the case may be, in all cases where they would so apply. Titles of sections are for general information only, and this Plan is not to be construed with reference to such titles.

(i) Severability. If any provision of this Plan or any Award Agreement or any Award (i) is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or as to any person or Award, or (ii) would disqualify this Plan, any Award Agreement or any Award under any law the Committee deems applicable, then such provision should be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of this Plan, such Award Agreement or such Award, then such provision should be stricken as to such jurisdiction, person or Award, and the remainder of this Plan, such Award Agreement and such Award will remain in full force and effect.

Exhibit 10.21

Notice of Grant of Stock Options
and Option Agreement

Harley-Davidson, Inc.
ID: 39-1805420
3700 West Juneau Avenue
Milwaukee, WI 53208

"FirstName" "LastName"
"Address1"
"City," "State" "Zip"
"Country"

Option Number:
Plan: 2004 Incentive Stock Plan
ID:

Effective "GrantDate"(the "Grant Date"), you have been granted a(n) Non-Qualified Stock Option to buy "# of shares" shares of Harley-Davidson, Inc. (the Company) stock at "price" per share.

The total option price of the shares granted is "$ amount".

Shares in each period will become fully vested on the date shown.

Shares Vest Type Full Vest Expiration
"shares"
"shares"
"shares"
"shares"

These options are granted under and governed by the terms and conditions of the Company's 2004 Incentive Stock Plan, as amended, and this Option Agreement. You may return this Option Agreement to the Company (in care of the Vice President and Treasurer) within thirty (30) days after the Grant Date, and by doing so you will forfeit any rights under this Option Agreement. If you choose to retain this Option Agreement beyond that date, then you accept the terms of these options and agree and consent to all amendments to the 2004 Incentive Stock Plan and the Company's 1995 Stock Option Plan through the Grant Date as they apply to these options and any prior awards to you under such plans.

Vice President and
Treasurer
Date: 01/10/2002
Time: 1:58:17 PM

Exhibit 10.22

Notice of Special Grant of Stock Options and Option Agreement

Harley-Davidson, Inc.
ID: 39-1805420
3700 West Juneau Avenue
Milwaukee, WI 53208

"FirstName" "LastName" Option Number:
"Address1" Plan: 2004 Incentive Stock Plan
"City," "State" "Zip" ID:
"Country"

Effective "GrantDate" (the "Grant Date"), you have been granted a(n) Non-Qualified Stock Option to buy "# of shares" Harley-Davidson, Inc. (the Company) stock at "price" per share.

The total option price of the shares granted is "$ amount".

Shares in each period will become fully vested on the date shown.

Shares	Vest Type*	Full Vest*	Expiration
"shares"			
"shares"			
"shares"			
"shares"			

These options are granted under and governed by the terms and conditions of the Company's 2004 Incentive Stock Plan, as amended, and this Option Agreement. You may return this Option Agreement to the Company (in care of the Vice President and Treasurer) within thirty (30) days after the Grant Date, and by doing so you will forfeit any rights under this Option Agreement. If you choose to retain this Option Agreement beyond that date, then you accept the terms of these options and agree and consent to all amendments to the 2004 Incentive Stock Plan and the Company's 1995 Stock Option Plan through the Grant Date as they apply to these options and any prior awards to you under such plans.

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*See attached Exhibit A

Vice President and
Treasurer
Date: 01/10/2002
Time: 1:58:17 PM

Exhibit A

If you cease to be employed by the Company by reason of Retirement (as defined in the Company's 2004 Incentive Stock Plan), then, effective immediately prior to the time of cessation of employment, options to purchase all shares that were not previously vested will become fully vested except where Cause (as defined below) existed prior to the time of cessation of employment. The exercisability and termination of such options following Retirement will remain subject to Section 7(f)(ii) of the Company's 2004 Incentive Stock Plan.

"Cause" shall mean (1) your conviction of a felony or a plea by you of no contest to a felony, (2) willful misconduct on your part that is materially and demonstrably detrimental to the Company, (3) your willful refusal to perform requested duties consistent with your office, position or status with the Company (other than as a result of your physical or mental disability) or (4) other conduct or inaction that the Committee determines in its discretion constitutes Cause. With respect to clauses (2), (3) and (4) of this paragraph, Cause shall be determined by a majority of the Committee (as defined in the Company's 2004 Incentive Stock Plan) at a meeting held after reasonable notice to you and including an opportunity for you and your counsel to be heard. The Committee shall not have the right to determine that Cause exists pursuant to clause (4) of this paragraph following the occurrence of a Change of Control (as defined in the Company's 2004 Incentive Stock Plan). All determinations of the Committee hereunder shall be final.

Exhibit 10.23

Notice of Award of Restricted Stock and Restricted Stock Agreement

Harley-Davidson, Inc.
ID: 39-1805420
3700 West Juneau Avenue
Milwaukee, WI 53208

"Fname" "M""Lname" Award Number: "Grant_"
"Address1" Plan: 2004 Incentive Stock Plan
"Address2" ID: "ID"
"Address3"
"City", "St" "Zip"
"CO"

Effective / /200 (the "Grant Date"), you have been granted "Shares" shares of Common Stock of Harley-Davidson, Inc. (the "Company") constituting Restricted Stock under the Company's 2004 Incentive Stock Plan, as amended (the "Plan").

All of the Restricted Stock will become fully unrestricted (or "vest") on the fourth anniversary of the Grant Date, subject to accelerated vesting and forfeiture as discussed below. You may not sell, transfer or otherwise convey an interest in or pledge any of your Shares of Restricted Stock until they are vested. In addition, (i) you cannot sell or otherwise dispose of any Restricted Stock that has vested except pursuant to an effective registration statement under the Securities Act of 1933 and any applicable state securities laws or in a transaction that, in the opinion of counsel for the Company, is exempt from such registration and (ii) the Company may place a legend on any certificates for such Shares to such effect.

The Shares of Restricted Stock are granted under and governed by the terms and conditions of the Plan and this Restricted Stock Agreement including Exhibit A. Additional provisions regarding your Restricted Stock and definitions of capitalized terms used and not defined in this Restricted Stock Agreement can be found in the Plan. Without limitation, "Committee" means the Human Resources Committee of the Board or its delegate in accordance with the Plan.

HARLEY-DAVIDSON, INC.
Vice President and Treasurer

Date
Time:

Exhibit A to Restricted Stock Agreement

Termination of Employment: If your employment with the Company and its Affiliates is terminated for any reason other than death, Disability or Qualified Retirement (as defined below), then you will forfeit any Shares of Restricted Stock that are not vested as of the date your employment is terminated. If you cease to be employed by the Company and its Affiliates by reason of death, Disability or Qualified Retirement, then, effective immediately prior to the time of cessation of employment, a portion of the unvested Restricted Stock will vest such that the total number of Shares that are vested after giving effect to such vesting will be equal to the original number of Shares of Restricted Stock subject to this Restricted Stock Agreement multiplied by a fraction the numerator of which is the number of Months (counting a partial Month as a full Month) from the Grant Date until the date your employment is terminated by reason of death, Disability or Qualified

Retirement, and the denominator of which is 48 months, and you will forfeit the remaining Shares of Restricted Stock that are not vested. For purposes of this Agreement, a "Month" shall mean the period that begins on the first calendar day after the Grant Date, or the anniversary of the Grant Date that occurs in each calendar month, and ends on the anniversary of the Grant Date that occurs in the following calendar month.

"Qualified Retirement" shall mean termination of employment from the Company and its Affiliates, for reasons other than death, Disability, Cause (determined as described below) or accepting other full-time employment, (a) on or after age sixty-two (62), (b) on or after age fifty-five (55) if you have completed five (5) years of service with the Company and its Affiliates at the time of such termination or (c) with the consent of the Committee, under other circumstances. "Cause" shall be determined by the Company in its discretion though you will have the right to appeal the Company's decision to the Committee if you do so in writing within sixty (60) days after receiving notice of termination for Cause from the Company. If you fail to appeal such decision within sixty (60) days, the Company's determination shall be final. If you timely file a written appeal with the Committee, the Committee's decisions shall be final and binding.

Accelerated Vesting: If the average of the percentage payouts under the Reference STIPs for the two full calendar years prior to the second anniversary of the Grant Date (including the calendar year in which the Grant Date occurs) is equal to or greater than 100%, then 50% of the Restricted Stock (excluding any forfeited Shares) will vest on the second anniversary of the Grant Date. "Reference STIPs" means the terms of the Short-Term Incentive Plan of the Company or any of its Affiliates applicable to the class or classes of employees of which you were a part during the two full calendar years prior to the second anniversary of the Grant Date, and the average of the percentage payouts will be calculated by weighting each percentage payout that relates to the period during which you were a part of a class of employees based on the time in each year that you were a part of that class of employees.

Issuance of Share Certificates: The Company may issue in your name certificate(s) evidencing your Shares of Restricted Stock. In addition to any other legends placed on the certificate(s), such certificate(s) will bear the following legend:

The shares of Stock represented by this certificate are subject to forfeiture, and the sale or other transfer of the shares of Stock represented by this certificate (whether voluntary or by operation of law) is subject to certain restrictions, as set forth in a Restricted Stock Agreement, dated as of , by and between Harley-Davidson, Inc. and the registered owner hereof. A copy of such Agreement may be obtained from the Secretary of Harley-Davidson, Inc.

Upon the vesting of Shares of Restricted Stock, you will be entitled to a new certificate for the Shares that have vested, without the foregoing legend, upon making a request for such certificate to the Secretary of the Company or to such other person as the Company may designate.

In lieu of issuing in your name certificate(s) evidencing your Shares of Restricted Stock, the Company may cause its transfer agent or other agent to reflect on its records your ownership of such Shares, subject to the terms of this Restricted Stock Agreement.

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Voting Rights and Dividends: While your Shares of Restricted Stock are subject to forfeiture, you may exercise full voting rights and will receive all cash dividends and other distributions paid with respect to the Restricted Stock (reduced for any tax withholding due), in each case so long as the applicable

record date occurs before you forfeit such Shares. If, however, any dividends or distributions are paid in Shares, such Shares will be subject to the same risk of forfeiture, restrictions on transferability and other terms of this Restricted Stock Agreement as are the Shares of Restricted Stock with respect to which they were paid.

Tax Withholding: To the extent that your receipt of Restricted Stock or the vesting of Restricted Stock results in income to you for federal, state or local taxes, you must deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations. If you fail to deliver such amount as the Company requires, the Company has the right and authority to deduct or withhold from other compensation it would pay to you an amount, and/or to treat you as having surrendered vested Shares of Restricted Stock having a value, sufficient to satisfy its withholding obligations.

When income results from the vesting of Restricted Stock, to the extent the Company permits you to do so, you may satisfy the withholding requirement, in whole or in part, by electing to have the Company accept that number of vested Shares of Restricted Stock having an aggregate Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that the Company must withhold in connection with the vesting of such Shares. If you would be left with a fractional share after satisfying the withholding obligation on the Restricted Stock, the fair market value of that fractional share will be applied to your general federal tax withholding. If the Company does not allow you to elect to have the Company accept vested Shares of Restricted Stock, or if you want to keep all of the shares that are vesting, you will have to deliver to the Company or to such other person as the Company may designate funds in an amount sufficient to cover the withholding tax obligation on a date advised by the Company. Where you may elect to deliver funds to satisfy the withholding tax obligation, your election to deliver funds must be irrevocable, in writing, and submitted to the Secretary or to such other person as the Company may designate on or before the date that the Company specifies, which will be before the applicable vesting date, and if you fail to deliver such election then you will be deemed to have elected to have the Company accept vested Shares of Restricted Stock as described above.

If you do so within thirty (30) days of the Grant Date, you may make an election under Section 83(b) of the Internal Revenue Code of 1986, as amended, for this Award so that the receipt of the Restricted Stock, rather than vesting, results in income. In that case, you will have to deliver to the Company or to such other person as the Company may designate funds in an amount sufficient to cover the withholding tax obligation.

Rejection/Acceptance: You may return this Restricted Stock Agreement to the Company (in care of the Vice President and Treasurer) within thirty (30) days after the Grant Date, together with any certificate you have received evidencing Shares, and by doing so you will forfeit any rights under this Restricted Stock Agreement and any rights to Shares that the Company has transferred to you under this Restricted Stock Agreement. If you choose to retain this Restricted Stock Agreement beyond that date, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan and the Harley-Davidson, Inc. 1995 Stock Option Plan through the Grant Date as they apply to this Award and any prior awards of any kind to you under such plans.

Exhibit 10.24

Notice of Special Award of Restricted Stock and Restricted Stock Agreement

Harley-Davidson, Inc.
ID: 39-1805420
3700 West Juneau Avenue
Milwaukee, WI 53208

"Fname" "M""Lname" Award Number: "Grant_"
"Address1" Plan: 2004 Incentive Stock Plan
"Address2" ID: "ID"
"Address3"
"City", "St" "Zip"
"CO"

Effective / /200 (the "Grant Date"), you have been granted "Shares"shares of Common Stock of Harley-Davidson, Inc. (the "Company") constituting Restricted Stock under the Company's 2004 Incentive Stock Plan, as amended (the "Plan").

All of the Restricted Stock will become fully unrestricted (or "vest") on the anniversary of the Grant Date, subject to accelerated vesting and forfeiture as discussed below. You may not sell, transfer or otherwise convey an interest in or pledge any of your Shares of Restricted Stock until they are vested. In addition, (i) you cannot sell or otherwise dispose of any Restricted Stock that has vested except pursuant to an effective registration statement under the Securities Act of 1933 and any applicable state securities laws or in a transaction that, in the opinion of counsel for the Company, is exempt from such registration and (ii) the Company may place a legend on any certificates for such Shares to such effect.

The Shares of Restricted Stock are granted under and governed by the terms and conditions of the Plan and this Restricted Stock Agreement including Exhibit A. Additional provisions regarding your Restricted Stock and definitions of capitalized terms used and not defined in this Restricted Stock Agreement can be found in the Plan. Without limitation, "Committee" means the Human Resources Committee of the Board or its delegate in accordance with the Plan.

HARLEY-DAVIDSON, INC.
Vice President and Treasurer

Date
Time:

Exhibit A to Restricted Stock Agreement

Termination of Employment: If your employment with the Company and its Affiliates is terminated for Cause (as defined below), then you will forfeit any Shares of Restricted Stock that are not vested as of the date your employment is terminated. If your employment with the Company and its Affiliates is terminated by the Company or any of its Affiliates for any reason

other than for Cause, then, effective immediately prior to the time of cessation of employment, all of the unvested Restricted Stock will vest. If you terminate your employment with the Company and its Affiliates for any reason other than death or Disability, then you will forfeit any Shares of Restricted Stock that are not vested as of the date your employment is terminated. If you cease to be employed by the Company and its Affiliates by reason of death or Disability, then, effective immediately prior to the time of cessation of employment, a portion of the unvested Restricted Stock will vest, which portion will be equal to the number of unvested Shares multiplied by a fraction the numerator of which is the number of Months (counting a partial Month as a full Month) from the Grant Date until the date your employment is terminated by reason of death or Disability and the denominator of which is months<number of months in vesting period>, and you will forfeit the remaining Shares of Restricted Stock that are not vested. For purposes of this Agreement, a "Month" shall mean the period that begins on the first calendar day after the Grant Date, or the anniversary of the Grant Date that occurs in each calendar month, and ends on the anniversary of the Grant Date that occurs in the following calendar month.

"Cause" shall mean (1) your conviction of a felony or a plea by you of no contest to a felony, (2) willful misconduct on your part that is materially and demonstrably detrimental to the Company, (3) your willful refusal to perform requested duties consistent with your office, position or status with the Company (other than as a result of your physical or mental disability) or (4) other conduct or inaction that the Committee determines in its discretion constitutes Cause. With respect to clauses (2), (3) and (4) of this paragraph, Cause shall be determined by a majority of the Committee (as defined in the Plan, as it may be amended) at a meeting held after reasonable notice to you and including an opportunity for you and your counsel to be heard. All determinations of the Committee hereunder shall be final.

Issuance of Share Certificates: The Company may issue in your name certificate(s) evidencing your Shares of Restricted Stock. In addition to any other legends placed on the certificate(s), such certificate(s) will bear the following legend:

The shares of Stock represented by this certificate are subject to forfeiture, and the sale or other transfer of the shares of Stock represented by this certificate (whether voluntary or by operation of law) is subject to certain restrictions, as set forth in a Restricted Stock Agreement, dated as of , by and between Harley-Davidson, Inc. and the registered owner hereof. A copy of such Agreement may be obtained from the Secretary of Harley-Davidson, Inc.

Upon the vesting of Shares of Restricted Stock, you will be entitled to a new certificate for the Shares that have vested, without the foregoing legend, upon making a request for such certificate to the Secretary of the Company or to such other person as the Company may designate.

In lieu of issuing in your name certificate(s) evidencing your Shares of Restricted Stock, the Company may cause its transfer agent or other agent to reflect on its records your ownership of such Shares, subject to the terms of this Restricted Stock Agreement.

Voting Rights and Dividends: While your Shares of Restricted Stock are subject to forfeiture, you may exercise full voting rights and will receive all cash dividends and other distributions paid with respect to the Restricted Stock (reduced for any tax withholding due), in each case so long as the applicable record date occurs before you forfeit such Shares. If, however, any dividends or distributions are paid in Shares, such Shares will be subject to the same risk of forfeiture, restrictions on transferability and other terms of this Restricted Stock Agreement as are the Shares of Restricted Stock with respect to which they were paid.

Tax Withholding: To the extent that your receipt of Restricted Stock or the vesting of Restricted Stock results in income to you for federal, state or local taxes, you must deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations. If you fail to deliver such amount as the Company requires, the Company has the right and authority to deduct or withhold from other compensation it would pay to you an amount, and/or to treat you as having surrendered vested Shares of Restricted Stock having a value, sufficient to satisfy its withholding obligations.

When income results from the vesting of Restricted Stock, to the extent the Company permits you to do so, you may satisfy the withholding requirement, in whole or in part, by electing to have the Company accept that number of vested Shares of Restricted Stock having an aggregate Fair Market Value on the date the tax is to be determined equal to the minimum statutory total tax that the Company must withhold in connection with the vesting of such Shares. If you would be left with a fractional share after satisfying the withholding obligation on

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the Restricted Stock, the fair market value of that fractional share will be applied to your general federal tax withholding. If the Company does not allow you to elect to have the Company accept vested Shares of Restricted Stock, or if you want to keep all of the shares that are vesting, you will have to deliver to the Company or to such other person as the Company may designate funds in an amount sufficient to cover the withholding tax obligation on a date advised by the Company. Where you may elect to deliver funds to satisfy the withholding tax obligation, your election to deliver funds must be irrevocable, in writing, and submitted to the Secretary or to such other person as the Company may designate on or before the date that the Company specifies, which will be before the applicable vesting date, and if you fail to deliver such election then you will be deemed to have elected to have the Company accept vested Shares of Restricted Stock as described above.

If you do so within thirty (30) days of the Grant Date, you may make an election under Section 83(b) of the Internal Revenue Code of 1986, as amended, for this Award so that the receipt of the Restricted Stock, rather than vesting, results in income. In that case, you will have to deliver to the Company or to such other person as the Company may designate funds in an amount sufficient to cover the withholding tax obligation.

Rejection/Acceptance: You may return this Restricted Stock Agreement to the Company (in care of the Vice President and Treasurer) within thirty (30) days after the Grant Date, together with any certificate you have received evidencing Shares, and by doing so you will forfeit any rights under this Restricted Stock Agreement and any rights to Shares that the Company has transferred to you under this Restricted Stock Agreement. If you choose to retain this Restricted Stock Agreement beyond that date, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan and the Harley-Davidson, Inc. 1995 Stock Option Plan through the Grant Date as they apply to this Award and any prior awards of any kind to you under such plans.

Exhibit 10.25

General
Notice of Grant of Stock Appreciation Right
and Stock Appreciation Right Agreement

Harley-Davidson, Inc.
or Subsidiaries

"FirstName" "LastName" Stock Appreciation Right/Award
"Address1" Plan: 2004 Incentive Stock Plan
"City," "State" "Zip" ID:
"Country"

Effective "Grant Date" (the "Grant Date"), you have been granted a Stock Appreciation Right with respect to "# of shares" shares of common stock of Harley-Davidson, Inc. ("HDI" and, together with its Subsidiaries, the "Company").

As soon as practicable following the first, second, third and fourth anniversary of the Grant Date (each, a "Settlement Date"), the compensation (if any) payable with respect to the portion of the Stock Appreciation Right that became vested on such Settlement Date will be valued and paid in cash in your local currency using the spot rate on the Settlement Date, less applicable withholding. The value of the portion of the Stock Appreciation Right that became vested on the Settlement Date will be equal to the product obtained by multiplying (1) the number of shares underlying the portion of the Stock Appreciation Right that became vested on the Settlement Date, and (2) the amount by which the Fair Market Value of a share of HDI's common stock on the Settlement Date exceeds "price". If the Fair Market Value of a share of HDI's common stock on the Settlement Date is less than or equal to <<price>>, no amount is payable with respect to that Settlement Date. Following each Settlement Date, the portion of the Stock Appreciation Right that was valued as of that Settlement Date (whether or not resulting in a payment) will be cancelled.

The portion of your Stock Appreciation Right that is not vested when you terminate employment will be forfeited.

The Stock Appreciation Right does not include the right to receive dividends or other distributions declared and paid on the shares of HDI's common stock underlying the Stock Appreciation Right.

On each anniversary of the Grant Date, if you are still then employed, you will obtain a 25 percent vested interest in the Stock Appreciation Right. Accordingly, in each period the Stock Appreciation Right will become vested on the date shown.

Shares Underlying Stock Appreciation Right	Vest Type	Full Vest
"shares"		
"shares"		
"shares"		
"shares"		

The Stock Appreciation Right is granted under and governed by the terms and conditions of HDI's 2004 Incentive Stock Plan, as amended, and this Stock Appreciation Right Agreement.

You may return this Stock Appreciation Right Agreement to the Company (in care of the Vice President and Treasurer of HDI) within thirty (30) days after the Grant Date, and by doing so you will forfeit any rights under this Stock Appreciation Right Agreement. If you choose to retain this Stock Appreciation Right Agreement beyond that date, then you accept the terms of this Stock Appreciation Right and agree and consent to all amendments to the Plan and the

Company's 1995 Stock Option Plan through the Grant Date as they apply to this Stock Appreciation Right and any prior awards to you of any kind under such plans.

Vice President and Treasurer

Exhibit 10.26

General Harley-Davidson, Inc.
Notice of Award of Restricted Stock Units
and Restricted Stock Unit Agreement

"Fname" "M""Lname" Award Number: "Grant_"
"Address1" Plan: 2004 Incentive Stock Plan
"Address2" ID: "ID"
"Address3"
"City", "St" "Zip"
"CO"

Effective / /200 (the "Grant Date"), you have been granted Restricted Stock Units with respect to "Shares"shares of Common Stock of Harley-Davidson, Inc. ("HDI" and, together with its Subsidiaries, the "Company"). This grant is made under the HDI's 2004 Incentive Stock Plan, as amended (the "Plan").

All of the Restricted Stock Units will become fully unrestricted (or "vest") on the fourth anniversary of the Grant Date, subject to accelerated vesting and forfeiture as discussed below and in Exhibit A. You may not sell, transfer or otherwise convey an interest in or pledge any of your Restricted Stock Units.

As soon as practicable following the date on which the Restricted Stock Units vest, the Company will make a cash payment to you in your local currency using the spot rate on the vesting date, less applicable withholding, equal to the product obtained by multiplying the Fair Market Value of a share of Common Stock of HDI on the vesting date by the number of Restricted Stock Units that have become vested on such date.

The Restricted Stock Units are granted under and governed by the terms and conditions of the Plan and this Restricted Stock Unit Agreement including Exhibit A. Additional provisions regarding your Restricted Stock Units and definitions of capitalized terms used and not defined in this Restricted Stock Unit Agreement can be found in the Plan. Without limitation, "Committee" means the Human Resources Committee of the Board or its delegate in accordance with the Plan.

HARLEY-DAVIDSON, INC. and Subsidiaries
Vice President and Treasurer
Date
Time:

Exhibit A to Restricted Stock Unit Agreement

Termination of Employment: If your employment with the Company and its Affiliates is terminated for any reason other than death, Disability or Qualified Retirement (as defined below), then you will forfeit any Restricted Stock Units that are not vested as of the date your employment is terminated. If you cease to be employed by the Company and its Affiliates by reason of death, Disability or Qualified Retirement, then, effective immediately prior to the time of cessation of employment, a portion of the unvested Restricted Stock Units will vest such that the total number of Restricted Stock Units that are vested after giving effect to such vesting will be equal to the original number of Restricted Stock Units subject to this Restricted Stock Unit Agreement multiplied by a fraction the numerator of which is the number of Months (counting a partial Month as a full Month) from the Grant Date until the date your employment is terminated by reason of death, Disability or Qualified Retirement, and the denominator of which is 48 months, and you will forfeit the remaining Restricted Stock Units that are not vested. For purposes of this Agreement, a "Month" shall mean the period that begins on the first calendar day after the Grant Date, or the anniversary of the Grant Date that occurs in each calendar month, and ends on the anniversary of the Grant Date that occurs in the following calendar month.

"Qualified Retirement" shall mean termination of employment from the Company and its Affiliates, for reasons other than death, Disability, Cause (determined as described below) or accepting other full-time employment, (a) on or after age sixty-two (62), (b) on or after age fifty-five (55) if you have completed five (5) years of service with the Company and its Affiliates at the time of such termination or (c) with the consent of the Committee, under other circumstances. "Cause" shall be determined by the Company in its discretion though you will have the right to appeal the Company's decision to the Committee if you do so in writing within sixty (60) days after receiving notice of termination for Cause from the Company. If you fail to appeal such decision within sixty (60) days, the Company's determination shall be final. If you timely file a written appeal with the Committee, the Committee's decisions shall be final and binding.

Accelerated Vesting: If the average of the percentage payouts under the Reference STIPs for the two full calendar years prior to the second anniversary of the Grant Date (including the calendar year in which the Grant Date occurs) is equal to or greater than 100%, then 50% of the Restricted Stock Units (excluding any forfeited Shares) will vest on the second anniversary of the Grant Date. "Reference STIPs" means the terms of the Short-Term Incentive Plan of the Company or any of its Affiliates applicable to the class or classes of employees of which you were a part during the two full calendar years prior to the second anniversary of the Grant Date, and the average of the percentage payouts will be calculated by weighting each percentage payout that relates to the period during which you were a part of a class of employees based on the time in each year that you were a part of that class of employees.

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Voting Rights and Dividends: You are not entitled to exercise any voting rights with respect to the Common Stock of HDI underlying your Restricted Stock Units. You will receive a cash payment equivalent to any dividends and other distributions paid with respect to the Common Stock of HDI underlying your Restricted Stock Units (reduced for any tax withholding due), so long as the applicable record date occurs before you forfeit such Restricted Stock Units, which will be paid in your local currency using the spot rate on the date the dividend or other distribution is paid to shareholders. If, however, any dividends or distributions with respect to the Common Stock of HDI underlying

your Restricted Stock Units are paid in Shares rather than cash, you will be credited with additional Restricted Stock Units equal to the number of shares that you would have received had your Restricted Stock Units been actual Shares, and such Restricted Stock Units will be subject to the same risk of forfeiture and other terms of this Restricted Stock Unit Agreement as are the Restricted Stock Units that are granted contemporaneously with this Restricted Stock Unit Agreement. Any amounts due to you under this provision shall be paid to you, in cash, no later than the end of the calendar year in which the dividend or other distribution is paid to shareholders or, if later, the 15th day of the third month following the date the dividends are paid to shareholders; provided that in the case of any distribution with respect to which you are credited with additional Restricted Stock Units that are subject to a risk of forfeiture, distribution shall be made at the same time as are distributed the Restricted Stock Units that are granted contemporaneously with this Restricted Stock Unit Agreement.

Tax Withholding: To the extent that your receipt of Restricted Stock Units, the vesting of Restricted Stock Units or your receipt of payments in respect of Restricted Stock Units results in income to you for federal or local taxes, the Company has the right and authority to deduct or withhold from any compensation it would pay to you (including payments in respect of Restricted Stock Units) an amount, and/or to treat you as having surrendered vested Restricted Stock Units having a value, sufficient to satisfy its withholding obligations. In its discretion, the Company may require you to deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations.

Rejection/Acceptance: You may return this Restricted Stock Unit Agreement to the Company (in care of the Vice President and Treasurer of HDI) within thirty (30) days after the Grant Date, and by doing so you will forfeit any rights under this Restricted Stock Unit Agreement If you choose to retain this Restricted Stock Unit Agreement beyond that date, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan and the Harley-Davidson, Inc. 1995 Stock Option Plan through the Grant Date as they apply to this Award and any prior awards to you of any kind under such plans.

Exhibit 21

HARLEY-DAVIDSON, INC.
SUBSIDIARIES

Name	State/Country Of Incorporation
H-D Michigan, Inc.	Michigan
Harley-Davidson Motor Company Group, Inc.	Wisconsin
Harley-Davidson Motor Company Operations, Inc.	Wisconsin
H-D Franklin, LLC	Wisconsin
H-D Tomahawk Somo, LLC	Wisconsin
H-D Tomahawk Industrial Park, LLC	Wisconsin
H-D Tomahawk Kaphaem Road, LLC	Wisconsin
H-D Capitol Drive, LLC	Wisconsin
H-D Pilgrim Road, LLC	Wisconsin
Harley-Davidson Motor Company, Inc.	Wisconsin
H-D Milwaukee, LLC	Wisconsin
BuellDistribution Company, LLC	Wisconsin
H-D F&R, LLC	Wisconsin
HASC, LLC	Wisconsin
H-D Group LLC	Illinois
Revolution PowerTrain LLC	Delaware
BuellMotorcycle Company, LLC	Wisconsin
Harley-Davidson Transportation Co., Inc.	Delaware
HDWA, LLC	Wisconsin
HDMC, LLC	Illinois
Harley-Davidson Foreign Sales Corporation	Barbados
Harley-Davidson Dealer Systems, Inc.	Ohio
Harley-Davidson International Holding Co., Inc.	Wisconsin
Harley-Davidson Holding Co., Inc.	Delaware
Harley-Davidson Benelux B.V.	Netherlands
Harley-Davidson France SAS	France
Harley-Davidson GmbH	Germany
Harley-Davidson Japan KK	Japan
Harley-Davidson Europe Limited	England
Harley-Davidson do Brazil Ltda.	Brazil
Harley-Davidson Italia S.r.l.	Italy
Harley-Davidson Singapore Inc.	Delaware
Harley-Davidson Australia Pty Limited	Australia
Harley-Davidson Hong Kong Limited	Hong Kong
LockgladeLimited	England
Harley-Davidson Espana S.L.	Spain
Harley-Davidson Switzerland GmbH	Switzerland
Harley-Davidson Asia, Inc.	Wisconsin
Renovation Realty Investment Services, Inc.	Wisconsin
HR, LLC	Indiana
HR Holding Corp.	Wisconsin
HDCCorporation	Japan
Harley-Davidson Financial Services, Inc.	Delaware

Harley-Davidson Insurance Services, Inc.	Nevada
Harley-Davidson Credit Corp.	Nevada
Harley-Davidson Insurance Services of Illinois, Inc.	Illinois
Harley-Davidson Customer Funding Corp	Nevada
Harley-Davidson Funding Corp.	Nevada
EaglemarkSavings Bank	Nevada
Harley-Davidson Leasing, Inc.	Nevada
EaglemarkCustomer Funding Corporation-IV	Nevada
Harley-Davidson Financial Services International, Inc.	Delaware
ODBHLimited	United Kingdom
Harley-Davidson Financial Services Europe Limited	England
Harley-Davidson Financial Services Canada, Inc.	Canada

Exhibit 23

Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 33-35311, No. 333-07551, No. 333-51741, No. 333-75347, Nos. 333-93879 and 333-123406, No. 333-60840 and No. 333-123405) pertaining (a) the Harley-Davidson Retirement Savings Plan for Salaried Employees, the Harley-Davidson Retirement Savings Plan for Milwaukee and Tomahawk Hourly Bargaining Unit Employees, and the Holiday Rambler LLC Employees Retirement Plan; (b) the Harley-Davidson, Inc. 1995 Stock Option Plan; (c) the Harley-Davidson, Inc. Director Stock Plan; (d) the Harley-Davidson, Inc. 1998 Non-Exempt Employee Stock Option Plan (e) the Harley-Davidson Retirement Savings Plan for Salaried Employees, the Harley-Davidson Retirement Savings Plan for Milwaukee and Tomahawk Hourly Bargaining Unit Employees, the Harley-Davidson Retirement Savings Plan for Kansas City Hourly Bargaining Unit Employees, the Harley-Davidson Retirement Savings Plan for York Hourly Bargaining Unit Employees and the Buell Motorcycle Company Retirement Savings Plan; (f) the Harley-Davidson, Inc. 2001 York Hourly-Paid Employees Stock Option Plan and (g) the Harley-Davidson, Inc. 2004 Incentive Stock Plan, of our report dated February 8, 2006, with respect to the consolidated financial statements and schedule of Harley-Davidson, Inc., Harley-Davidson, Inc.'s management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Harley-Davidson, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2005.

ERNST & YOUNG LLP

Milwaukee, Wisconsin
March 3, 2006

Exhibit 31.1

Chief Executive Officer Certification

Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

I, James L. Ziemer, certify that:

1. I have reviewed this annual report on Form 10-K of Harley-Davidson, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such

disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2006 /s/ James L. Ziemer
James L. Ziemer, President and
Chief Executive Officer

Exhibit 31.2

Chief Financial Officer Certification

Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

I, James M. Brostowitz, certify that:

1. I have reviewed this annual report on Form 10-K of Harley-Davidson, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 3, 2006 /s/ James M. Brostowitz
James M. Brostowitz, Vice President and
Treasurer and Acting Chief Financial Officer

Exhibit 32

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. (s)1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned President and Chief Executive Officer and the Vice President and Treasurer and Acting Chief Financial Officer of Harley-Davidson, Inc. (the "Company"), hereby certify, based on our knowledge, that the Annual Report on Form 10-K of the Company for the year ended December 31, 2005 (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: March 3, 2006

/s/ James L. Ziemer
James L. Ziemer
President and Chief Executive Officer
/s/ James M. Brostowitz
James M. Brostowitz
Vice President and Treasurer and
Acting Chief Financial Officer

{graphic omitted}

{graphic omitted}

{graphic omitted}

{graphic omitted}

{graphic omitted}

{graphic omitted}

{graphic omitted}

{graphic omitted}

{graphic omitted}

{graphic omitted}

{graphic omitted}

{graphic omitted}

U.S. Trademark Opposition No. 91177156
H-D Michigan, Inc. v. Bryan Broehm
Serial No. 78896325

Mark:

Exhibit 3

UNITED STATES OF AMERICA

SECURITIES AND EXCHANGE COMMISSION

ATTESTATION

I HEREBY ATTEST

that:

Attached is a copy of, annual report on Form 10-K, for the fiscal year ended December 31, 2006, received in this Commission February 27, 2007, under the name Harley-Davidson, Inc., File No. 1-9183, pursuant to the provisions of the Securities Exchange Act of 1934.

on file in this Commission

May 6, 2008
(Date)

Larry Mills
Records Officer

It is hereby certified that the Secretary of the U.S. Securities and Exchange Commission, Washington, D.C., which Commission was created by the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is official custodian of the records and files of said Commission, and all records and files created or established by the Federal Trade Commission pursuant to the provisions of the Securities Act of 1933 and transferred to this Commission in accordance with Section 210 of the Securities Exchange Act of 1934, and was such official custodian at the time of executing the above attestation, and that he/she, and persons holding the positions of Deputy Secretary, Assistant Director, Records Officer, Branch Chief of Records Management, and the Program Analyst for the Records Officer, or any one of them, are authorized to execute the above attestation.

For the Commission

Nancy M. Morris
Secretary

SEC 334 (10/07)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2006
o 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	39-1382325
(State of organization)	(I.R.S. Employer Identification No.)
3700 West Juneau Avenue Milwaukee, Wisconsin	53208
(Address of principal executive offices)	(Zip code)

(414) 342-4680

Registrants telephone number:

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

Title of each class	Name of each exchange on which registered
COMMON STOCK, $.01 PAR VALUE PER SHARE	NEW YORK STOCK EXCHANGE
PREFERRED STOCK PURCHASE RIGHTS	NEW YORK STOCK EXCHANGE

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

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes xNo o

Indicate by check mark if the registrant is not required to file reports

pursuant to Section 13 or Section 15(d) of the Act.

Yes oNo x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such requirements for the past 90 days. Yes xNo o.

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, as defined in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer (X) Accelerated filer ( )
Non-accelerated filer ( )

Indicate by check mark whether the registrant is a shell company, as defined in Rule 12b-2 of the Exchange Act.

YesoNo x

Aggregate market value of the voting stock held by non-affiliates of the registrant at June 23, 2006: $13,839,390,264

Number of shares of the registrant's common stock outstanding at February 19, 2007: 257,553,216 shares

Documents Incorporated by Reference

Part III of this report incorporates information by reference from registrant's Proxy Statement for the annual meeting of its shareholders to be held on April 28, 2007.

Harley-Davidson, Inc.

Form 10-K

For The Year Ended December 31, 2006

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Part I

Note regarding forward-looking statements

Certain matters discussed by the Company are "forward-looking statements" intended to qualify for the safe harbors 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 "Risk Factors" in Item 1A of this report and under "Cautionary Statements" in Item 7 of this report. Shareholders, potential investors, and other readers are urged to consider these factors in evaluating the forward-looking statements and cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included in this report are made only as of the date of the filing of this report (February 27, 2007), and the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Item 1. Business

Harley-Davidson, Inc. was incorporated in 1981, at which time it purchased the Harley-Davidson(R) motorcycle business from AMF Incorporated in a management buyout. In 1986, Harley-Davidson, Inc. became publicly held. Unless the context otherwise requires, all references to the "Company" include Harley-Davidson, Inc. and all of its subsidiaries. The Company operates in two segments: the Motorcycles & Related Products segment and the Financial Services segment. The Company's reportable segments are strategic business units that offer different products and services. They are managed separately based on the fundamental differences in their operations.

The Motorcycles & Related Products (Motorcycles) segment includes the group of companies doing business as Harley-Davidson Motor Company (Motor Company) and the group of companies doing business as Buell Motorcycle Company (Buell). The Motorcycles segment designs, manufactures and sells at wholesale primarily heavyweight (engine displacement of 651+cc) touring, custom and performance motorcycles as well as a complete line of motorcycle parts, accessories, clothing and collectibles. The Company, which is the only major American motorcycle manufacturer, has had the largest share of the United States heavyweight (651+cc) motorcycle market since 1986. During 2006, the Company's market share, based on retail registrations of new Harley-Davidson motorcycles, was 49.3% in the United States (data provided by the Motorcycle Industry Council).

The Financial Services (Financial Services) segment includes the group of companies doing business as Harley-Davidson Financial Services (HDFS). HDFS provides wholesale and retail financing and insurance programs primarily to Harley-Davidson and Buell dealers and their retail customers. HDFS conducts business in the United States, Canada and Europe.

See Note 11 to the Consolidated Financial Statements for financial information related to the Company's business segments.

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Motorcycles and Related Products

Motorcycles -- The primary business of the Motorcycles segment is to design and manufacture premium motorcycles for the heavyweight market and sell them at wholesale. The Company is best known for its Harley-Davidson motorcycle products, but also offers a line of motorcycles and related products under the Buell brand name. The Company's worldwide motorcycle sales generated approximately 80% of the total net revenue in the Motorcycles segment during each of the years 2006, 2005 and 2004, respectively.

The Motor Company's Harley-Davidson branded motorcycle products emphasize traditional styling, design simplicity, durability and quality. The Motor Company manufactures five families of motorcycles: Touring, DynaTM, Softail(R), Sportster(R), and VRSCTM. The first four of these motorcycle families are powered by an air-cooled, twin-cylinder engine with a 45-degree "V" configuration. The VRSC family is powered by a liquid-cooled, twin-cylinder engine with a 60-degree "V" configuration. The Motor Company's Harley-Davidson engines range in size from 883cc's to 1800cc's.

The Motor Company's 2007 model year line up includes 35 models of Harley-Davidson heavyweight motorcycles, with domestic manufacturer's suggested retail prices ranging from $6,595 to $20,195. The Motor Company also offers limited-edition, factory-custom motorcycles through its Custom Vehicle Operation (CVO) program. Motorcycles sold through the CVO program are available in limited quantities and offer unique features, paint schemes and accessories. The Motor Company currently has four motorcycle model offerings available through the CVO program with domestic manufacturer's suggested retail prices ranging from $24,995 to $33,495.

The average U.S. retail purchaser of a new Harley-Davidson motorcycle is a married male in his mid-forties (two-thirds of these purchasers are between the ages of 35 and 54) with a median household income of approximately $81,700. These customers generally purchase a motorcycle for recreational purposes rather than to provide transportation. Nearly two-thirds of the U.S. retail sales of new Harley-Davidson motorcycles are to buyers with at least one year of education beyond high school and 30% of the buyers have college degrees. Approximately 12% of U.S. retail motorcycle sales of new Harley-Davidson motorcycles are to female buyers. (Source: 2006 Company studies)

The Company's Buell(R) motorcycle products emphasize innovative design, responsive handling and overall performance. Buell currently manufactures and sells ten models, including nine heavyweight models in its XB family, and the Blast(R). The Buell XB motorcycles focus on superior handling and are powered by either a 984cc (XB9) or a 1203cc (XB12) air-cooled, twin-cylinder engine with a 45-degree "V" configuration. The Buell XB motorcycle models have domestic manufacturer's suggested retail prices ranging from $8,895 to $11,495. During 2006, Buell produced a limited production "race-only" motorcycle (XBRR) powered by a 1339cc air-cooled, 45-degree twin cylinder boasting a peak output rating of over 150 horsepower. The XBRR domestic manufacturer's suggested retail price is $30,995. The Buell Blast is smaller and less expensive than the Buell XB models and is powered by a 492cc single-cylinder engine. The Blast, which competes in the standard market segment, has a domestic

manufacturer's suggested retail price of $4,695.

Buell attracts customers in the demographic age range of 25 to 55. The average U.S. retail purchaser of a new Buell XB motorcycle is a male at the age of 42 with a household income of approximately $94,800. Approximately 3% of all new Buell XB U.S. retail motorcycle sales are to females. The average U.S. retail purchaser of a new Buell Blast is at the age of 41, with nearly one-half of them being female. Half of new Buell Blast purchasers have never owned a motorcycle before and 95% of them had never owned a Buell motorcycle before. (Source: 2006 Company studies)

The total motorcycle market, including the heavyweight portion of the market, is comprised of the following four segments:

- standard (emphasizes simplicity and cost)
- performance (emphasizes handling and acceleration)
- custom (emphasizes styling and individual owner customization)
- touring (emphasizes comfort and amenities for long-distance travel)

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The touring segment of the heavyweight market was pioneered by the Company and includes the Harley-Davidson Touring family of motorcycles which are equipped with fairings, windshields, saddlebags and Tour Pak(R) luggage carriers. The custom segment of the market includes motorcycles featuring the distinctive styling associated with classic Harley-Davidson motorcycles and includes the Company's Dyna, Softail, VRSC and Sportster families of motorcycles. The standard and performance segments of the market are served primarily by the Company's Buell motorcycle line.

In the United States, suggested retail prices for the Company's Harley-Davidson motorcycles range from being comparable to 50% higher than suggested retail prices for comparable motorcycles available in the market. Although there are some differences in accessories between the Company's top-of-the line touring motorcycles and those of its competitors, suggested retail prices for these motorcycles are generally comparable. The Company's larger-displacement custom motorcycles (Dyna, Softail and VRSC) represent its highest unit volumes. The Company believes its larger-displacement custom products continue to command a premium price because of the features, styling and higher resale value associated with Harley-Davidson custom products. The Company's smallest displacement custom motorcycle (the 883cc Sportster) is price competitive with comparable motorcycles available in the market.

The Company's 2006 surveys of retail purchasers in the United States indicate that three-quarters of the retail purchasers of its Sportster models either have previously owned competitive-brand motorcycles or are completely new to the sport of motorcycling. The Company expects to see sales of its Sportster models lead to future sales of its higher-priced models.

Since 1988, the Company's research has consistently shown that retail purchasers of new Harley-Davidson motorcycles in the United States have a repurchase intent at or in excess of 90%. Research completed by the Company in 2006 shows that approximately 52% of all retail purchasers of new Harley-Davidson motorcycles in the United States had previously owned a Harley-Davidson motorcycle.

Parts & Accessories -- The major Parts and Accessories (P&A) products are replacement parts (Genuine Motor Parts) and mechanical and cosmetic accessories (Genuine Motor Accessories). Worldwide P&A net revenue comprised 14.9%, 15.3% and 15.6% of net revenue in the Motorcycles segment in 2006, 2005 and 2004, respectively.

General Merchandise -- Worldwide General Merchandise net revenue, which includes MotorClothesTM apparel and collectibles, comprised 4.8%, 4.6% and 4.5% of net revenue in the Motorcycles segment in 2006, 2005 and 2004, respectively.

Licensing -- The Company creates an awareness of the Harley-Davidson brand among its customers and the non-riding public through a wide range of products for enthusiasts by licensing the name "Harley-Davidson" and other trademarks owned by the Company. The Company's licensed products include t-shirts, jewelry, small leather goods, toys and numerous other products. The Company also licenses the use of its name in connection with a cafe located in Las Vegas, Nevada. Although the majority of licensing activity occurs in the U.S., the Company continues to expand these activities in international markets. Royalty revenues from licensing, included in Motorcycles segment net revenue, were $45.5 million, $43.0 million and $40.7 million in 2006, 2005 and 2004, respectively.

Other Services-- The Company also provides a variety of services to its independent dealers including service and business management training programs, customized dealer software packages, delivery of its motorcycles, a motorcycle rental and tour program and Riders Edge(R), the Company's rider training program.

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

The Company and its subsidiaries own, and continue to obtain, patent rights that relate to its motorcycles and

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related products and processes for their production. Certain technology-related intellectual property is also protected, where appropriate, by license agreements, confidentiality agreements or other agreements with suppliers, employees and other third parties. The Company diligently protects its intellectual property, including patents and trade secrets, and its rights to innovative and proprietary technology. This protection, including enforcement, is important as the Company moves forward with investments in new products, designs and technologies. A patent review committee of the Motor Company and BMC, which is comprised of a number of key executives, manages the Company's patent strategy and portfolio.

Trademarks are important to the Company's motorcycle business and licensing

activities. The Company has a vigorous worldwide program of trademark registration and enforcement to maintain and strengthen the value of the trademarks and prevent the unauthorized use of those trademarks. The HARLEY-DAVIDSON trademark and the Bar and Shield trademark are each highly recognizable to the public and are very valuable assets. The BUELL trademark is well-known in performance motorcycle circles, as is the associated Pegasus logo. Additionally, the Company uses numerous other trademarks, trade names and logos which are registered worldwide. The following are among the Company's trademarks: HARLEY-DAVIDSON, H-D, Harley, the Bar & Shield Logo, MotorClothes, the MotorClothes Logo, Rider's Edge, Harley Owners Group, H.O.G., the H.O.G. Logo, Softail, Sportster, V-Rod, Buell and the Pegasus Logo. The HARLEY-DAVIDSON trademark has been used since 1903 and the Bar and Shield trademark since at least 1910. The BUELL trademark has been used since 1984. All of the Company's trademarks are owned by H-D Michigan, Inc, a subsidiary of the Company, which also manages the Company's trademark strategy and portfolio.

Marketing -- The Company's products are marketed to retail customers primarily through dealer promotions, customer events and advertising through national television, print, radio and direct mailings, as well as internet advertising. Many of the Company's marketing efforts are accomplished through a cooperative program with its independent dealers. The Company also sponsors racing activities and special promotional events and participates in many major motorcycle consumer shows and rallies.

On an ongoing basis, the Company promotes its products and the related lifestyle through the Harley Owners Group(R), or H.O.G.(R) H.O.G. has over one million members worldwide and is the industry's largest company-sponsored motorcycle enthusiast organization. The Company formed the Harley Owners Group in 1983 in an effort to encourage Harley-Davidson owners to become more actively involved in the sport of motorcycling. This group also sponsors many motorcycle events, including world wide rallies and rides for Harley-Davidson motorcycle enthusiasts.

The Company website (www.harley-davidson.com) is also utilized to market its products and services. The Web site features an online catalog which allows customers to create and share product wish lists, utilize a dealer locator and place catalog orders. Internet orders are sold and fulfilled by the participating authorized Harley-Davidson dealer selected by the customer. Dealers also handle any after-sale services that customers may require.

International Sales -- The Company's revenue from the sale of motorcycles and related products to independent dealers and distributors located outside of the United States was approximately $1.18 billion, $1.04 billion and $917.3 million, or approximately 20%, 19% and 18% of net revenue of the Motorcycles segment, during 2006, 2005 and 2004, respectively.

Distribution-United States -- In the United States the Company sells its motorcycles and related products at wholesale to a network of approximately 679 independently-owned full-service Harley-Davidson dealerships. In addition, the Company sells at wholesale to the Overseas Military Sales Corporation, an entity that retails the Company's products to members of the U.S. military. The U.S. independent dealer network includes 309 combined Harley-Davidson and Buell dealerships. With respect to sales of new motorcycles, approximately 80% of the U.S. dealerships sell the Company's motorcycles exclusively. All independent dealerships stock and sell the Company's P&A, general merchandise and licensed products, and perform service for the Company's motorcycles. The Company's independent dealers also sell a smaller portion of P&A, general merchandise and licensed products through "non-traditional" retail outlets. The "non-traditional" outlets, which are extensions of the main dealership,

consist of Secondary Retail Locations (SRLs), Alternate Retail Outlets (AROs), and

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Seasonal Retail Outlets (SROs). SRLs are satellites of the main dealership and are developed to meet the service needs of the Company's riding customers. SRLs also provide P&A, general merchandise and licensed products and are authorized to sell and service new motorcycles. AROs are located primarily in high traffic locations such as malls, airports or popular vacation destinations and focus on selling the Company's general merchandise and licensed products. SROs are located in similar high traffic areas, but operate on a seasonal basis out of temporary locations such as vendor kiosks. AROs and SROs are not authorized to sell new motorcycles. There are approximately 97 SRLs, 69 AROs, and 10 SROs located in the United States.

Distribution-Europe -- In the European region, the Company sells its motorcycles and related products at wholesale to independent dealers and distributors. The Company's European management team is located in Oxford, England and is responsible for all of the Company's sales, marketing and distribution activities in Europe, the Middle East and Africa and is further represented by the Company's sales offices in the United Kingdom, France, Germany, Italy, the Netherlands, Spain and Switzerland. In the European region, there are 7 independent distributors and 354 independent Harley-Davidson dealerships serving 32 country markets. This includes 311 combined Harley-Davidson and Buell dealerships. Buell is further represented by 6 independent dealerships that do not sell Harley-Davidson motorcycles. In addition, the Company's dealer network includes 21 ARO's across Europe.

Distribution-Asia/Pacific -- In the Asia/Pacific region, the Company sells its motorcycles and related products at wholesale to independent dealers and distributors. In Japan, the Company's sales, marketing, and distribution of product is managed from its subsidiary in Tokyo, which sells motorcycles and related products at wholesale to a network of 123 independent Harley-Davidson dealers. This includes 55 combined Harley-Davidson and Buell dealerships. Buell is further represented by 2 dealerships that do not sell Harley-Davidson motorcycles.

The Company's sales, marketing and distribution of Harley-Davidson and Buell products in Australia and New Zealand are managed from its subsidiary in Sydney, Australia. The subsidiary sells to a network of 48 independent Harley-Davidson dealers which includes 31 combined Harley-Davidson and Buell dealerships. Buell is further represented by 1 dealership that does not sell Harley-Davidson motorcycles.

The Company supplies product directly from its U.S. operations to the remaining Asia/Pacific dealers, which includes 7 Harley-Davidson dealers located in East and Southeast Asia.

Distribution-Latin America -- The Company supplies all products sold in the Latin America region directly to independent dealers from its U.S. operations, with the exception of certain motorcycles sold in Brazil which are assembled and distributed by the Company's subsidiary in Manaus, Brazil. In Latin America, 22 countries are served by 31 independent dealers. Brazil is the Company's largest market in Latin America and is served by 10 independent dealers. Mexico, the region's second largest market, has 11 independent dealers. In the remaining countries in the Latin America region there are 10

independent dealers.

Distribution-Canada -- In Canada, the Company sells its motorcycles and related products at wholesale to a single independent distributor, Deeley Harley-Davidson Canada/Fred Deeley Imports Ltd. There are approximately 75 independent Harley-Davidson dealerships, two SRLs, two AROs and one SRO. In addition, 44 of the 75 dealerships are combined Harley-Davidson and Buell dealerships.

Seasonality -- Over the last several years the Company has been working to increase the availability of its motorcycles at dealers to improve the customer experience. The Company believes that increased availability results in independent dealers providing wider selections of motorcycles at manufacturer's suggested retail prices which in turn has a positive impact on the customer experience and better positions the Company to attract retail buyers that are new to the brand or new to the sport of motorcycling. As a result of improving the availability of its motorcycles to customers, the timing of retail purchases is now tracking more closely with the riding season, requiring the Company and its independent dealers to balance the economies of level production with a more seasonal retail sales pattern.

In general, the Motor Company has not experienced similar seasonal fluctuations in its wholesale sales. The Company's independent dealers typically build their inventory levels in the late fall and winter in anticipation of

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the spring and summer selling seasons. The availability of floor plan financing helps allow dealers to manage these seasonal increases in inventory. The Company also offers financing assistance to its dealers in the United States as a way to manage seasonal increases in inventory.

Retail Customer and Dealer Financing -- The Company believes that HDFS, as well as other financial services companies, provide adequate financing to the Company's independent distributors, dealers and their retail customers. HDFS provides financing to the Company's independent distributors, dealers and to the retail customers of those dealers in the U.S. and Canada. HDFS also provides wholesale financing to many of the Company's independent dealers in Europe. The Company's customers in the Asia/Pacific and Latin America regions are not serviced by HDFS, but have access to financing though other established financial services companies.

Competition -- The heavyweight (651+cc) motorcycle market is highly competitive. The Company's major competitors are based outside the U.S. and generally have financial and marketing resources that are substantially greater than those of the Company. They also have larger worldwide revenue and are more diversified than the Company and compete in all four segments of the market. In addition to these larger, established competitors, the Company has competitors headquartered in the United States. These competitors generally offer heavyweight motorcycles with traditional styling that compete directly with many of the Company's products. These competitors currently have production and sales volumes that are lower than the Company's and have considerably lower domestic market share than the Company.

Competition in the heavyweight motorcycle market is based upon a number of factors, including price, quality, reliability, styling, product features,

customer preference and warranties. The Company emphasizes quality, reliability and styling in its products and offers a two-year warranty for its motorcycles. The Company regards its support of the motorcycling lifestyle in the form of events, rides, rallies and H.O.G. and its financing through HDFS as competitive advantages. In general, the Company believes that resale values for used Harley-Davidson motorcycles, measured by reflecting the used motorcycle price as a percentage of the manufacturer's suggested retail price when new, are higher than resale values for used motorcycles of its competitors (source: 2006 Company data).

Domestically, the Company competes most heavily in the touring and custom segments of the heavyweight motorcycle market. According to the Motorcycle Industry Council, these segments accounted for 79%, 80% and 79% of total heavyweight retail unit registrations in the United States during 2006, 2005 and 2004, respectively. The larger-displacement custom and touring motorcycles are generally the most expensive vehicles in the market and the most profitable for the Company. During 2006, the heavyweight portion of the market represented approximately 53% of the total U.S. motorcycle market (on- and off-highway motorcycles and scooters) in terms of new units registered.

For the last 19 years, the Company has led the industry in the United States for retail unit registrations of new heavyweight motorcycles. The Company's (Harley-Davidson motorcycles only) share of the heavyweight market was 49.3% and 48.9% in 2006 and 2005, respectively. This share is significantly greater than that of the Company's largest competitor in the domestic market which had a 15.1% market share in 2006.

The following chart includes U.S. retail registration data for the Company and its major competitors for the years 2002 through 2006:

U.S. Heavyweight Motorcycle Registration Data (a)

(Engine Displacement of 651+cc)

(Units in thousands)

	2006	2005	2004	2003	2002
Total market new registrations	543.0	517.6	494.0	461.2	442.3
Harley-Davidson new registrations	267.9	252.9	244.5	228.4	209.3
Buell new registrations	3.8	3.6	3.6	3.5	2.9
Total Company new registrations	271.7	256.5	248.1	231.9	212.2
Percentage Market Share:					
Harley-Davidson motorcycles	49.3 %	48.9 %	49.5 %	49.5 %	47.5 %
Buell motorcycles	0.7	0.7	0.7	0.8	0.7
Total Company	50.0	49.6	50.2	50.3	48.2
Honda	15.1	16.6	18.7	18.4	19.8
Suzuki	12.9	12.4	10.2	9.8	9.6
Yamaha	8.6	8.9	8.7	8.5	8.9
Kawasaki	6.8	6.5	6.4	6.7	6.9
Other	6.6	6.0	5.8	6.3	6.6
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

(a) Motorcycle registration data provided by the Motorcycle Industry Council. The Company must rely on data compiled by independent agencies to obtain industry-wide retail registration data necessary for calculating market share. The retail registration data for Harley-Davidson motorcycles presented in this table may differ slightly from the Harley-Davidson retail sales data presented in Item 7 of this report. The Company's source for retail sales data in Item 7 of this report is sales and warranty registrations provided by Harley-Davidson dealers as compiled by the Company. The differences are not significant and generally relate to the timing of data submissions to the independent sources.

The European heavyweight motorcycle market (as defined on the next page) is roughly two-thirds of the size of the U.S. market; but unlike the domestic market, it is comprised of the unique preferences of many individual countries. For example, traditional U.S. touring motorcycles represent less than 25% of the European heavyweight motorcycle market. The Company continues to expand its product offerings to compete in the standard and performance segments with motorcycles like the VRSC and the Buell XB. The Company's traditional Harley-Davidson products compete primarily in the custom and touring segments.

The following chart includes European retail registration data for the Company for the years 2004 through 2006:

European Heavyweight Motorcycle Registration Data (a)

(Engine Displacement of 651+cc)

(Units in thousands)

	2006		2005		2004	
	Units	% Share	Units	% Share	Units	% Share
Total market new registrations	376.8		350.7		337.1	
Harley-Davidson new registrations	34.3	9.1 %	29.7	8.5 %	25.9	7.7 %
Buell new registrations	4.1	1.1	4.6	1.3	4.5	1.3
Total Company new registrations	38.4	10.2 %	34.3	9.8 %	30.4	9.0 %

(a) Europe data includes retail sales in Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. The Company derives its market registration data and market share calculations presented above from information provided by Giral S.A., an independent agency. Total market new registrations for 2005 and 2004 have been adjusted to include competitor motorcycles that were incorrectly excluded by the Company in the prior years. Accordingly, the Company's 2005 % share of new registrations for Harley-Davidson and Buell decreased from previously reported amounts by 0.4% and 0.1%, respectively. The change to 2004 total market new registrations did not affect the Company's previously reported rounded % share of new

registrations for Harley-Davidson and Buell. The retail registration data for Harley-Davidson motorcycles presented in this table may differ slightly from the Harley-Davidson retail sales data presented in Item 7 of this report. The Company's source for retail sales data in Item 7 of this report is sales and warranty registrations provided by Harley-Davidson dealers as compiled by the Company. The differences are not significant and generally relate to the timing of data submissions to the independent sources.

The Company also competes internationally in several other markets around the world. The most significant of these markets, based on Company data, are Canada, Japan and Australia. In Canada, the Company's market share based on registrations was 38.4%, 32.7% and 30.7% during 2006, 2005 and 2004, respectively (Source: Moped and Motorcycle Industry of Canada). Market share information for the remaining international markets has not been presented because the Company does not believe that definitive and reliable registration data is available at this time.

Motorcycle Manufacturing -- The Motor Company's ongoing manufacturing strategy is designed to increase capacity, improve product quality, improve productivity, reduce costs and increase flexibility to respond to changes in the marketplace. The Motor Company incorporates manufacturing techniques focused on continuously pursuing process improvements and innovation. The Motor Company refers to these techniques as operational excellence and they include employee and supplier involvement, just-in-time inventory and lean manufacturing principles, partnering agreements with the local unions, high performance work organizations and statistical process control.

The Motor Company's use of just-in-time inventory principles allows it to minimize its inventories of raw materials and work in process, and minimize scrap and rework costs. This system also allows quicker reaction to engineering design changes, quality improvements and market demands. The Motor Company continues to train its manufacturing employees in problem solving and statistical methods.

Raw Material and Purchased Components -- The Company continues to establish and/or reinforce long-term, mutually beneficial relationships with its suppliers. Through these collaborative relationships, the Company gains access to technical and commercial resources for application directly to product design, development and manufacturing initiatives and gains commitment from suppliers to advance Company interests efficiently and effectively. This strategy has resulted in improved product quality, technical integrity, application of new features and innovations, reduced lead times for product development, and smoother/faster manufacturing ramp-up of new vehicle introductions. The Company's continuing initiative to improve supplier productivity and component cost has been instrumental in delivering improvement in cost and in partially offsetting raw material commodity price pressures. The Company anticipates that its focus on collaboration and strong supplier relationships will be beneficial to achieving cost improvement over the long-term.

The Company purchases all of its raw materials, principally steel and aluminum castings, forgings, steel sheets and bars, and certain motorcycle components, including electric fuel injection systems, batteries, tires, seats, electrical components and instruments. Given current economic conditions in certain raw material commodity markets, and pressure on certain suppliers due to difficulties in the automotive industry and U.S. manufacturing sector in

general, the Company is closely monitoring supply, availability and pricing for both its suppliers and in-house operations. However, at this time, the Company does not anticipate any difficulties in obtaining raw materials or components.

Research and Development -- The Company believes research and development are significant factors in its ability to lead the custom and touring motorcycling market and to develop products for the performance segment. The Company's Product Development Center (PDC) brings employees from styling, purchasing and manufacturing together with regulatory professionals and supplier representatives to create a concurrent product and process development team. The Company incurred research and development expenses of $177.7 million, $178.5 million and $170.7 million during 2006, 2005 and 2004, respectively.

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

The Company's motorcycles are subject to certification by the U.S. Environmental Protection Agency (EPA) for compliance with applicable emissions and noise standards and by the State of California Air Resources Board (CARB) with respect to CARB's more stringent emissions standards. Company motorcycles sold in California are also subject to evaporative emissions standards that are unique to California. The Company's motorcycle products have been certified to comply fully with all such applicable standards. CARB's motorcycle emissions standards will become more stringent with model year 2008. The EPA has finalized new tail pipe emission standards for 2006 and 2010, respectively, which are harmonized with the California emissions standards. Harley-Davidson motorcycle products have been certified to the new EPA standards for 2006 and the Company believes it will comply with future requirements when they go into effect. Additionally, the European Union, Japan and certain emerging markets are considering making motorcycle emissions and noise standards more stringent, which in the European Union are already more stringent than those of the EPA. Consequently, the Company will continue to incur some level of research and development and production costs related to motorcycle emissions and noise for the foreseeable future. The Company does not anticipate that any of these standards will have a materially adverse impact on its capital expenditures, earnings or competitive position.

The Company, as a manufacturer of motorcycle products, is subject to the National Traffic and Motor Vehicle Safety Act, which is administered by the National Highway Traffic Safety Administration (NHTSA). The Company has certified to NHTSA that its motorcycle products comply fully with all applicable federal motor vehicle safety standards and related regulations. The Company has from time to time initiated certain voluntary recalls. During the last three years, the Company has initiated 18 voluntary recalls at a total cost of $14.0 million. The Company reserves for all estimated costs associated with recalls in the period that the recalls are announced.

Employees -- As of December 31, 2006, the Motorcycles segment had approximately 9,000 employees. Unionized employees at the motorcycle manufacturing facilities in Wauwatosa and Menomonee Falls, Wisconsin and Kansas City, Missouri are represented by the United Steelworkers of America (USW), as well as the International Association of Machinist and Aerospace Workers (IAM). Unionized employees at the distribution and manufacturing facilities in Franklin and Tomahawk, Wisconsin are represented by the USW. Production workers at the motorcycle manufacturing facility in York, Pennsylvania are represented by the IAM. The collective bargaining agreement with the

Pennsylvania-IAM will expire on February 2, 2010, the collective bargaining agreement with the Kansas City-USW and IAM will expire on August 1, 2007, and the collective bargaining agreement with the Wisconsin-USW and IAM will expire on March 31, 2008.

Internet Access-- The Company's internet address is www.harley-davidson.com. The Company makes available free of charge (other than an investor's own internet access charges) through its internet website the Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments

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to those reports, as soon as reasonably practicable after it electronically files such material with, or furnishes such material to, the United States Securities and Exchange Commission. In addition, the Company makes available, through its website, the following corporate governance materials: (a) the Harley-Davidson, Inc. Corporate Governance Policy; (b) Committee Charters approved by the Harley-Davidson, Inc. Board of Directors for the Audit Committee, Human Resources Committee and Nominating and Corporate Governance Committee; (c) the Company's Financial Code of Ethics; (d) the Company's Code of Business Conduct (the "Code of Conduct") in seven languages including English; (e) the Conflict of Interest Process for Directors and Executive Officers of Harley-Davidson, Inc. (the "Conflict Process"); (f) a list of the Company's Board of Directors; (g) the Company's By-laws; and (h) the Harley-Davidson Environmental Policy. This information is also available from the Company upon request. The Company satisfies the disclosure requirements under the Code of Conduct, the Conflict Process and applicable New York Stock Exchange listing requirements regarding waivers of the Code of Conduct or the Conflict Process by posting such information on its website at www.harley-davidson.com and by disclosing the information in the Company's proxy statement for its annual meeting of shareholders. The Company is not including the information contained on or available through its website as a part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

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Financial Services

HDFS is engaged in the business of financing and servicing wholesale inventory receivables and consumer retail loans (primarily for the purchase of motorcycles). Additionally, HDFS is an agent for certain unaffiliated insurance carriers providing property/casualty insurance and also sells extended service contracts, gap coverage and debt protection products to motorcycle owners. HDFS conducts business in the United States, Canada and Europe.

Harley-Davidson and Buell -- Operating under the trade name Harley-Davidson Credit, HDFS provides wholesale financial services to Harley-Davidson and Buell dealers and retail financing to consumers. Operating under the trade name Harley-Davidson Insurance, HDFS is an agent for the sale of motorcycle insurance policies and also sells extended service warranty agreements, gap contracts and debt protection products.

Wholesale financial services include floorplan and open account financing of

motorcycles and motorcycle parts and accessories. HDFS offers wholesale financial services to Harley-Davidson dealers in the U.S., Canada and Europe and during 2006, approximately 97% of such dealers utilized those services. Prior to August 2002, HDFS offered wholesale financing to some of the Company's European motorcycle dealers through a joint venture with Transamerica Distribution Finance. In August 2002, HDFS terminated this joint venture relationship and began directly serving the wholesale financing needs of some European dealers. The wholesale finance operations of HDFS are located in Plano, Texas and Oxford, England.

Retail motorcycle financial services include installment lending for new and used Harley-Davidson and Buell motorcycles. HDFS' retail financial services are available through most Harley-Davidson and Buell dealers in the United States and Canada. HDFS' retail finance operations are located in Carson City, Nevada and Plano, Texas.

Motorcycle insurance, extended service contracts, gap coverage and debt protection products that HDFS offers are available through most Harley-Davidson and Buell dealers in the United States and Canada. Motorcycle insurance that HDFS offers is also marketed on a direct basis to motorcycle riders. HDFS insurance operations are located in Carson City, Nevada and Plano, Texas.

Funding -- HDFS is financed by operating cash flow, asset-backed securitizations, the issuance of commercial paper, revolving credit facilities, medium-term notes, senior subordinated debt and the availability of advances and loans from the Company. In asset-backed securitizations, HDFS sells retail motorcycle loans and records a gain on the sale of those loans. HDFS also retains an interest in the excess cash flows from the receivable and recognizes income on this retained interest. After the sale, HDFS performs billing, customer service and portfolio management services for these loans and receives a servicing fee for providing these services.

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

During 2006, HDFS financed 48% of the new Harley-Davidson motorcycles retailed by independent dealers in the United States, as compared to 45% in 2005. Competitors for retail motorcycle finance business are primarily banks, credit unions and other financial institutions. In the motorcycle insurance business, competition primarily comes from national insurance companies and from insurance agencies serving local or regional markets. For insurance-related products such as extended service contracts, HDFS faces competition from certain regional and national industry participants as well as dealer in-house programs.

Competition for the wholesale motorcycle finance business is primarily banks and other financial institutions providing wholesale financing to Harley-Davidson and Buell dealers in their local markets.

Trademarks -- HDFS uses various trademarks and trade names for its financial services and products which are licensed from H-D Michigan, Inc., including HARLEY-DAVIDSON, H-D and the Bar & Shield logo.

Seasonality -- In the northern United States and Canada, motorcycles are primarily used during warmer months. Accordingly, HDFS experiences seasonal variations. From mid-March through August, retail financing volume increases and wholesale financing volume decreases as dealer inventories decline. From September through mid-March, there is a decrease in retail financing volume while dealer inventories build and turn over more slowly, substantially increasing wholesale finance receivables.

Regulation -- The operations of HDFS (both domestic and foreign) are subject, in certain instances, to supervision and regulation by state and federal administrative agencies and various foreign governmental authorities. Many of the statutory and regulatory requirements imposed by such entities are in place to provide consumer protection as it pertains to the selling of financial products and services. Therefore, operations may be subject to various regulations, laws and judicial and/or administrative decisions imposing requirements and restrictions, which among other things: (1) regulate credit granting activities, including establishing licensing requirements, in applicable jurisdictions; (2) establish maximum interest rates, finance charges and other charges; (3) regulate customers' insurance coverage; (4) require disclosure of credit and insurance terms to customers; (5) govern secured transactions; (6) set collection, foreclosure, repossession and claims handling procedures and other trade practices; (7) prohibit discrimination in the extension of credit and administration of loans; (8) regulate the use and reporting of information related to a borrower; (9) require certain periodic reporting; and/or (10) govern the use and protection of non-public personal information.

Depending on the provisions of the applicable laws and regulations and the specific facts and circumstances involved, violations of these laws may limit the ability of HDFS to collect all or part of the principal or interest on applicable loans, may entitle the borrower to rescind the loan or to obtain a refund of amounts previously paid and, in addition, could subject HDFS to the payment of damages or penalties and administrative sanctions, including "cease and desist" orders.

Such regulatory requirements and associated supervision could limit the discretion of HDFS in operating its business. Noncompliance with applicable statutes or regulations could result in the suspension or revocation of any charter, license or registration at issue, as well as the imposition of civil fines, criminal penalties and administrative sanctions. The Company cannot assure that the applicable laws or regulations will not be amended or construed differently, that new laws and regulations will not be adopted or that interest rates charged by HDFS will not rise to maximum levels permitted by law, the effect of any of which could be to adversely affect the business of HDFS or its results of operations.

A subsidiary of HDFS, Eaglemark Savings Bank (ESB), is a Nevada state thrift chartered as an Industrial Loan Company (ILC). As such, the activities of this subsidiary are governed by federal regulations and State of Nevada banking laws and are subject to examination by the Federal Deposit Insurance Corporation (FDIC) and Nevada state bank examiners. During 2002, ESB began to originate retail loans and to sell the loans to a non-banking subsidiary of HDFS. This process allows HDFS to offer retail products with common characteristics across the United States and to uniformly service loans to domestic retail customers.

Employees -- As of December 31, 2006, the Financial Services segment had

approximately 704 employees. No employees of HDFS are represented by labor unions.

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Item 1A. Risk Factors

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

. The Company has a number of competitors of varying sizes that are based both inside and outside the United States some of which have greater financial resources than the Company. Many of the Company's competitors are more diversified than the Company, and they may compete in the automotive market or all segments of the motorcycle market. Also, if price becomes a more important competitive factor for consumers in the heavyweight motorcycle market, the Company may have a competitive disadvantage. In addition, the Company's financial operations face significant competition from various banks, insurance companies and other financial institutions, some of which are larger and offer more financial products than the Company. Failure to adequately address and respond to these competitive pressures worldwide could have a material adverse effect on the Company's business and results of operations.

. The Company's marketing strategy of associating its motorcycle products with a motorcycling lifestyle may not be successful with future customers. The Company has been successful in marketing its products in large part by promoting the experience of motorcycling. This lifestyle is now more typically associated with a retail customer base comprised of individuals who are, on average, in their mid-forties. To sustain long-term growth, the Company must continue to be successful in promoting motorcycling to customers new to the sport of motorcycling including women, younger riders and more ethnically diverse riders.

. The Company's success depends upon the continued strength of the Harley-Davidson brand. The Company believes that the Harley-Davidson brand has significantly contributed to the success of its business and that maintaining and enhancing the brand is critical to expanding its customer base. Failure to protect the brand from infringers or to grow the value of the Harley-Davidson brand could have a material adverse effect on the Company's business and results of operations.

. The Company's prospects for future growth are largely dependent upon its ability to develop and successfully introduce new, innovative and compliant products. The motorcycle market continues to advance in terms of cutting edge styling and new technology and, at the same time, be subject to increasing regulations related to safety and emissions. The Company must continue to distinguish its products from its competitors' products with unique styling and new technologies and to protect its intellectual property from imitators. In addition, these new products must comply with applicable regulations worldwide. The Company must make product advancements while maintaining the classic look, sound and feel associated with Harley-Davidson products. The Company must also be able to design and manufacture these products and deliver them to the marketplace in a timely manner. There can be no assurances that the Company will be successful in these endeavors or that existing and prospective customers will favorably receive the Company's new

products.

- The Company's Motorcycles segment is dependent upon unionized labor. Substantially all of the hourly employees working in the Motorcycles segment are represented by unions and covered by collective bargaining agreements. Harley-Davidson Motor Company is currently a party to five collective bargaining agreements with local affiliates of the International Association of Machinists and Aerospace Workers and the United Steelworkers of America that expire during August 2007, March 2008 and February 2010. These collective bargaining agreements generally cover wages, healthcare benefits and retirement plans, seniority, job classes and work rules. There is no certainty that the Company will be successful in negotiating new agreements with these unions that extend beyond the current expiration dates or that these new agreements will be on terms as favorable to the Company as past labor agreements. Failure to renew these agreements when they expire or to establish new collective bargaining agreements on terms acceptable to the Company and the unions could result in work stoppages or other labor disruptions which could have a material adverse effect on customer relationships and the Company's business and results of operations.

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- The Company's operations are dependent upon attracting and retaining skilled employees. The Company's future success depends on its continuing ability to identify, hire, develop, motivate and retain skilled personnel for all areas of its organization. The current and future total compensation arrangements, which include benefits and cash bonuses, may not be successful in attracting new employees and retaining and motivating the Company's existing employees. If the Company does not succeed in attracting personnel or retaining and motivating existing personnel, the Company may be unable to develop and distribute products and services and grow effectively.

- The Company incurs substantial costs with respect to pension benefits and providing healthcare for its employees. The Company's estimates of liabilities and expenses for pensions and other post-retirement healthcare benefits require the use of assumptions. They include the rate used to discount the future estimated liability, the rate of return on plan assets and several assumptions relating to the employee workforce (salary increases, medical costs, retirement age and mortality). Actual results may differ which may have a material adverse effect on future results of operations, liquidity or shareholders' equity. In addition, rising healthcare and retirement benefit costs in the United States may put the Company under significant cost pressure as compared to our competitors.

- The Company manufactures products that create exposure to product liability claims and litigation. To the extent plaintiffs are successful in showing that personal injury or property damage result from defects in the design or manufacture of the Company's products, the Company could be subject to claims for damages that are not covered by insurance. The costs associated with defending product liability claims, including frivolous lawsuits, and payment of damages could be substantial. The Company's reputation could also be adversely affected by such claims, whether or not successful.

- The Company sells its products at wholesale and must rely on a network of independent dealers and distributors to manage the retail distribution of its products. The Company depends on the capability of its independent dealers and distributors to develop and implement effective retail

sales plans to create demand for the motorcycles and related products and services they purchase from the Company. If the Company's independent dealers and distributors are not successful in these endeavors, then the Company will be unable to maintain or grow its revenues.

- The Company and its independent dealers must balance the economies of level production with a more seasonal retail sales pattern. The Company generally records the sale of a motorcycle when it is shipped to the Company's independent dealers and distributors. In the past, the Company has not experienced seasonal fluctuations in its wholesale motorcycle sales, and as a result, the Company has been able to maintain production that is relatively level. Over the last several years, the Company has been working to increase the availability of its motorcycles at dealerships to help improve the customer experience. The increased availability of motorcycles has resulted in the timing of retail purchases tracking more closely with regional motorcycle riding seasons. This requires the Company to adapt its methods for allocating its products to its dealer network so that allocation methods are aligned with retail demand. In addition, the Company's independent dealers and distributors must manage seasonal increases in inventory. As a result, the Company and its independent dealers and distributors must balance the economies of level production with the inventory costs associated with a more seasonal retail sales pattern. Failure to balance the two, or the inability of the Company to adequately adjust its allocation methods, could have a material adverse effect on the Company's business and results of operations.

- The Company relies on third party suppliers to obtain raw materials and provide component parts for use in the manufacture of its motorcycles. The Company cannot be certain that it will not experience supply problems such as unfavorable pricing or untimely delivery of raw materials and components. In certain circumstances, the Company relies on a single supplier to provide the entire requirement of a specific part and a change in this established supply relationship may cause disruption in the Company's production schedule. In addition, the price and availability of raw materials and component parts from suppliers can be adversely affected by factors outside of the Company's control such as increased worldwide demand. Further, Company suppliers who also serve the automotive industry may be experiencing financial difficulties due to a downturn in that industry. These supplier risks may have a material adverse effect on the Company's business and results of operations.

- The Company must maintain its reputation of being a good corporate citizen and treating customers, employees, suppliers and other stakeholders fairly. The Company has a history of good corporate governance. Prior to the enactment of the Sarbanes-Oxley Act of 2002 (the "Act"), the Company had in place many of the corporate governance procedures and processes now mandated by the Act and related rules and regulations, such as Board Committee Charters and a Corporate Governance Policy. In 1992, the Company established a Code of Business Conduct that defines how employees interact with various Company stakeholders and addresses issues such as confidentiality, conflict of interest and fair dealing. Failure to maintain this reputation could have a material adverse effect on the Company's business and results of operations.

- The Company must invest in and successfully implement new information systems and technology. The Company is continually modifying and enhancing its systems and technology to increase productivity and efficiency. When implemented, the systems and technology may not provide the benefits anticipated and could add costs and complications to ongoing operations, which

could have a material adverse effect on the Company's business and results of operations.

- The Company is the defendant in several class action and similar lawsuits. In January 2001, the Company, on its own initiative, notified each owner of 1999 and early-2000 model year Harley-Davidson motorcycles equipped with Twin Cam 88(R) and Twin Cam 88BTM engines that the Company was extending the warranty for a rear cam bearing to 5 years or 50,000 miles. Subsequently, putative nationwide class actions were filed against the Company relating to the cam bearing as discussed in Item 3. -- Legal Proceedings.

A number of shareholder class action lawsuits were filed between May 18, 2005 and July 1, 2005 against the Company and certain Company officers. The consolidated complaint alleges securities law violations and seeks unspecified damages relating generally to the Company's April 13, 2005 announcement that it was reducing short-term production growth and planned increases of motorcycle shipments from 317,000 units in 2004 to a new 2005 target of 329,000 units compared to its original target of 339,000 units.

In addition, several shareholder derivative lawsuits have been filed against directors and officers of the Company. The lawsuits also name the Company as a nominal defendant. In general, the shareholder derivative complaints include factual allegations similar to those in the class action complaints and allegations that officers and directors breached their fiduciary duties to the Company.

On August 25, 2005, a class action lawsuit alleging violations of the Employee Retirement Income Security Act ("ERISA") was filed against the Company, the Administrative Committee of the Company and Company officers, directors and certain employees. In general, the ERISA complaint includes factual allegations similar to those in the shareholder class action lawsuits and alleges on behalf of participants in certain Harley-Davidson retirement savings plans that the plan fiduciaries breached their ERISA fiduciary duties.

The uncertainty associated with substantial unresolved lawsuits could harm the Company's business, financial condition and reputation. The defense of the lawsuits could result in the diversion of management's time and attention away from business operations and negative developments with respect to the lawsuits could cause a decline in the price of the Company's common stock. In addition, although we are unable to determine the amount, if any, that we may be required to pay in connection with the resolution of the lawsuits by settlement or otherwise, any such payment could have a material adverse effect on the Company's business and results of operations.

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- There is a Securities and Exchange Commission inquiry relating to the Company. On July 11, 2005, the staff of the Enforcement Division of the United States Securities and Exchange Commission ("SEC") inquired into matters generally relating to the Company's April 13, 2005 announcement and certain allegations contained in the shareholder complaints described above. The Company has cooperated with the SEC. An inquiry of this nature ultimately could result in a formal investigation, other proceedings and penalties.

- The Company must comply with governmental laws and regulations that are subject to change and involve significant costs. The Company's sales and operations in areas outside the U.S. may be subject to foreign laws, regulations and the legal systems of foreign courts or tribunals. These laws and policies governing operations of foreign-based companies could result in increased costs or restrictions on the ability of the Company to sell its products in certain countries. The Company's international sales operations may also be adversely affected by United States laws affecting foreign trade and taxation.

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

The Company's financial services operations are governed by various foreign, federal and state laws that more specifically affect general financial and lending institutions. The Company's financial services operations originate the majority of its consumer loans through its subsidiary, Eaglemark Savings Bank. Changes in regulations or the imposition of additional regulations could affect the earnings of the financial services operations and have a material adverse effect on the Company's business and results of operations. Any unauthorized release of consumer data could subject the Company to liability and adversely affect the Company's reputation.

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

- Breaches of security involving consumers' personal data could adversely affect the Company's reputation, revenue and earnings. The Company receives and stores personal information in connection with its financial services operations, the Harley Owners Group and other aspects of its business. Breach of the systems on which sensitive consumer information is stored or other unauthorized release of consumer information could adversely affect the Company's reputation and lead to claims against the Company.

- The Company's financial services operations are highly dependent on accessing capital markets to fund its operations at attractive interest rates. The Company's ability to access unsecured capital markets is influenced by its credit ratings. The Company currently has very strong credit ratings; however, if its ratings were to be downgraded, its cost of borrowing could be adversely affected resulting in reduced earnings and interest margins.

- The Company's financial services operations are exposed to credit risk on its retail and wholesale receivables, receivables held for sale, and its investment in retained securitization interests. Credit risk is the risk of loss arising from a failure by a customer to meet the terms of any contract with the Company. Credit losses are influenced by general business and economic conditions, as well as contract terms, customer credit profiles and the new and used motorcycle market. Negative changes in general business,

economic or market factors could adversely impact the Company's credit losses and future earnings. Credit exposure is significantly sensitive to any decline in new and used motorcycle prices. In addition, the frequency of losses could be negatively influenced by adverse changes in macro-economic factors, such as unemployment rates and bankruptcy filings.

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. The Company is exposed to market risk from changes in foreign exchange rates and interest rates. The Company sells its products internationally and in most markets those sales are made in the foreign country's local currency. Earnings from the Company's financial services business are affected by changes in interest rates. The Company uses derivative financial instruments to attempt to manage foreign currency exchange rates and interest rate risks. There can be no assurance that in the future the Company will successfully manage these risks.

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

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Item 2. Properties

The following is a summary of the principal operating properties of the Company as of December 31, 2006:

Motorcycles and Related Products Segment

Type of Facility	Location	Approximate Square Feet	Status
Corporate Office	Milwaukee, WI	515,000	Owned
Warehouse	Milwaukee, WI	24,000	Lease expiring 2009
Airplane hangar	Milwaukee, WI	14,600	Owned
Manufacturing	Wauwatosa, WI	422,000	Owned
Product Development Center	Wauwatosa, WI	409,000	Owned
Distribution Center	Franklin, WI	250,000	Owned
Manufacturing	Menomonee Falls, WI	868,000	Owned
Product Development and Office	East Troy, WI	54,000	Lease expiring 2008
Manufacturing	East Troy, WI	40,000	Lease expiring 2008
Manufacturing	Tomahawk, WI	211,000	Owned
Office	Ann Arbor, MI	3,300	Lease expiring 2009
Office	Cleveland, OH	23,000	Lease expiring 2013
Manufacturing and Materials Velocity Center	Kansas City, MO	450,000	Owned
Materials Velocity Center	Manchester, PA	212,000	Owned
Manufacturing	York, PA	1,321,000	Owned
Motorcycle Testing	Talladega, AL	35,000	Lease expiring 2010
Motorcycle Testing	Naples, FL	82,000	Owned
Motorcycle Testing	Mesa, AZ	29,000	Lease expiring 2009
Office	Morfelden-Waldorf, Germany	22,000	Lease expiring 2008
Office and Warehouse	Oxford, England	27,000	Lease expiring 2017
Office	Liederdorp, The Netherlands	9,000	Lease expiring 2010
Office	Creteil, France	8,450	Lease expiring 2016
Office	Paris, France	7,000	Lease expiring 2007
Office and Warehouse	Arese, Italy	17,000	Lease expiring 2009
Office	Zurich, Switzerland	2,000	Lease expiring 2009
Office	Sant Cugat, Spain	3,400	Lease expiring 2017
Office	Barcelona, Spain	2,000	Lease expiring 2007
Warehouse	Yokohama, Japan	15,000	Lease expiring 2007
Office	Tokyo, Japan	14,000	Lease expiring 2007
Manufacturing	Adelaide, Australia	485,000	Lease expiring 2011
Office	Sydney, Australia	1,100	Lease expiring 2011
Office	Sydney, Australia	600	Lease expiring 2007
Office	Shanghai, China	1,700	Lease expiring 2008
Manufacturing and Office	Manaus, Brazil	30,000	Lease expiring 2007

The Company has eight facilities that perform manufacturing operations: Wauwatosa and Menomonee Falls, Wisconsin (motorcycle powertrain production); Tomahawk, Wisconsin (fiberglass/plastic parts production and painting); York, Pennsylvania (motorcycle parts fabrication, painting and Softail(R) and touring model assembly); Kansas City, Missouri (motorcycle parts fabrication, painting and Dyna Glide, Sportster(R) and VRSCTM assembly); East Troy, Wisconsin (Buell(R) motorcycle assembly); Manaus, Brazil (assembly of select models for Brazilian market); and Adelaide, Australia (motorcycle wheel production).

Financial Services Segment

Type of Facility	Location	Approximate Square Feet	Status
Office	Chicago, IL	35,000	Lease expiring 2007
Office	Chicago, IL	26,000	Lease expiring 2022
Office	Plano, TX	61,500	Lease expiring 2014
Office	Carson City, NV	100,000	Owned
Storage	Carson City, NV	1,600	Lease expiring 2007
Office	Oxford, England	6,000	Lease expiring 2017

The Financial Services segment has four office facilities: Chicago, Illinois (corporate headquarters); Plano, Texas (wholesale, insurance and retail operations); Carson City, Nevada (retail and insurance operations); and Oxford, England (European wholesale operations). Corporate headquarters will be moving into a new office in February 2007.

Item 3. Legal Proceedings

Shareholder Lawsuits:

A number of shareholder class action lawsuits were filed between May 18, 2005 and July 1, 2005 in the United States District Court for the Eastern District of Wisconsin. On February 14, 2006, the court consolidated all of the actions into a single case, captioned In re Harley-Davidson, Inc. Securities Litigation, and appointed Lead Plaintiffs and Co-Lead Plaintiffs' Counsel. Pursuant to the schedule set by the court, on October 2, 2006, the Lead Plaintiffs filed a Consolidated Class Action Complaint, which names the Company and Jeffrey L. Bleustein, James L. Ziemer, and James M. Brostowitz, who are Company officers, as defendants. The Consolidated Complaint alleges securities law violations and seeks unspecified damages relating generally to the Company's April 13, 2005 announcement that it was reducing short-term production growth and planned increases of motorcycle shipments from 317,000 units in 2004 to a new 2005 target of 329,000 units (compared to its original target of 339,000 units). On December 18, 2006, the defendants filed a motion to dismiss the Consolidated Complaint in its entirety. Briefing of the motion to dismiss is anticipated to be completed in April 2007.

Three shareholder derivative lawsuits were filed in the United States District Court for the Eastern District of Wisconsin on June 3, 2005, October 25, 2005 (this lawsuit was later voluntarily dismissed) and December 2, 2005 and two shareholder derivative lawsuits were filed in Milwaukee County Circuit Court on July 22, 2005 and November 16, 2005 against some or all of the following current or former directors and officers of the Company: Jeffrey L. Bleustein, James L. Ziemer, James M. Brostowitz, Barry K. Allen, Richard I. Beattie, George H. Conrades, Judson C. Green, Donald A. James, Sara L. Levinson, George L. Miles, Jr., James A. Norling, James A. McCaslin, Donna F. Zarcone, Jon R. Flickinger, Gail A. Lione, Ronald M. Hutchinson, W. Kenneth Sutton, Jr. and John A. Hevey. The lawsuits also name the Company as a nominal defendant. In general, the shareholder derivative complaints include factual allegations similar to those in the class action complaints and allegations that officers and directors breached their fiduciary duties to the Company. On February 14, 2006, the state court consolidated the two state court derivative actions and

appointed Lead Plaintiffs and Lead Plaintiffs' counsel, and on April 24, 2006, the state court ordered that the consolidated state court derivative action be stayed until after motions to dismiss the federal securities class action are decided. On February 15, 2006, the federal court consolidated the federal derivative lawsuits with the securities and ERISA (see below) actions for administrative purposes.

On July 11, 2005, the staff of the Enforcement Division of the United States Securities and Exchange Commission (SEC) advised the Company that it is inquiring into matters relating generally to the Company's April 13, 2005 announcement and certain allegations contained in the shareholder complaints. The Company is cooperating with the SEC.

On August 25, 2005, a class action lawsuit alleging violations of the Employee Retirement Income Security Act (ERISA) was filed in the United States District Court for the Eastern District of Wisconsin. As noted above, on February 15, 2006, the court ordered the ERISA action consolidated with the federal derivative and securities actions for administrative purposes. Pursuant to the schedule set by the court, on October 2, 2006, the ERISA plaintiff filed an Amended Class Action Complaint, which named the Company, the Harley-Davidson Motor Company Retirement Plans Committee, the Company's Leadership and Strategy Council, Harold A. Scott, James L. Ziemer, James M. Brostowitz, Gail A. Lione, Joanne M. Bischmann, Karl M. Eberle, Jon R. Flickinger, Ronald M. Hutchinson, James A. McCaslin, W. Kenneth Sutton, Jr., and Donna F. Zarcone, who are current or former Company officers or employees, as defendants (the "Company Defendants"). In general, the ERISA complaint includes factual allegations similar to those in the shareholder class action lawsuits and alleges on behalf of participants in certain Harley-Davidson retirement savings plans that the plan fiduciaries breached their ERISA fiduciary duties. On December 18, 2006, the defendants filed a motion to dismiss the ERISA complaint in its entirety. Briefing of the motion to dismiss is anticipated to be completed in April 2007.

The Company believes the allegations against all of the defendants in the lawsuits against the Company are without merit and it intends to vigorously defend against them. Since all of these matters are in the preliminary stages, the Company is unable to predict the scope or outcome or quantify their eventual impact, if any, on the Company. At this time, the Company is also unable to estimate associated expenses or possible losses. The Company maintains insurance that may limit its financial exposure for defense costs and liability for an

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unfavorable outcome, should it not prevail, for claims covered by the insurance coverage.

Security Breach Lawsuit:

On January 22, 2007, a purported class action lawsuit was filed in the Supreme Court of the State of New York against Harley-Davidson, Inc. and the Harley Owners Group. The complaint alleges that the Company was negligent in failing to properly safeguard, protect and keep confidential the personal "Customer Identifiable Information" that was stored on a Company laptop computer that was lost on or about August 14, 2006. The complaint also alleges that Harley-Davidson breached fiduciary duties and made false and fraudulent representations and warranties to its customers that it would keep confidential and safeguard and protect the personal customer information in its possession.

The complaint seeks unspecified damages. The Company believes the allegations in the lawsuit are without merit and it intends to vigorously defend against them.

Cam Bearing Lawsuit:

In January 2001, the Company, on its own initiative, notified each owner of 1999 and early-2000 model year Harley-Davidson motorcycles equipped with Twin Cam 88(R) and Twin Cam 88BTM engines that the Company was extending the warranty for a rear cam bearing to 5 years or 50,000 miles. Subsequently, on June 28, 2001, a putative nationwide class action was filed against the Company in state court in Milwaukee County, Wisconsin, which was amended by a complaint filed September 28, 2001. The complaint alleged that this cam bearing is defective and asserted various legal theories. The complaint sought unspecified compensatory and punitive damages for affected owners, an order compelling the Company to repair the engines and other relief. On February 27, 2002, the Company's motion to dismiss the amended complaint was granted by the Court and the amended complaint was dismissed in its entirety. An appeal was filed with the Wisconsin Court of Appeals. On April 12, 2002, the same attorneys filed a second putative nationwide class action against the Company in state court in Milwaukee County, Wisconsin relating to this cam bearing issue and asserting different legal theories than in the first action. The complaint sought unspecified compensatory damages, an order compelling the Company to repair the engines and other relief. On September 23, 2002, the Company's motion to dismiss was granted by the Court, the complaint was dismissed in its entirety, and no appeal was taken. On January 14, 2003, the Wisconsin Court of Appeals reversed the trial court's February 27, 2002 dismissal of the complaint in the first action, and the Company petitioned the Wisconsin Supreme Court for review. On March 26, 2004, the Wisconsin Supreme Court reversed the Court of Appeals and dismissed the remaining claims in the action. On April 12, 2004, the same attorneys filed a third action in the state court in Milwaukee County, on behalf of the same plaintiffs from the action dismissed by the Wisconsin Supreme Court. This third action was dismissed by the court on July 26, 2004. In addition, the plaintiffs in the original case moved to reopen that matter and amend the complaint to add new causes of action. On September 9, 2004, Milwaukee County Circuit Court refused to allow the reopening or amendment. Plaintiffs again appealed to the Wisconsin Court of Appeals, and on December 13, 2005, the Court of Appeals again reversed the trial court. On January 12, 2006, the Company filed a petition for review with the Wisconsin Supreme Court. Oral arguments were heard on September 7, 2006 and the Company is awaiting a decision from the court. The Company believes that the 5-year/50,000 mile warranty extension it announced in January 2001 adequately addressed the condition for affected owners, and the Company intends to continue to vigorously defend this matter.

Environmental Matters:

The Company is involved with government agencies and groups of potentially responsible parties in various environmental matters, including 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 an ongoing site-wide remedial investigation/feasibility study (RI/FS).

In January 1995, the Company entered into a settlement agreement (the

Agreement) with the Navy. The Agreement calls for the Navy and the Company to contribute amounts into a trust equal to 53% and 47%, respectively, of future 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.

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In February 2002, the Company was advised by the U.S. Environmental Protection Agency (EPA) that it considers some of the Company's remediation activities at the York facility to be subject to the EPA's corrective action program under the Resource Conservation and Recovery Act (RCRA) and offered the Company the option of addressing corrective action under a RCRA facility lead agreement. In July 2005, the York facility was designated as the first site in Pennsylvania to be addressed under the "One Cleanup Program." The program provides a more streamlined and efficient oversight of voluntary remediation by both PADEP and EPA and will be carried out consistent with the Agreement with the Navy. As a result, the RCRA facility lead agreement has been superseded.

Although the RI/FS is still under way and substantial uncertainty exists concerning the nature and scope of the additional environmental investigation and remediation that will ultimately be required at the York facility, the Company estimates that its share of the future Response Costs at the York facility will be approximately $7.7 million. The Company has established reserves for this amount, which are included in Accrued Expenses and Other Liabilities in the Condensed Consolidated Balance Sheets.

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. Response Costs related to the remediation of soil are expected to be incurred over a period of several years ending in 2012. Response Costs related to ground water remediation may continue for some time beyond 2012. However, these Response Costs are expected to be much lower than those related to the remediation of soil.

Under the terms of the sale of the Commercial Vehicles Division in 1996, the Company has agreed to indemnify Utilimaster Corporation, until 2008, for certain claims related to environmental contamination present at the date of sale, up to $20.0 million. Based on the environmental studies performed, the Company does not expect to incur any material expenditures under this indemnification.

Product Liability Matters:

Additionally, 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 will not have a material adverse effect on the Company's consolidated financial statements.

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Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of shareholders of the Company in the fourth quarter of 2006.

Executive Officers of the Registrant

The following sets forth, as of December 31, 2006, the name, age and business experience for the last five years for each of the executive officers of Harley-Davidson, Inc. Executive officers are defined by the Company as executives that are members of the Company's Leadership and Strategy Council (LSC). The LSC, which is comprised of selected members of senior management from various areas within the Company, makes high-level resource decisions, develops policies, and acts as an advisory group to the Chief Executive Officer.

Executive Officers

Name	Age
Thomas E. Bergmann Vice President and Chief Financial Officer	40
Joanne M. Bischmann Vice President, Marketing -- Harley-Davidson Motor Company	45
James M. Brostowitz Vice President and Treasurer and Chief Accounting Officer	54
Karl M. Eberle Vice President and General Manager, Kansas City Operations -- Harley-Davidson Motor Company	58
Jon R. Flickinger Vice President -- Harley-Davidson Motor Company and President and Chief Operating Officer - Buell Motorcycle Company	49
John A. Hevey Vice President, Strategic Planning and New Business Development -- Harley-Davidson Motor Company	49
Ronald M. Hutchinson Vice President, New Business -- Harley-Davidson Motor Company	59
Gail A. Lione Vice President, General Counsel and Secretary Chief Compliance Officer	57
James A. McCaslin President and Chief Operating Officer -- Harley-Davidson Motor Company	58
Harold A. Scott Vice President, Human Resources -- Harley-Davidson Motor Company	58
W. Kenneth Sutton, Jr. Vice President, Engineering -- Harley-Davidson Motor Company	58
James L. Ziemer President and Chief Executive Officer and Director	56

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Except for the following persons, all such executive officers have been employed by the Company in an executive officer capacity, as defined above, for more than five years: Thomas E. Bergmann, Joanne M. Bischmann, Karl M. Eberle,

John A. Hevey, Harold A. Scott and Kenneth Sutton. The following is additional biographical information for at least the last five years relating to these six executive officers:

Mr. Bergmann has served as the Vice President and Chief Financial Officer since March 6, 2006. Prior to joining the Company, Mr. Bergmann most recently served as Interim Chief Executive Officer of USF Corporation ("USF"), a $2.5 billion transportation and logistics company, a position he held from November 2004 to June 2005. USF was publicly traded until it was acquired by YRC Worldwide Inc. in May 2005. Prior to that, Mr. Bergmann served as Executive Vice President of USF from August 2004 to November 2004 and Senior Vice President and Chief Financial Officer of USF from February 2004 to August 2004. Prior to joining USF, Mr. Bergmann served as Vice President Finance -- Services of Sears, Roebuck and Co., a retailer, from February 2003 to November 2003 and as Vice President and Controller of Sears, Roebuck and Co. from January 2002 to February 2003.

Ms. Bischmann has served as the Vice President, Marketing of the Motor Company since 1996.

Mr. Eberle has served as the Vice President and General Manager of the Motor Company's Kansas City Vehicle and Powertrain Operations since 1997.

Mr. Hevey has served as the Vice President, Strategic Planning and New Business Development of the Motor Company since 2004. Prior thereto, he served as President and Chief Operating Officer of Buell Motorcycle Company from 2001 to 2004.

Mr. Scott has served as the Vice President, Human Resources of the Motor Company since 2000.

Mr. Sutton became the Vice President, Engineering for the Motor Company in 2002. From 2000 to 2002, Mr. Sutton served as Vice President, Continuous Improvement for the Motor Company.

PART II

Item 5. Market for Harley-Davidson, Inc. Common Stock and Related Shareholder Matters

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

2006	Low	High	2005	Low	High
First quarter	$ 47.88	$ 54.92	First quarter	$ 57.84	$ 62.49
Second quarter	47.86	53.98	Second quarter	45.14	59.40
Third quarter	50.74	62.33	Third quarter	47.50	54.25
Fourth quarter	61.52	75.87	Fourth quarter	44.40	55.93

The Company paid the following dividends per share:

	2006	2005	2004
First quarter	$ 0.18	$ 0.125	$ 0.080
Second quarter	0.21	0.160	0.100
Third quarter	0.21	0.160	0.100
Fourth quarter	0.21	0.180	0.125
	$ 0.81	$ 0.625	$ 0.405

As of February 19, 2007 there were 88,995 shareholders of record of Harley-Davidson, Inc. common stock.

The following table contains detail related to the repurchase of common stock based on the date of trade during the quarter ended December 31, 2006:

2006 Fiscal Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Be Purchased Under the Plans or Programs
September 25 to October 29	0	0	0	28,457,932
October 30 to November 26	2,098,091	$ 72	2,098,050	26,970,349
November 27 to December 31	0	0	0	27,097,169
Total	2,098,091	$ 72	2,098,050	

The Company has an authorization (originally adopted in December 1997) by its Board of Directors to repurchase shares of its outstanding common stock under which the cumulative number of shares repurchased, at the time of any repurchase, shall not exceed the sum of (1) the number of shares issued in connection with the exercise of stock options occurring on or after January 1, 2004 plus (2) one percent of the issued and outstanding common stock of the Company on January 1 of the current year, adjusted for any stock split. The Company repurchased 2.1 million shares under this authorization during the fourth quarter ended December 31, 2006.

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In April 2005, the Company's Board of Directors separately authorized the Company to buy back up to 20.0 million shares of its common stock with no dollar limit or expiration date. During 2006, 17.2 million shares had been repurchased under this authorization.

During October 2006, the Company's Board of Directors separately authorized the Company to buy back up to 20.0 million shares of its common stock with no dollar limit or expiration date. No shares had been repurchased under this authorization as of December 31, 2006.

The Harley-Davidson, Inc. 2004 Incentive Stock Plan (exhibit 10.17) permits participants to satisfy all or a portion of the statutory federal, state and local withholding tax obligations arising in connection with plan awards by electing to (a) have the Company withhold Shares otherwise issuable under the award, (b) tender back shares received in connection with such award or (c) deliver other previously owned Shares, in each case having a value equal to the amount to be withheld. During the fourth quarter of 2006, the Company acquired 41 shares of common stock that employees presented to the Company to satisfy withholding taxes in connection with the vesting of restricted stock awards.

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

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

	2001 ($)	2002 ($)	2003 ($)	2004 ($)	2005 ($)	2006 ($)
Harley-Davidson, Inc.	100	85	88	113	97	135
Standard & Poor's MidCap 400 Index	100	86	116	136	153	168
Standard & Poor's 500 Index	100	78	101	112	117	136

Item 6. Selected Financial Data

(In thousands except per share amounts)

	2006(1), (2)	2005(1)	2004	2003	2002
Income statement data:					
Net revenue	$ 5,800,686	$ 5,342,214	$ 5,015,190	$ 4,624,274	$ 4,090,970
Cost of goods sold	3,567,839	3,301,715	3,115,655	2,958,708	2,673,129
Gross profit	2,232,847	2,040,499	1,899,535	1,665,566	1,417,841
Financial services income	384,891	331,618	305,262	279,459	211,500
Financial services expense	174,167	139,998	116,662	111,586	107,273
Operating income from financial services	210,724	191,620	188,600	167,873	104,227
Selling, administrative and engineering expense	841,051	762,108	726,644	684,175	639,366
Income from operations	1,602,520	1,470,011	1,361,491	1,149,264	882,702
Investment income, net	27,087	22,797	23,101	23,088	16,541
Other, net	(5,367)	(5,049)	(5,106)	(6,317)	(13,416)
Income before provision for income taxes	1,624,240	1,487,759	1,379,486	1,166,035	885,827
Provision for income taxes	581,087	528,155	489,720	405,107	305,610
Net income	$ 1,043,153	$ 959,604	$ 889,766	$ 760,928	$ 580,217
Weighted-average common shares:					
Basic	264,453	280,303	295,008	302,271	302,297
Diluted	265,273	281,035	296,852	304,470	305,158
Earnings per common share:					
Basic	$ 3.94	$ 3.42	$ 3.02	$ 2.52	$ 1.92
Diluted	$ 3.93	$ 3.41	$ 3.00	$ 2.50	$ 1.90
Dividends paid per common share	$ 0.810	$ 0.625	$ 0.405	$ 0.195	$ 0.135
Balance sheet data:					
Working capital	$ 1,954,956	$ 2,272,125	$ 2,510,490	$ 2,087,056	$ 1,354,486
Finance receivables held for sale	547,106	299,373	456,516	347,112	306,901
Finance receivables held for investment, net	2,280,217	1,943,224	1,655,784	1,390,737	1,138,679
Total assets	5,532,150	5,255,209	5,483,293	4,923,088	3,861,217
Current finance debt	832,491	204,973	495,441	324,305	382,579
Long-term finance debt	870,000	1,000,000	800,000	670,000	380,000
Total finance debt	1,702,491	1,204,973	1,295,441	994,305	762,579
Shareholders' equity	2,756,737	3,083,605	3,218,471	2,957,692	2,232,915

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(1) 2006 and 2005 results include the adoption of Statement of Financial Accounting Standards (SFAS) No. 123(R), "Share-Based Payment" effective January 1, 2005. See Note 8 to the Consolidated Financial Statements for further discussion.

(2) 2006 results include the adoption of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" as of December 31, 2006. See Note 6 to the Consolidated Financial Statements for further discussion.

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

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

of Operations

Harley-Davidson, Inc. is the parent company for the groups of companies doing business as Harley-Davidson Motor Company (HDMC), Buell Motorcycle Company (Buell) and Harley-Davidson Financial Services (HDFS). Harley-Davidson Motor Company produces heavyweight motorcycles and offers a complete line of motorcycle parts, accessories, apparel and general merchandise. HDMC manufactures five families of motorcycles: Touring, DynaTM, Softail(R), Sportster(R) and VRSCTM. Buell produces sport motorcycles, including nine twin-cylinder XB models and the single-cylinder Buell(R) Blast(R). Buell also offers a line of motorcycle parts, accessories, apparel and general merchandise. HDFS provides wholesale and retail financing and insurance programs primarily to Harley-Davidson/Buell dealers and customers.

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

Overview(1)

The Company's net revenue for 2006 was $5.80 billion, up 8.6% over 2005 driven by a 6.1% increase in shipments of Harley-Davidson(R) motorcycles over 2005. Net income and diluted earnings per share for 2006 were up 8.7% and 15.2%, respectively, over 2005. The increase in diluted earnings per share includes the benefit of fewer weighted-average shares outstanding when compared to the prior year. Weighted-average shares outstanding were lower in 2006 than in 2005 as a result of the Company's repurchases of common stock occurring over the last two years.

The Company's independent dealer network also reported growth over prior year with increases in retail motorcycle unit sales during 2006. Worldwide dealer retail sales of Harley-Davidson motorcycles were up 8.5% in 2006 over 2005. In the United States, retail sales of Harley-Davidson motorcycles grew 5.9% during 2006 when compared to the prior year. Internationally, retail sales were up 18.6% over 2005 with increases of 14.6% in Europe, 16.3% in Japan and 15.9% in Canada.

Retail sales growth during 2006 was due in part to a positive worldwide response to the Company's new 2007 models. In July 2006, independent dealers began offering the Company's new 2007 model year motorcycles. The Company's 2007 model offering includes the new larger Twin Cam 96TM engine and a new six-speed transmission for all Touring and Softail motorcycles, the addition of electronic fuel injection on all Sportster models and a number of new models and features.

In addition, the Company believes that the continued momentum in international dealer retail sales is also due in part to the strategies that it has been implementing over the last couple of years. These strategies include improvements within the international dealer base, enhanced marketing programs and a more effective and efficient distribution of motorcycles worldwide.

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(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 "Risk Factors" in Item 1A and under "Cautionary Statements" in Item 7 of this report. Shareholders, potential investors, and other readers are urged to consider these factors in evaluating the forward-looking statements and cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included in this report are made only as of the date of the filing of this report (February 27, 2007), and the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

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Outlook(1)

The Company's collective bargaining agreement with the Pennsylvania-IAM (Union) covering approximately 2,800 workers at its assembly plant in York, Pennsylvania expired on February 2, 2007. Prior to the expiration of that contract the union voted to reject a proposed new collective bargaining agreement for employees and authorized a strike which began immediately following the expiration of the contract. On February 22, 2007, the Company reached a new agreement with the Union, ending the strike. The new contract with the York Union employees is a three-year agreement expiring in February 2010.

The Company is pleased with the agreement it has reached with its York Union employees. However, the disruption caused by the strike had a significant impact on the Company's business. As a result of the strike, the Company lost approximately four weeks of production at its York, Pennsylvania assembly facility and interrupted production at some of the Company's other manufacturing locations. The strike also adversely impacted its suppliers and employees and may adversely impact its independent dealers and retail customers.

As a result of the strike and its related impact, the Company will not meet previously annuounced guidance for 2007. First quarter 2007 shipments of Harley-Davidson motorcycles had been expected to be between 82,000 and 84,000 units. The Company has lowered its target range by 18,000 units, and now expects first quarter shipments of Harley-Davidson motorcycles to be between 64,000 and 66,000 units. Over the remainder of 2007, the Company expects to make up approximately 4,000 to 5,000 of these motorcycle shipments, resulting in full year shipment plans for approximately 14,000 fewer motorcycles than originally planned. The Company arrived at this decision after carefully evaluating its production constraints, supply chain issues, cost implications, timing of shipments to dealers and the delayed start of 2008 model year production caused by the strike.

The Company's revised plan for 2007 does not affect its previously stated plan to continue to grow revenue, although revenue growth in 2007 as a result of the strike is expected to be moderate. The Company continues to believe that shipments in its international markets will grow at a faster rate than in the U.S. market. The Company's growth will be driven by a focus on providing customers around the world with a continuous stream of exciting new motorcycles, surrounded by the unique Harley-Davidson experience. Harley-Davidson customers enjoy a unique lifestyle experience through organized rides and rallies, through membership in the Harley Owners Group(R) (H.O.G.(R)) organization, and through the use of MotorClothes(R) merchandise and Harley-Davidson(R) Genuine Motor Accessories to personalize their experience.

In 2007, the Company will experience inefficiencies and costs associated with the strike and the related make-up plan which will have a negative impact on margins. Therefore, for 2007 the Company has revised its previous guidance of increasing margins and believes 2007 margins will be lower than margins experienced in 2006. The Company believes its manufacturing expertise and focus on operational excellence, and other factors, position it to continue to drive a net income growth rate in 2008 and 2009 that will be in excess of its revenue growth rate.

Operational excellence involves employees and suppliers continuously pursuing process improvements and innovation. Over the last several years, the Company has made considerable strides in manufacturing efficiency and automation and believes there continue to be opportunities for improvement in these areas and across other parts of the organization. The Company also expects that other factors such as increased production, quality, product mix and pricing for features will continue to have a positive impact on margins.

As the Company executes its plans, the Company believes its business model will continue to generate cash permitting it to invest in the business, fund future growth opportunities and return value to shareholders. The Company's expected annual capital expenditures are provided under "Liquidity and Capital Resources."

Prior to the strike, the Company had expected to deliver earnings-per-share growth of 11% to 17% annually through 2009 driven by solid revenue growth, margin improvement and the benefits of strong free cash flow. However, as a result of the strike and its related impact to the business in 2007, the Company has revised its expected earnings-per-share growth rate for 2007 to be in the range of 4% to 6%. The Company expects its earnings-per-share growth rate to return to 11% to 17% in 2008 and 2009.

Results of Operations 2006 Compared to 2005

Overall

Net revenue for 2006 totaled $5.80 billion, a $458.5 million or 8.6% increase over the prior year. Net income for 2006 was $1.04 billion compared to $959.6 million in 2005, an increase of 8.7%. Diluted earnings per share for 2006 were $3.93 representing a 15.2% increase over 2005 earnings per share of $3.41. Diluted earnings per share were positively impacted during 2006 by a decrease in the weighted-average shares outstanding, which were 265.3 million in 2006 compared to 281.0 million in 2005. The decrease in weighted-average shares outstanding was due primarily to the Company's share repurchases. The Company repurchased 19.3 million shares of common stock during 2006. The Company's share repurchases are discussed in further detail under "Liquidity and Capital

Resources."

The Company paid dividends in 2006 of $.18 per share in March and $.21 per share in June, September and December. The aggregate annual dividend paid in 2006 was $.81 per share, representing a 29.6% increase over the aggregate annual dividend of $.625 per share in 2005.

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Motorcycle Unit Shipments and Net Revenue

The following table includes wholesale motorcycle unit shipments and net revenue for the Motorcycles segment for 2006 and 2005 (dollars in millions):

	2006	2005	Increase (Decrease)	% Change
Motorcycle Unit Shipments				
Touring motorcycle units	123,444	110,193	13,251	12.0 %
Custom motorcycle units*	161,195	148,609	12,586	8.5 %
Sportster motorcycle units	64,557	70,215	(5,658)	-8.1 %
Harley-Davidson motorcycle units	349,196	329,017	20,179	6.1 %
Buell motorcycle units	12,460	11,166	1,294	11.6 %
Total motorcycle units	361,656	340,183	21,473	6.3 %
Net Revenue				
Harley-Davidson motorcycles	$ 4,553.6	$ 4,183.5	$ 370.1	8.8 %
Buell motorcycles	102.2	93.1	9.1	9.8 %
Total motorcycles	4,655.8	4,276.6	379.2	8.9 %
Parts & Accessories	862.3	815.7	46.6	5.7 %
General Merchandise	277.5	247.9	29.6	12.0 %
Other	5.1	2.0	3.1	N/M
Net revenue	$ 5,800.7	$ 5,342.2	$ 458.5	8.6 %

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* Custom motorcycle units, as used in this table, include Softail, Dyna, VRSC and CVO models.

During 2006, the Company shipped 349,196 Harley-Davidson motorcycles, an increase of 20,179 or 6.1%, over 2005 shipments. International shipments grew faster than U.S. shipments with an increase of 21.6% in 2006, compared to a 2006 U.S. shipment increase of 2.5%. As a result, international shipments represented 21.8% of total Harley-Davidson wholesale shipments in 2006, compared to 19.0% in 2005. The increase in international shipments as a percentage of total shipments is consistent with the Company's expectation that international growth will outpace domestic shipment growth.(1)

During 2006, net revenue for the Motorcycles segment grew 8.6% or $458.5 million over 2005. Approximately $350 million of the increase in net revenue from 2005 to 2006 resulted from the higher shipment volumes of motorcycles and related products. Net revenue also benefited during 2006 from a favorable change in product mix and wholesale price increases. The changes to product mix occurring in 2006 resulted in approximately $70 million of higher revenue

and related primarily to an increase in the percentage of shipments consisting of higher-priced touring motorcycles. Touring motorcycles made up 35.4% of shipments in 2006 compared to 33.5% in 2005. During 2006, wholesale price increases on Harley-Davidson motorcycles resulted in approximately $45 million of higher revenue when compared to 2005. Changes in foreign currency exchange rates resulted in approximately $10 million of lower net revenue during 2006 when compared to 2005.

Harley-Davidson Motorcycle Retail Sales

The Company's wholesale motorcycle unit shipments are retailed through an independent worldwide dealer network. Worldwide retail sales of Harley-Davidson motorcycles grew 8.5% during 2006 over the prior year. Retail sales of Harley-Davidson motorcycles increased 5.9% in the United States and 18.6% internationally, when compared to 2005. On an industry-wide basis, the heavyweight (651+cc) portion of the market was up 4.9% in the United States and up 7.5% in Europe, when compared to 2005. The following table includes retail unit sales of Harley-Davidson motorcycles for 2006 and 2005 (units in thousands):

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Harley-Davidson Motorcycle Retail Sales(a)

Heavyweight (651+cc)

	2006	2005	Change
United States	268.4	253.4	5.9 %
Europe(b)	33.8	29.5	14.6 %
Japan	13.3	11.4	16.3 %
Canada	13.5	11.7	15.9 %
All other markets	15.0	11.2	34.3 %
Total Retail Sales	344.0	317.2	8.5 %

(a) Data source for retail sales figures shown above is 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 retail sales and this information is subject to revision.

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

The following table includes industry retail motorcycle registration data (units in thousands):

	2006	2005	Change
United States(a)	543.0	517.6	4.9 %
Europe(b)	376.8	350.7	7.4 %

(a) U.S. data provided by the Motorcycle Industry Council.

(b) Europe data includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. Industry retail motorcycle registration data is derived from information provided by Giral S.A., an independent agency. Data for 2005 has been adjusted to include competitor motorcycles that had previously not been included by the Company. The previously reported amount for 2005 was 332.8.

Industry retail registration data for the remaining international markets has not been presented because the Company does not believe definitive and reliable registration data is available to the Company at this time.

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Cost of Goods Sold

During 2006, cost of goods sold for the Motorcycles segment increased $266.1 million over 2005, due primarily to the increase in shipment volumes for motorcycles and related products. During 2006, higher volumes resulted in an increase in cost of goods sold of approximately $225 million. Cost of goods sold was also higher in 2006 due to changes in product mix and increases in material costs, partially offset by lower foreign currency losses. Changes in Harley-Davidson motorcycle product mix occurring in 2006 resulted in approximately $35 million of higher costs in 2006 compared to 2005, and increases in raw material costs primarily for metals were approximately $15 million in 2006 over 2005. Finally, net foreign currency transaction and hedging gains in 2006 compared to 2005 resulted in approximately $35 million of lower cost during 2006.

Gross Profit

Gross profit was $2.23 billion for the Motorcycles segment during 2006, an increase of $192.3 million or 9.4% over gross profit in 2005. Gross profit margin for 2006 was 38.5% compared to 38.3% during 2005. During 2006, the increase in gross margin was due primarily to wholesale price increases on Harley-Davidson motorcycles, favorable Harley-Davidson motorcycle product mix and favorable changes in foreign currency exchange rates, as detailed under "Revenue" and "Cost of Goods Sold" above.

Financial Services

The following table includes the condensed statements of operations for the Financial Services segment (which consists of HDFS) for 2006 and 2005(in millions):

	2006	2005	Increase (Decrease)	% Change
Interest income	$ 167.5	$ 129.9	$ 37.6	29.0 %
Income from securitizations	111.2	123.1	(11.9)	-9.7 %
Other income	106.2	78.6	27.6	35.1 %
Financial services income	384.9	331.6	53.3	16.1 %
Interest expense	59.8	36.2	23.6	65.3 %
Operating expenses	114.4	103.8	10.6	10.2 %
Financial services expense	174.2	140.0	34.2	24.4 %
Operating income from financial services	$ 210.7	$ 191.6	$ 19.1	10.0 %

During 2006, interest income benefited from increased retail and wholesale average outstanding receivables and higher retail and wholesale lending rates as compared to 2005. The increase in other income was primarily due to higher revenues from insurance commissions and related products and an increase in securitization servicing fee income. Interest expense was higher in 2006 due to increased borrowings, in support of higher average outstanding receivables, and higher borrowing costs as compared to 2005.

Income from securitizations in 2006 was lower due to lower gains on 2006 securitization transactions, partially offset by an increase in income on the investment in retained securitization interests. During 2006, income on the investment in retained securitization interests was $78.9 million, an increase of $2.3 million over 2005.

During 2006, HDFS sold $2.33 billion in retail motorcycle loans through securitization transactions resulting in gains of $32.3 million. This compares with gains of $46.6 million on $2.48 billion of loans securitized during 2005. The 2006 gain as a percentage of loans sold was 1.4% as compared to 1.9% for 2005. The 2006 gain as a percentage of the amount of loans securitized was lower than the prior year due to rising market interest rates and the competitive environment for motorcycle lending.

In addition, during 2006, other comprehensive income includes unrealized losses of $20.9 million (pre-tax) related to a decrease in the unrealized gain on the investment in retained securitization interests due primarily to higher expected losses on prior year securitization transactions.

Annualized losses on HDFS' managed retail motorcycle loans totaled 1.41% in 2006 compared to 1.29% for the same period in 2005. This increase in losses reflects continued pressure on values for repossessed motorcycles. Managed retail loans include loans held by HDFS which are retained on the balance sheet as well as those sold through securitization. The 30-day delinquency rate for managed retail motorcycle loans at December 31, 2006 increased to 5.18% from 4.83% at December 31, 2005, and as a result it is expected that HDFS will experience higher credit losses as a percentage of managed retail motorcycle loans in 2007 as compared to 2006.(1)

Changes in the allowance for credit losses during 2006 and 2005 were as follows (in millions):

	2006	2005
Balance, beginning of period	$ 26.2	$ 30.3
Provision for finance credit losses	5.9	3.3
Charge-offs, net of recoveries	(4.8)	(7.4)
Balance, end of period	$ 27.3	$ 26.2

HDFS' periodic evaluation of the adequacy of the allowance for credit losses is generally based on HDFS' past loan loss experience, known and inherent risks in the portfolio and current economic conditions. HDFS believes the allowance is adequate to cover the losses of principal and accrued interest in the existing portfolio.

Included in charge-offs, net of recoveries are $0.6 million and $1.8 million of recoveries in 2006 and 2005, respectively, received by HDFS from HDMC. These recoveries relate to guarantees provided by HDMC on wholesale loans to independent European Harley-Davidson dealers.

Operating Expenses

The following table includes operating expenses for the Motorcycles segment and Corporate for 2006 and 2005 (in millions):

	2006	2005	Increase	% Change
Motorcycles and Related Products				
Selling	$ 302.1	$ 269.5	$ 32.6	12.1 %
Administrative	330.1	284.9	45.2	15.9 %
Engineering	186.2	186.2	--	0.0 %
Corporate	22.7	21.5	1.2	5.6 %
Total operating expenses	$ 841.1	$ 762.1	$ 79.0	10.4 %

Total operating expenses were 14.5% and 14.3% of net revenue for 2006 and 2005, respectively.

During 2006, selling expenses were higher than the prior year due primarily to higher marketing and advertising expenses combined with increased international operating costs in connection with the Company's growth in those markets.

The increase in administrative expenses during 2006 was driven primarily by a higher provision for future warranty costs which was approximately $44 million higher in 2006 compared to 2005. The increase in warranty costs was due primarily to higher costs associated with the Company's second year warranty program and higher product program costs. Beginning with shipments of 2004 model year motorcycles, the Company extended its warranty coverage from one to two years. During 2006, additional claims data became available which indicated that the cost of the second year warranty was higher than originally estimated. Based on the higher actual claims, the Company adjusted warranty

reserves for the motorcycles affected, which were primarily 2004, 2005 and 2006

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models. In addition, the Company announced a number of product programs during 2006 to address customer concerns and promote customer satisfaction. Under a product program, the Company contacts retail customers directly and pays for non-safety related improvements that are covered by the Company's standard warranty.

Investment Income, net

Investment income, net in 2006 was $27.1 million, compared to $22.8 million in 2005. Net investment income was higher in 2006 primarily due to a higher average return in 2006 when compared to 2005.

Other, net

Other, net expense was $5.4 million and $5.0 million in 2006 and 2005, respectively. Other, net expense consists of charitable contributions.

Provision for Income Taxes

The Company's effective income tax rate was 35.8% during 2006 compared to 35.5% in 2005. This increase is due primarily to a relatively smaller benefit from the federal research and development tax credit and slightly higher state income taxes.

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Results of Operations 2005 Compared to 2004

Overall

Net revenue for 2005 totaled $5.34 billion, a $327.0 million or 6.5% increase over the prior year. Net income for 2005 was $959.6 million compared to $889.8 million in 2004, an increase of 7.8%. Diluted earnings per share for 2005 were $3.41 representing a 13.7% increase over 2004 earnings per share of $3.00. Diluted earnings per share were positively impacted during 2005 by a decrease in the weighted-average shares outstanding, which were 281.0 million in 2005 compared to 296.9 million in 2004. The decrease in weighted-average shares outstanding was due primarily to the Company's share repurchases. The Company repurchased of 21.4 million shares of common stock during 2005. The Company's share repurchases are discussed in further detail under "Liquidity and Capital Resources."

The Company paid dividends in 2005 of $.125 per share in March, $.16 per share in June and September and $.18 per share in December. The aggregate annual dividend paid in 2005 was $.625 per share, representing a 54.3% increase over the aggregate annual dividend of $.405 per share in 2004.

Motorcycle Unit Shipments and Net Revenue

The following table includes wholesale motorcycle unit shipments and net revenue for the Motorcycles segment for 2005 and 2004 (dollars in millions):

	2005	2004	Increase (Decrease)	% Change
Motorcycle Unit Shipments				
Touring motorcycle units	110,193	93,305	16,888	18.1 %
Custom motorcycle units*	148,609	154,163	(5,554)	-3.6 %
Sportster motorcycle units	70,215	69,821	394	0.5 %
Harley-Davidson motorcycle units	329,017	317,289	11,728	3.7 %
Buell motorcycle units	11,166	9,857	1,309	13.3 %
Total motorcycle units	340,183	327,146	13,037	4.0 %
Net Revenue				
Harley-Davidson motorcycles	$ 4,183.5	$ 3,928.2	$ 255.3	6.5 %
Buell motorcycles	93.1	79.0	14.1	17.8 %
Total motorcycles	4,276.6	4,007.2	269.4	6.7 %
Parts & Accessories	815.7	781.6	34.1	4.4 %
General Merchandise	247.9	223.7	24.2	10.8 %
Other	2.0	2.7	(0.7)	-19.5 %
Net revenue	$ 5,342.2	$ 5,015.2	$ 327.0	6.5 %

* Custom motorcycle units, as used in this table, include Softail, Dyna, VRSC and CVO models.

During 2005, the Company shipped 329,017 Harley-Davidson motorcycle units, an increase of 11,728, or 3.7%, over 2004 shipments and net revenue grew 6.5% or $327.0 million over 2004. Approximately $229 million of the increase in net revenue from 2004 to 2005 resulted from the higher shipment volumes of motorcycles and related products. Net revenue also benefited during 2005 from a favorable change in product mix which resulted in higher revenue of approximately $58 million and related primarily to an increase in the percentage of shipments consisting of higher-priced touring motorcycles. Net revenue was also impacted during 2005 by changes in average wholesale prices and fluctuations in foreign exchange rates. Wholesale price increases on 2006 model year motorcycles averaged approximately 1% and resulted in approximately $17 million of higher

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revenue during 2005 when compared to 2004. Changes in foreign currency exchange rates, related primarily to European currencies, resulted in approximately $7 million of higher revenue during 2005 when compared to 2004.

Harley-Davidson Motorcycle Retail Sales

The Company's wholesale motorcycle unit shipments are retailed through an independent worldwide dealer network. Worldwide retail sales of Harley-Davidson motorcycles grew 6.2% during 2005 over the prior year. Retail sales of Harley-Davidson motorcycles increased 4.2% in the United States and 15.0% internationally, when compared to 2004. On an industry-wide basis the heavyweight (651+cc) portion of the market was up 4.8% in the United States and

down 1.0% in Europe, when compared to 2004. The following table includes retail unit sales of Harley-Davidson motorcycles for 2005 and 2004 (units in thousands):

Harley-Davidson Motorcycle Retail Sales(a)

Heavyweight (651+cc)

	2005	2004	Change
United States	253.4	243.2	4.2 %
Europe(b)	29.5	24.6	19.9 %
Japan	11.4	10.3	11.1 %
Canada	11.7	11.2	4.1 %
All other markets	11.2	9.3	19.4 %
Total Retail Sales	317.2	298.6	6.2 %

(a) Data source for all 2005 retail sales figures shown above is sales and warranty registrations provided by Harley-Davidson dealers and compiled by the Company. The Company must rely on information that its dealers supply concerning retail sales and this information is subject to revision.

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

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The following table includes industry retail motorcycle registration data (units in thousands):

	2005	2004	Change
United States(a)	517.6	494.0	4.8 %
Europe(b)	350.7	337.1	4.0 %

(a) U.S. data provided by the Motorcycle Industry Council.

(b) Europe data includes retail sales in Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. Industry retail motorcycle registration data is derived from information provided by Giral S.A., an independent agency. Data for 2005 and 2004 has been adjusted to include competitor motorcycles that were incorrectly excluded by the Company. The previously reported amounts for 2005 and 2004 were 332.8 and 336.2, respectively.

Industry retail registration data for the remaining international markets has not been presented because the Company does not believe definitive and reliable

registration data is available to the Company at this time.

Cost of Goods Sold

During 2005, cost of goods sold for the Motorcycles segment increased $186.1 million over 2004, due primarily to the increase in sales volumes for motorcycles and related products. During 2005, higher sales volumes resulted in an increase in cost of goods sold of approximately $119 million. Cost of goods sold for motorcycles and related products were also higher in 2005 due to changes in product mix, increases in material costs and foreign currency losses. Changes in Harley-Davidson motorcycle product mix occurring in 2005 resulted in approximately $40 million of higher costs in 2005 compared to 2004 and increases in raw material costs primarily for metals were approximately $34 million in 2005 over 2004. Finally, net foreign currency transaction and hedging losses in 2005 compared to 2004 resulted in approximately $9 million of higher cost during 2005. These cost increases were partially offset by lower costs related to manufacturing efficiencies and lower short-term incentive compensation.

Gross Profit

Gross profit was $2.04 billion for the Motorcycles segment during 2005, an increase of $141.0 million or 7.4% over gross profit in 2004. Gross profit margin for 2005 was 38.2% compared to 37.9% during 2004. During 2005, the increase in gross margin was due to favorable motorcycle product mix, model year wholesale price increases and lower costs due to manufacturing efficiencies and a decrease in cost related to the Company's short-term incentive compensation plan.

Financial Services

The following table includes the condensed statements of operations for the Financial Services segment (which consists of HDFS) for 2005 and 2004 (in millions):

	2005	2004	Increase (Decrease)	% Change
Interest income	$129.9	$102.2	$27.7	27.1 %
Income from securitizations	123.1	115.1	8.0	7.0 %
Other income	78.6	88.0	(9.4)	-10.6 %
Financial services income	331.6	305.3	26.3	8.6 %
Interest expense	36.2	22.7	13.5	59.1 %
Operating expenses	103.8	94.0	9.8	10.5 %
Financial services expense	140.0	116.7	23.3	20.0 %
Operating income from financial services	$191.6	$188.6	$3.0	1.6 %

During 2005, interest income benefited from increased retail and wholesale average outstanding receivables and higher wholesale lending rates as compared to 2004. The reduction in other income was primarily due to lower

revenues from insurance commissions and related products. Interest expense was higher in 2005 due to increased borrowings, in support of higher average outstanding receivables, and higher borrowing costs as compared to 2004.

Income from securitizations in 2005 was higher due to an increase in income on the investment in retained securitization interests, partially offset by lower gains on 2005 securitization transactions. During 2005, income on the investment in retained securitization interests was $76.6 million, an increase of $19.8 million over 2004, due primarily to higher income on prior years' securitization transactions.

During 2005, HDFS sold $2.48 billion in retail motorcycle loans through securitization transactions resulting in gains of $46.6 million. This compares with gains of $58.3 million on $1.88 billion of loans securitized during 2004. The 2005 gain as a percentage of loans sold was 1.9% as compared to 3.1% for 2004. The 2005 gain as a percentage of the amount of loans securitized was lower than the prior year due to rising market interest rates, the competitive environment for motorcycle lending and the full year cost of an enhanced dealer participation program introduced in May 2004. Under HDFS' dealer participation program, HDFS pays Harley-Davidson dealers for originating retail motorcycle loans.

Changes in the allowance for credit losses during 2005 and 2004 were as follows (in millions):

	2005	2004
Balance, beginning of period	$ 30.3	$ 31.3
Provision for finance credit losses	3.3	3.1
Charge-offs, net of recoveries	(7.4)	(4.1)
Balance, end of period	$ 26.2	$ 30.3

Included in charge-offs, net of recoveries are $1.8 million and $3.7 million of recoveries in 2005 and 2004, respectively, received by HDFS from HDMC. These recoveries relate to guarantees provided by HDMC on wholesale loans to independent European Harley-Davidson dealers.

Operating Expenses

The following table includes operating expenses for the Motorcycles segment and Corporate for 2005 and 2004 (in millions):

	2005	2004	Increase (Decrease)	% Change
Motorcycles and Related Products				
Selling	$ 269.5	$ 238.5	$ 31.0	13.0 %
Administrative	284.9	291.6	(6.7)	-2.3 %
Engineering	186.2	179.9	6.3	3.5 %
Corporate	21.5	16.6	4.9	29.5 %
Total operating expenses	$ 762.1	$ 726.6	$ 35.5	4.9 %

Operating expenses were 14.3% and 14.5% of net revenue for 2005 and 2004, respectively.

The increase in selling expenses during 2005 was driven primarily by higher costs related to marketing and advertising activities. Administrative and Corporate expenses include the impact of the Company's initial recognition of stock compensation expense. As discussed in Note 1 to the Consolidated Financial Statements, the Company began expensing the cost of its employee stock option awards on January 1, 2005. As a result, the Company recorded $23.0 million of stock compensation expense in 2005 of which $16.9 million and $3.0 million

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was included in administrative and corporate expenses, respectively. During 2005 administrative expenses were also impacted by a decrease in cost related to the Company's short-term incentive plan, which more than offset the additional cost of stock compensation.

Investment Income, net

Investment income, net in 2005 was $22.8 million, compared to $23.1 million in 2004. Net investment income was lower in 2005 due to a decrease in the average balance of cash and marketable securities on hand; however, this impact was mostly offset by the effect of a higher average return in 2005 when compared to 2004.

Other, net

Other, net expense was $5.0 million and $5.1 million in 2005 and 2004, respectively. Other, net expense consists of charitable contributions.

Provision for Income Taxes

The Company's effective income tax rate was 35.5% during both 2005 and 2004.

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Other Matters

Accounting Changes

In June 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation No. (FIN) 48, "Accounting for Uncertainty in Income Taxes," which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company is required to adopt FIN 48 beginning in fiscal year 2007 and the impact that

the adoption of FIN 48 will have on its consolidated financial statements and notes thereto is expected to be immaterial.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)." SFAS No. 158 requires employers that sponsor defined benefit pension and postretirement benefit plans to recognize previously unrecognized actuarial losses and prior service costs in the statement of financial position and to recognize future changes in these amounts in the year in which changes occur through comprehensive income. As a result, the statement of financial position will reflect the funded status of those plans as an asset or liability. Additionally, employers are required to measure the funded status of a plan as of the date of its year-end statement of financial position. The Company was required to adopt SFAS No. 158, as it relates to recognizing the funded status of its defined benefit pension and postretirement benefit plans, and the related disclosure requirements, as of December 31, 2006. The requirement to measure the funded status as of the date of the year-end statement of financial position is required by December 31, 2008. The Company is currently evaluating the impact the change in the measurement date will have on its consolidated financial statements and notes thereto. See Note 6 for further discussion of the effect of adopting SFAS No. 158 on the Company's consolidated financial statements and notes thereto.

Critical Accounting Policies

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

Finance Receivable Securitizations -- The Company sells retail motorcycle loans through securitization transactions utilizing qualifying special purpose entities (QSPEs) as defined by SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Upon sale of retail loans in a securitization transaction, HDFS receives cash and retains an interest in excess cash flows, servicing rights and cash reserve account deposits, all of which are collectively referred to as retained interests in the securitized receivables. Retained interests are carried at fair value and are periodically reviewed for impairment. Market value quotes are generally not available for retained interests; therefore, HDFS estimates fair value based on the present value of future expected cash flows using management's best estimates of the key assumptions for credit losses, prepayment speeds and discount rates. The impact of changes to key assumptions is shown in Note 3 to the Consolidated Financial Statements.

Gains on current year securitizations from the sale of retail loans are recorded as a component of financial services income and are based in part on certain assumptions including expected credit losses, prepayment speed, and discount rates. Gains on sales of retail loans also depend on the original carrying amount of the retail loans, which is allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer.

Finance Receivable Credit Losses -- The allowance for uncollectible accounts is maintained at a level management believes is adequate to cover the losses of principal and accrued interest in the existing finance receivables portfolio. Management's periodic evaluation of the adequacy of the allowance is generally based on HDFS' past loan loss experience, known and inherent risks in the portfolio, current economic conditions, specific borrower's ability to repay and the estimated value of any underlying collateral.

Product Warranty-- Estimated warranty costs are reserved for each motorcycle at the time of sale. The warranty reserve is an estimated cost per unit sold based upon historical Company claim data used in combination with other known factors that may affect future warranty claims. The Company updates its warranty estimates quarterly to ensure that the warranty reserves are based on the most current information available.

The Company believes that past claim experience is indicative of future claims, however, the factors affecting actual claims can be volatile. As a result, actual claims experience may differ from estimated which could lead to material changes in the Company's warranty provision and related reserves. The Company's warranty liability is discussed further in Note 1 to the Consolidated Financial Statements.

Pensions and Other Postretirement Benefits -- Retirement Plan (Pension, SERPA and Postretirement health care) obligations and costs are developed from actuarial valuations. The valuation of benefit obligations and net periodic benefit costs relies on key assumptions including discount rates, long-term expected return on plan assets, future compensation and healthcare cost trend rates. The Company evaluates and updates all of its assumptions annually on September 30, the actuarial measurement date.

The Company determines its discount rate assumptions by referencing high-quality long-term bond rates that are matched to the duration of its own benefit obligations. Based on this analysis, the discount rate was increased from 5.50% as of September 30, 2005 to 5.90% as of September 30, 2006. The Company determines its healthcare trend assumption by considering factors such as estimated health care inflation, the utilization of healthcare benefits and changes in the health of plan participants. Based on the Company's assessment of this data as of September 30, 2006, the Company reset its initial healthcare cost trend rate to 10% and extended the date it expects to reach its ultimate rate of 5% from 2010 to 2011. These assumption changes were reflected immediately in the benefit obligation and will be amortized into net periodic benefit costs over future periods.

The following information is provided to illustrate the sensitivity of pension and postretirement healthcare obligations and costs to changes in these major assumptions (in thousands):

	Amounts based on current assumptions	Impact of a 1% decrease in the discount rate	Impact of a 1% increase in the healthcare cost trend rate
2006 Net periodic benefit costs			
Pension and SERPA	$ 49,676	$ 18,189	n/a
Postretirement healthcare	$ 25,298	$ 2,567	$ 1,219
2006 Benefit obligations			
Pension and SERPA	$ 976,712	$ 146,859	n/a
Postretirement healthcare	$ 324,985	$ 36,165	$ 13,532

This information should not be viewed as predictive of future amounts. The calculation of Retirement Plan obligations and costs is based on many factors in addition to those discussed here. This information should be considered in combination with the information provided in Note 6 to the Consolidated Financial Statements.

Stock Compensation Costs -- The total cost of the Company's share-based awards is equal to the grant date fair value per award multiplied by the number of awards granted (adjusted for forfeitures). This cost is recognized as expense

on a straight-line basis over the service periods of the awards. Forfeitures are initially estimated based on historical Company information and subsequently updated over the life of the awards to ultimately reflect actual forfeitures. As a result, changes in forfeiture activity can influence the amount of stock compensation cost recognized from period to period.

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The Company determines the number of share-based awards granted by first determining the total cost of the award, which is a function of employee salary, level and performance. On the date of grant, the number of awards granted is then computed by dividing the total cost of the award by the grant-date fair value of the individual award.

The Company estimates the fair value of individual option awards as of the grant date using a lattice-based option valuation model which utilizes ranges of assumptions over the expected term of the options, including stock price volatility, dividend yield and risk free interest rate. The valuation model uses historical data to estimate option exercise behavior and employee terminations. The expected term of options granted is derived from the output of the option valuation model and represents the average period of time that options granted are expected to be outstanding. Expected volatilities were based on the historical volatility of the Company's stock. The Company determined that historical volatility provided a reasonable estimate for future volatility. Dividend yield was based on the Company's expected dividend policy and the risk-free rate was based on the U.S. Treasury yield curve in effect at the time of grant.

Changes in the valuation assumptions could result in a significant change to the individual cost of an award. However, the total cost of an award is also affected by the number of awards granted, and as result, may not reflect changes to the cost of individual awards. The Company's grants of share-based awards are based on a consideration of the total cost of the grant.

Income Taxes -- The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and other loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

In calculating the provision for income taxes on an interim basis, the Company uses an estimate of the annual effective tax rate based upon the facts and circumstances known at each interim period. On a quarterly basis, the actual effective tax rate is adjusted as appropriate based upon the actual results as compared to those forecasted at the beginning of the fiscal year.

The Company is subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in determining the Company's worldwide provision for income taxes and recording the related deferred tax assets and liabilities. In the ordinary course of the Company's business, there are many transactions and calculations where the ultimate tax determination is uncertain. Accruals for tax contingencies are provided for in accordance with the requirements of SFAS No. 5 "Accounting for Contingencies." A tax contingency reserve represents the difference between the recognition of benefits related to exposure items for income tax reporting purposes and financial reporting purposes. The tax contingency reserve is classified as a component of the current income taxes payable account, which is included within Accrued liabilities in the Consolidated Balance Sheets. The Company adds interest and penalties, if applicable, each period to the reserve which is recorded as component of the overall income tax provision. The Company is

regularly under audit by tax authorities. Although the outcome of tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provision includes amounts sufficient to pay any assessments. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

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Contractual Obligations

A summary of the Company's expected payments for significant contractual obligations as of December 31, 2006 is as follows (in thousands):

	2007	2008 - 2009	2010 - 2011	Thereafter	Total
Principal payments on finance debt	$ 832,491	$ 671,231	$ 198,769	--	$ 1,702,491
Interest payments on finance debt	65,528	65,558	10,256	--	141,342
Operating lease payments	8,385	10,687	9,366	$ 18,195	46,633
	$ 906,404	$ 747,476	$ 218,391	$ 18,195	$ 1,890,466

. As described in Note 3 to the Consolidated Financial Statements, as of December 31, 2006, long term finance debt issued by HDFS included outstanding commercial paper and advances under the Global Credit Facility totaling $283.6 million. The amount classified as long term is supported by the Global Credit Facility, due September 2009; accordingly, the Company has assumed that this amount will be repaid in 2009.

. Interest obligations include the impact of interest rate hedges outstanding as of December 31, 2006. Interest for floating rate instruments, as calculated above, assumes December 31, 2006 rates remain constant.

. As of December 31, 2006, the Company had no material purchase obligations other than those created in the ordinary course of business related to inventory and property, plant and equipment which generally have terms of less than 90 days.

. The Company has long-term obligations related to its pension and postretirement plans at December 31, 2006. Due to the current funded status of the pension plans, the Company has no minimum funding requirements for 2007. The Company's expected future contributions to these plans are provided in Note 6 to the Consolidated Financial Statements.

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Off-Balance Sheet Arrangements

As part of its securitization program, HDFS transfers retail motorcycle loans to a special purpose bankruptcy-remote wholly-owned subsidiary. The subsidiary sells the retail loans to a securitization trust in exchange for the proceeds

from asset-backed securities issued by the securitization trust. The asset-backed securities, usually notes with various maturities and interest rates, are secured by future collections of the purchased retail installment loans. Activities of the securitization trust are limited to acquiring retail loans, issuing asset-backed securities and making payments on securities to investors. Due to the nature of the assets held by the securitization trust and the limited nature of its activities, the securitization trusts are considered QSPEs as defined by SFAS No. 140. In accordance with SFAS No. 140, assets and liabilities of the QSPEs are not consolidated in the financial statements of the Company.

HDFS does not guarantee payments on the securities issued by the securitization trusts or the projected cash flows from the related loans purchased from HDFS. The Company's retained securitization interests, excluding servicing rights, are subordinate to the interests of securitization trust investors. Such investors have priority interests in the cash collections on the retail loans sold to the securitization trust (after payment of servicing fees) and in the cash reserve account deposits. These priority interests ultimately could impact the value of the Company's investment in retained securitization interests. Investors also do not have recourse to assets of HDFS for failure of the obligors on the retail loans to pay when due. Total investment in retained securitization interests at December 31, 2006 was $384.1 million. The securitization trusts have a limited life and generally terminate upon final distribution of amounts owed to the investors in the asset-backed securities. See Note 3 to the Consolidated Financial Statements for further discussion of HDFS' securitization program.

Commitments and Contingencies

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining required reserves 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. The required reserves are monitored on an ongoing basis and are updated based on new developments or new information in each matter.

Shareholder Lawsuits:

A number of shareholder class action lawsuits were filed between May 18, 2005 and July 1, 2005 in the United States District Court for the Eastern District of Wisconsin. On February 14, 2006, the court consolidated all of the actions into a single case, captioned In re Harley-Davidson, Inc. Securities Litigation, and appointed Lead Plaintiffs and Co-Lead Plaintiffs' Counsel. Pursuant to the schedule set by the court, on October 2, 2006, the Lead Plaintiffs filed a Consolidated Class Action Complaint, which names the Company and Jeffrey L. Bleustein, James L. Ziemer, and James M. Brostowitz, who are Company officers, as defendants. The Consolidated Complaint alleges securities law violations and seeks unspecified damages relating generally to the Company's April 13, 2005 announcement that it was reducing short-term production growth and planned increases of motorcycle shipments from 317,000 units in 2004 to a new 2005 target of 329,000 units (compared to its original target of 339,000 units). On December 18, 2006, the defendants filed a motion to dismiss the Consolidated Complaint in its entirety. Briefing of the motion to dismiss is anticipated to be completed in April 2007.

Three shareholder derivative lawsuits were filed in the United States District Court for the Eastern District of Wisconsin on June 3, 2005, October 25, 2005 (this lawsuit was later voluntarily dismissed) and December 2, 2005 and two shareholder derivative lawsuits were filed in Milwaukee County Circuit Court on July 22, 2005 and November 16, 2005 against some or all of the following current or former directors and officers of the Company: Jeffrey L. Bleustein, James L. Ziemer, James M. Brostowitz, Barry K. Allen, Richard I. Beattie, George H. Conrades, Judson C. Green, Donald A. James, Sara L. Levinson, George L. Miles, Jr., James A. Norling, James A. McCaslin, Donna F. Zarcone, Jon R.

Flickinger, Gail A. Lione, Ronald M. Hutchinson, W. Kenneth Sutton, Jr. and John A. Hevey. The lawsuits also name the Company as a nominal defendant. In general, the shareholder derivative complaints include factual allegations similar to those in the class action complaints and allegations that officers and directors breached their fiduciary duties to the Company. On February 14, 2006, the state court consolidated the two state court derivative actions and appointed Lead Plaintiffs and Lead Plaintiffs' counsel, and on April 24, 2006, the state court ordered that the consolidated state court derivative action be stayed until after motions to dismiss the federal securities class action are decided. On February 15, 2006, the federal court

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consolidated the federal derivative lawsuits with the securities and ERISA (see below) actions for administrative purposes.

On July 11, 2005, the staff of the Enforcement Division of the United States Securities and Exchange Commission (SEC) advised the Company that it is inquiring into matters relating generally to the Company's April 13, 2005 announcement and certain allegations contained in the shareholder complaints. The Company is cooperating with the SEC.

On August 25, 2005, a class action lawsuit alleging violations of the Employee Retirement Income Security Act (ERISA) was filed in the United States District Court for the Eastern District of Wisconsin. As noted above, on February 15, 2006, the court ordered the ERISA action consolidated with the federal derivative and securities actions for administrative purposes. Pursuant to the schedule set by the court, on October 2, 2006, the ERISA plaintiff filed an Amended Class Action Complaint, which named the Company, the Harley-Davidson Motor Company Retirement Plans Committee, the Company's Leadership and Strategy Council, Harold A. Scott, James L. Ziemer, James M. Brostowitz, Gail A. Lione, Joanne M. Bischmann, Karl M. Eberle, Jon R. Flickinger, Ronald M. Hutchinson, James A. McCaslin, W. Kenneth Sutton, Jr., and Donna F. Zarcone, who are current or former Company officers or employees, as defendants (the "Company Defendants"). In general, the ERISA complaint includes factual allegations similar to those in the shareholder class action lawsuits and alleges on behalf of participants in certain Harley-Davidson retirement savings plans that the plan fiduciaries breached their ERISA fiduciary duties. On December 18, 2006, the defendants filed a motion to dismiss the ERISA complaint in its entirety. Briefing of the motion to dismiss is anticipated to be completed in April 2007.

The Company believes the allegations against all of the defendants in the lawsuits against the Company are without merit and it intends to vigorously defend against them. Since all of these matters are in the preliminary stages, the Company is unable to predict the scope or outcome or quantify their eventual impact, if any, on the Company. At this time, the Company is also unable to estimate associated expenses or possible losses. The Company maintains insurance that may limit its financial exposure for defense costs and liability for an unfavorable outcome, should it not prevail, for claims covered by the insurance coverage.

Security Breach Lawsuit:

On January 22, 2007, a purported class action lawsuit was filed in the Supreme Court of the State of New York against Harley-Davidson, Inc. and the Harley Owners Group. The complaint alleges that the Company was negligent in failing to properly safeguard, protect and keep confidential the personal "Customer Identifiable Information" that was stored on a Company laptop computer that was lost on or about August 14, 2006. The complaint also alleges that Harley-Davidson breached fiduciary duties and made false and fraudulent representations and warranties to its customers that it would keep confidential and safeguard and protect the personal customer information in its possession. The complaint seeks unspecified damages. The Company believes the allegations

in the lawsuit are without merit and it intends to vigorously defend against them.

Cam Bearing Lawsuit:

In January 2001, the Company, on its own initiative, notified each owner of 1999 and early-2000 model year Harley-Davidson motorcycles equipped with Twin Cam 88(R) and Twin Cam 88BTM engines that the Company was extending the warranty for a rear cam bearing to 5 years or 50,000 miles. Subsequently, on June 28, 2001, a putative nationwide class action was filed against the Company in state court in Milwaukee County, Wisconsin, which was amended by a complaint filed September 28, 2001. The complaint alleged that this cam bearing is defective and asserted various legal theories. The complaint sought unspecified compensatory and punitive damages for affected owners, an order compelling the Company to repair the engines and other relief. On February 27, 2002, the Company's motion to dismiss the amended complaint was granted by the Court and the amended complaint was dismissed in its entirety. An appeal was filed with the Wisconsin Court of Appeals. On April 12, 2002, the same attorneys filed a second putative nationwide class action against the Company in state court in Milwaukee County, Wisconsin relating to this cam bearing issue and asserting different legal theories than in the first action. The complaint sought unspecified compensatory damages, an order compelling the Company to repair the engines and other relief. On September 23, 2002, the Company's motion to dismiss was granted by the Court, the complaint was dismissed in its entirety, and no appeal was taken. On January 14, 2003, the Wisconsin Court of Appeals reversed the trial court's February 27, 2002 dismissal of the complaint in the first

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action, and the Company petitioned the Wisconsin Supreme Court for review. On March 26, 2004, the Wisconsin Supreme Court reversed the Court of Appeals and dismissed the remaining claims in the action. On April 12, 2004, the same attorneys filed a third action in the state court in Milwaukee County, on behalf of the same plaintiffs from the action dismissed by the Wisconsin Supreme Court. This third action was dismissed by the court on July 26, 2004. In addition, the plaintiffs in the original case moved to reopen that matter and amend the complaint to add new causes of action. On September 9, 2004, Milwaukee County Circuit Court refused to allow the reopening or amendment. Plaintiffs again appealed to the Wisconsin Court of Appeals, and on December 13, 2005, the Court of Appeals again reversed the trial court. On January 12, 2006, the Company filed a petition for review with the Wisconsin Supreme Court. Oral arguments were heard on September 7, 2006 and the Company is awaiting a decision from the court. The Company believes that the 5-year/50,000 mile warranty extension it announced in January 2001 adequately addressed the condition for affected owners, and the Company intends to continue to vigorously defend this matter.

Environmental Matters:

The Company is involved with government agencies and groups of potentially responsible parties in various environmental matters, including 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 an ongoing site-wide remedial investigation/feasibility study (RI/FS).

In January 1995, the Company entered into a settlement agreement (the Agreement) with the Navy. The Agreement calls for the Navy and the Company to

contribute amounts into a trust equal to 53% and 47%, respectively, of future 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.

In February 2002, the Company was advised by the U.S. Environmental Protection Agency (EPA) that it considers some of the Company's remediation activities at the York facility to be subject to the EPA's corrective action program under the Resource Conservation and Recovery Act (RCRA) and offered the Company the option of addressing corrective action under a RCRA facility lead agreement. In July 2005, the York facility was designated as the first site in Pennsylvania to be addressed under the "One Cleanup Program." The program provides a more streamlined and efficient oversight of voluntary remediation by both PADEP and EPA and will be carried out consistent with the Agreement with the Navy. As a result, the RCRA facility lead agreement has been superseded.

Although the RI/FS is still under way and substantial uncertainty exists concerning the nature and scope of the additional environmental investigation and remediation that will ultimately be required at the York facility, the Company estimates that its share of the future Response Costs at the York facility will be approximately $7.7 million. The Company has established reserves for this amount, which are included in Accrued Expenses and Other Liabilities in the Condensed Consolidated Balance Sheets.

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. Response Costs related to the remediation of soil are expected to be incurred over a period of several years ending in 2012. Response Costs related to ground water remediation may continue for some time beyond 2012. However, these Response Costs are expected to be much lower than those related to the remediation of soil.

Under the terms of the sale of the Commercial Vehicles Division in 1996, the Company has agreed to indemnify Utilimaster Corporation, until 2008, for certain claims related to environmental contamination present at the date of sale, up to $20.0 million. Based on the environmental studies performed, the Company does not expect to incur any material expenditures under this indemnification.

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Product Liability Matters:

Additionally, 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 will not have a material adverse effect on the Company's consolidated financial statements.

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Liquidity and Capital Resources as of December 31, 2006

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 also has a commercial paper program, credit facilities and debt instruments in place to support the ongoing

cash requirements of its Financial Services business.

Cash and Marketable Securities

Cash and marketable securities totaled $896.5 million as of December 31, 2006 compared to $1.05 billion and $1.61 billion as of December 31, 2005 and December 31, 2004, respectively. The decline is primarily attributable to common stock repurchases and higher dividend payments, which are discussed in more detail below. The Company's cash and cash equivalents are invested in short-term securities to provide for immediate operating cash needs. The Company also invests in marketable securities consisting primarily of investment-grade debt instruments such as corporate bonds and government backed securities with contractual maturities of approximately one year. Marketable securities also include auction rate securities which have contractual maturities of up to 30 years, but have interest re-set dates that occur every 90 days or less and can be actively marketed at ongoing auctions that occur every 90 days or less.

Operating Activities

The Company's primary source of ongoing liquidity is cash flow from operations. The Company generated $761.8 million of cash from operating activities during 2006 compared to $962.6 million and $835.8 million in 2005 and 2004, respectively. The decrease in operating cash flow from 2005 to 2006 is primarily attributable to HDFS completing only three securitization transactions in 2006 compared to four in 2005. Offsetting the reduction in operating cash flow were increased financing cash flows related to finance debt to support the increase in finance receivables held for sale at the end of 2006 as compared to 2005.

During 2006, 2005 and 2004, HDFS originated $2.77 billion, $2.45 billion and $2.07 billion, respectively, of finance receivables that were classified as held for sale. Collections on finance receivables held for sale and proceeds from the sale of finance receivables resulted in cash inflows of $2.42 billion, $2.58 billion and $1.93 billion during 2006, 2005 and 2004, respectively.

Investing Activities

The Company's investing activities consist primarily of capital expenditures, net changes in finance receivables and net changes in marketable securities. Net cash used by investing activities was $35.3 million in 2006, compared to a cash provide of $193.8 million in 2005 and a cash use of $578.0 million during 2004.

Sales and redemptions of marketable securities net of purchases provided $253.5 million and $431.1 million during 2006 and 2005, respectively. During 2004, the net result was cash used of $349.0 million. Marketable securities balances were reduced during 2006 and 2005 primarily for the purpose of funding a portion of the Company's repurchase of common stock during the year. During 2004, the Company increased its investment in marketable securities.

Capital expenditures were $219.6 million, $198.4 million and $213.6 million during 2006, 2005 and 2004, respectively. The Company estimates that total capital expenditures required in 2007 will be in the range of $300.0 to $325.0 million.(1) The anticipated increase compared to 2006 is primarily a result of

expenditures related to the Company's powertrain facility expansion plans and the construction of the Harley-Davidson museum. The Company anticipates it will have the ability to fund all capital expenditures in 2007 with internally generated funds. (1)

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Financing Activities

The Company's financing activities consist primarily of share repurchases, stock issuances, dividend payments and finance debt activity. Net cash used in financing activities during 2006, 2005 and 2004 was $637.0 million, $1.27 billion and $316.1 million, respectively.

During 2006, the Company repurchased 19.3 million shares of its common stock at a total cost of $1.06 billion. The Company repurchased 17.2 million shares under a general authorization received from the Company's Board of Directors in 2005. The remaining 2.1 million shares were repurchased under an authorization from the Company's Board of Directors that is designed to provide the Company with continuing authority to repurchase shares to offset dilution caused by the exercise of stock options. In October 2006, the Company's Board of Directors separately authorized the Company to buy back up to 20.0 million shares of its common stock with no dollar limit or expiration date. No repurchases had been made under this authorization as of the end of 2006. Please see Part II, Item 5. Market for Harley-Davidson, Inc. Common Stock and Related Shareholder Matters for additional detail regarding the Company's share repurchase activity and authorizations. During 2005 and 2004, the Company repurchased 21.4 million and 10.6 million shares, respectively, of its common stock at a total cost of $1.05 billion and $564.1 million, respectively.

The Company paid total dividends of $0.81, $0.625 and $0.405 per share during 2006, 2005 and 2004, respectively, at a total cost of $212.9 million, $173.8 million and $119.2 million, respectively.

In addition to operating cash flow and asset-backed securitizations, HDFS is financed by the issuance of commercial paper, borrowings under the revolving credit facility, medium-term notes, senior subordinated debt and borrowings from the Company. HDFS' outstanding debt consisted of the following as of December 31 (in thousands):

	2006	2005	2004
Commercial paper	$ 894,250	$ 416,797	$ 702,147
Credit facilities	191,866	172,965	168,309
	$ 1,086,116	$ 589,762	$ 870,456
Medium-term notes	586,375	585,211	394,985
Senior subordinated notes	30,000	30,000	30,000
	$ 1,702,491	$ 1,204,973	$ 1,295,441

Credit Facilities -- In December 2006, HDFS increased its revolving credit facility (Global Credit Facility) to $1.40 billion from $1.10 billion. Subject to certain limitations, HDFS has the option to borrow in various currencies. Interest is based on London interbank offered rates (LIBOR), European interbank

offered rates or other short-term indices, depending on the type of advance. The Global Credit Facility is a committed facility due in 2009 and HDFS pays a fee for its availability.

Commercial Paper-- Subject to limitations, HDFS may issue commercial paper of up to $1.40 billion. Maturities may range up to 365 days from the issuance date. Outstanding commercial paper may not exceed the unused portion of the Global Credit Facility. As a result, the combined total of commercial paper and borrowings under the Global Credit Facility was limited to $1.40 billion as of December 31, 2006. As of December 31, 2005 and December 31, 2004, the combined total of commercial paper and borrowings under the Global Credit Facility was limited to $1.10 billion.

Medium-Term Notes -- HDFS has $400.0 million of 3.63% medium-term notes outstanding which are due in December 2008, and during December 2005 issued $200.0 million of 5% medium-term notes due in December 2010 (collectively referred to as "Notes"). The Notes provide for semi-annual interest payments and principal due at maturity. At December 31, 2006, December 31, 2005 and December 31, 2004, the Notes included a fair value adjustment reducing the balance by $13.6 million, $14.7 million and $5.0 million, respectively, due to interest rate swap agreements designated as fair value hedges. The effect of the interest rate swap agreements is to convert the interest rate on the Notes from a fixed to a floating rate, which is based on 3-month LIBOR.

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Senior Subordinated Debt -- HDFS has $30.0 million of 10 year senior subordinated notes outstanding which are due in December 2007.

Intercompany Borrowing -- HDFS has a revolving credit line with the Company whereby HDFS may borrow up to $210.0 million from the Company at a market interest rate. As of December 31, 2006, December 31, 2005 and December 31, 2004, HDFS had no outstanding borrowings owed to the Company under this agreement.

The Company has a support agreement with HDFS whereby, if required, the Company agrees to provide HDFS with financial support in order to maintain certain financial covenants. 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 is subject to various operating and financial covenants related to the Global Credit Facilities, Medium-Term Notes and Senior Subordinated Debt issued by HDFS. The more significant covenants are described below.

The covenants limit HDFS' ability to (i) incur certain additional indebtedness; (ii) assume or incur certain liens; (iii) participate in a merger, consolidation, liquidation or dissolution; and (iv) purchase or hold margin stock.

Under the Global Credit Facility financial covenants, the debt to equity ratio of HDFS and its consolidated subsidiaries cannot exceed 9.0 to 1.0 and HDFS

must maintain a minimum consolidated tangible net worth of $300.0 million. The financial covenants under the Senior Subordinated Debt require that HDFS maintain a tangible net worth of $40.0 million and a minimum fixed charge coverage ratio of 125%. No financial covenants are required under the Medium-Term Notes.

At December 31, 2006, December 31, 2005 and December 31, 2004, HDFS remained in compliance with all of these covenants.

The Company expects that future activities of HDFS will be financed from funds internally generated by HDFS, the sale of loans through securitization programs, issuance of commercial paper and medium-term notes, borrowings under revolving credit facilities and advances or loans from the Company. (1)

Cautionary Statements

The Company's ability to meet the targets and expectations noted in this Form 10-K depends upon, among other factors, the Company's ability to (i) continue to realize production efficiencies at its production facilities and effectively manage operating costs including materials, labor and overhead; (ii) manage production capacity and production changes; (iii) manage supply chain issues; (iv) provide products, services and experiences that are successful in the marketplace; (v) develop and implement sales and marketing plans that retain existing customers and attract new customers in an increasingly competitive marketplace; (vi) sell all of its motorcycles and related products and services to its independent dealers and distributors; (vii) continue to develop the capacity of its distributor and dealer network; (viii) manage changes and prepare for requirements in legislative and regulatory environments for its products, services and operations; (ix) adjust to fluctuations in foreign currency exchange rates, interest rates and commodity prices; (x) manage regional and worldwide demographic trends and economic and political conditions, including healthcare inflation, pension reform and tax changes; (xi) manage the credit quality and recovery rates of HDFS' loan portfolio; (xii) retain and attract talented employees; and (xiii) detect any defects in our motorcycles to minimize delays in new model launches, recall campaigns, increased warranty costs or litigation. 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. These risks, potential delays and uncertainties regarding the costs could also adversely impact the Company's capital expenditure estimates (see "Liquidity and Capital Resources" section).

In addition, see "Risk Factors" under Item 1A. which includes a discussion of additional risk factors and a more complete discussion of some of the cautionary statements noted above.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

A discussion of the Company's accounting policies for derivative financial instruments is included in the Summary of Significant Accounting Policies in Note 1 to the Consolidated Financial Statements and further disclosure relating to the fair value of derivative financial instruments is included in Note 10 to the Consolidated Financial Statements.

The Company sells its products internationally and in most markets those sales are made in the foreign country's local currency. As a result, the Company's earnings can be affected by fluctuations in the value of the U.S. dollar relative to foreign currency. The Company utilizes foreign currency contracts to mitigate the effect of these fluctuations on earnings. The foreign currency contracts are entered into with banks and allow the Company to exchange a specified amount of foreign currency for U.S. dollars at a future date, based on a fixed exchange rate. At December 31, 2006, these contracts represented a combined U.S. dollar equivalent of $360.3 million. The Company estimates that a uniform 10% weakening in the value of the dollar relative to the currency underlying these contracts would result in a decrease in the fair value of the contracts of approximately $37.2 million as of December 31, 2006.

The Company's exposure to the Japanese yen is substantially offset by the existence of a natural hedge, which is sustained through offsetting yen cash inflows from sales with yen cash outflows for motorcycle component purchases and other operating expenses.

HDFS' earnings are affected by changes in interest rates. HDFS utilizes interest rate swaps to reduce the impact of fluctuations in interest rates on its securitization transactions and debt. As of December 31, 2006, HDFS had interest rate swaps outstanding with a notional value of $1.25 billion. HDFS estimates that a 10% increase in interest rates would result in a $1.6 million decrease in the fair value of the agreements.

Item 8. Consolidated Financial Statements and Supplementary Data

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of management, including the principal executive officer and principal financial officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in Internal Control -- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's evaluation under the framework in Internal Control -- Integrated Framework, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2006. Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which is included herein.

February 6, 2007

James L. Ziemer
President and Chief Executive Officer

Thomas E. Bergmann
Vice President and Chief Financial Officer

MANAGEMENT CERTIFICATIONS

The Company has filed as exhibits to its Annual Report on Form 10-K for the fiscal year ended December 31, 2006, filed with the Securities and Exchange Commission, the certifications of the chief executive officer and the chief financial officer of the Company required by Section 302 of the Sarbanes-Oxley Act.

The Company has submitted to the New York Stock Exchange the Annual Chief Executive Officer Certification required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors reviews the Company's financial reporting process, the audit process and the process for monitoring compliance with laws and regulations. All of the Audit Committee members are independent in accordance with the Audit Committee requirements of the New York Stock Exchange, Inc.

The Audit Committee of the Board of Directors has reviewed and discussed with management its assessment of the effectiveness of the Company's internal control system over financial reporting as of December 31, 2006. Management has concluded that the internal control system was effective. This assessment was also audited by Ernst & Young LLP, the Company's independent registered public accounting firm for the 2006 fiscal year. The audited financial statements of the Company for the 2006 fiscal year were also reviewed and discussed with management as well as with representatives of Ernst & Young LLP. The Audit Committee has also discussed with Ernst & Young LLP, the matters required to be discussed by Statement of Auditing Standards No. 61, other professional standards and regulatory requirements currently in effect. The Audit Committee

has received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1, as currently in effect, and has discussed with representatives of Ernst & Young LLP the independence of Ernst & Young LLP. Based on the review and discussions referred to above, the Audit Committee has recommended to the Board of Directors that the audited financial statements for the 2006 fiscal year be included in the Company's Annual Report.

February 14, 2007

Audit Committee of the Board of Directors

Richard I. Beattie
Judson C. Green

George L. Miles, Jr.
James A. Norling, Chairman

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

We have audited management's assessment, included in the accompanying Management's Report on Internal Controls over Financial Reporting, that Harley-Davidson, Inc. maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Harley-Davidson, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately

and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, management's assessment that Harley-Davidson, Inc. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Harley-Davidson, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Harley-Davidson, Inc. as of December 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2006 of Harley-Davidson, Inc. and our report dated February 6, 2007 expressed an unqualified opinion thereon.

Ernst & Young LLP

Milwaukee, Wisconsin

February 6, 2007

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Harley-Davidson, Inc. as of December 31, 2006 and 2005, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2006. Our audits also included the financial statement schedule listed in the index at item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company

Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Harley-Davidson, Inc. at December 31, 2006 and 2005, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, on January 1, 2005, the Company changed its method of accounting for share-based awards and on December 31, 2006, the Company changed its method of accounting for defined benefit pension and postretirement healthcare plans.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Harley-Davidson, Inc.'s internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 6, 2007 expressed an unqualified opinion thereon.

Ernst & Young LLP

Milwaukee, Wisconsin

February 6, 2007

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HARLEY-DAVIDSON, INC.

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2006, 2005 and 2004

(In thousands, except per share amounts)

	2006	2005	2004
Net revenue	$ 5,800,686	$ 5,342,214	$ 5,015,190
Cost of goods sold	3,567,839	3,301,715	3,115,655
Gross profit	2,232,847	2,040,499	1,899,535
Financial services income	384,891	331,618	305,262
Financial services expense	174,167	139,998	116,662
Operating income from financial services	210,724	191,620	188,600
Selling, administrative and engineering expense	841,051	762,108	726,644
Income from operations	1,602,520	1,470,011	1,361,491
Investment income, net	27,087	22,797	23,101
Other, net	(5,367)	(5,049)	(5,106)
Income before provision for income taxes	1,624,240	1,487,759	1,379,486
Provision for income taxes	581,087	528,155	489,720
Net income	$ 1,043,153	$ 959,604	$ 889,766
Earnings per common share:			
Basic	$ 3.94	$ 3.42	$ 3.02
Diluted	$ 3.93	$ 3.41	$ 3.00
Cash dividends per common share	$ 0.81	$ 0.625	$ 0.405

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

HARLEY-DAVIDSON, INC.

CONSOLIDATED BALANCE SHEETS

December 31, 2006 and 2005

(In thousands, except share amounts)

	2006	2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 238,397	$ 140,975
Marketable securities	658,133	905,197
Accounts receivable, net	143,049	122,087
Finance receivables held for sale	547,106	299,373
Finance receivables held for investment, net	1,554,260	1,342,393
Inventories	287,798	221,418
Deferred income taxes	73,389	61,285
Prepaid expenses and other current assets	48,501	52,509
Total current assets	3,550,633	3,145,237
Finance receivables held for investment, net	725,957	600,831
Property, plant and equipment, net	1,024,469	1,011,612
Prepaid pension costs	55,351	368,165
Goodwill	58,800	56,563
Deferred income taxes	42,986	--

Other assets	73,954	72,801
	$ 5,532,150	$ 5,255,209
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 283,477	$ 270,614
Accrued liabilities	479,709	397,525
Current portion of finance debt	832,491	204,973
Total current liabilities	1,595,677	873,112
Finance debt	870,000	1,000,000
Deferred income taxes	--	155,236
Pension liability	47,916	28,678
Postretirement healthcare benefits	201,126	60,975
Other long-term liabilities	60,694	53,603
Commitments and contingencies (Note 5)		
Shareholders' equity:		
Series A Junior participating preferred stock, none issued	--	--
Common stock, 334,328,193 and 330,961,869 shares issued in 2006 and 2005, respectively	3,343	3,310
Additional paid-in-capital	766,382	596,239
Retained earnings	5,460,629	4,630,390
Accumulated other comprehensive (loss) income	(206,662)	58,653
	6,023,692	5,288,592
Less:		
Treasury stock (76,275,837 and 56,960,213 shares in 2006 and 2005, respectively), at cost	(3,266,955)	(2,204,987)
Total shareholders' equity	2,756,737	3,083,605
	$ 5,532,150	$ 5,255,209

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

HARLEY-DAVIDSON, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2006, 2005 and 2004

(In thousands)

	2006	2005	2004
Net cash provided by operating activities (Note 2)	$ 761,780	$ 962,614	$ 835,831
Cash flows from investing activities:			
Capital expenditures	(219,602)	(198,389)	(213,550)
Origination of finance receivables held for investment	(411,757)	(336,412)	(324,931)
Collections on finance receivables held for investment	260,133	179,974	190,360
Collection of retained securitization interests	101,641	115,346	125,732
Purchase of marketable securities	(970,935)	(1,352,428)	(1,091,326)
Sales and redemptions of marketable securities	1,224,447	1,783,503	742,284
Other, net	(19,186)	2,246	(6,561)
Net cash (used) provided by investing activities	(35,259)	193,840	(577,992)
Cash flows from financing activities:			
Proceeds from issuance of medium term notes	--	199,974	--
Net increase (decrease) in finance-credit facilities and commercial paper	493,125	(280,694)	305,047
Dividends	(212,914)	(173,785)	(119,232)
Purchase of common stock for treasury	(1,061,968)	(1,054,615)	(564,132)
Excess tax benefits from share-based payments	18,933	6,065	--
Issuance of common	125,801	31,264	62,171

stock under employee stock option plans			
Net cash used by financing activities	(637,023)	(1,271,791)	(316,146)
Effect of exchange rate changes on cash and cash equivalents	7,924	(18,847)	4,137
Net increase (decrease) in cash and cash equivalents	97,422	(134,184)	(54,170)
Cash and cash equivalents:			
At beginning of period	140,975	275,159	329,329
At end of period	$ 238,397	$ 140,975	$ 275,159

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

HARLEY-DAVIDSON, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 2006, 2005 and 2004

(In thousands, except share amounts)

	Common Stock Issued		Additional paid-in	Retained	Other comprehensive	Treasury	
	Shares	Balance	capital	Earnings	income (loss)	Balance	Total
Balance December 31, 2003	326,489,291	$ 3,266	$ 419,455	$ 3,074,037	$ 47,174	($586,240)	$ 2,957,692
Comprehensive income:							
Net income	--	--	--	889,766	--	--	889,766
Other comprehensive income (loss):							
Foreign currency translation adjustment	--	--	--	--	9,399	--	9,399
Minimum pension liability adjustment, net of tax benefit of $38,230	--	--	--	--	(62,110)	--	(62,110)
Change in net unrealized gains (losses):							
Investment in retained securitization interests, net of tax benefit of $367	--	--	--	--	(691)	--	(691)
Derivative financial instruments, net of tax benefit of $1,766	--	--	--	--	(2,479)	--	(2,479)
Marketable securities, net of tax benefit of $2,075	--	--	--	--	(3,389)	--	(3,389)

Comprehensive income 830,496						
Dividends --	--	--	(119,232)	--	--	(119,232)
Repurchase of common stock --	--	--	--	--	--	(564,132) (564,132)
Exercise of stock options 3,418,874	34	62,137	--	--	--	62,171
Tax benefit of stock options --	--	51,476	--	--	--	51,476
Balance December 31, 2004 329,908,165	$ 3,300	$ 533,068	$ 3,844,571	($12,096)	($1,150,372)	$ 3,218,471
Comprehensive						

income:							
Net income	--	--	--	959,604	--	--	959,604
Other comprehensive income (loss):							
Foreign currency translation adjustment	--	--	--	--	(18,005)	--	(18,005)
Minimum pension liability adjustment, net of taxes of ($37,025)					60,155		60,155
Change in net unrealized gains (losses):							
Investment in retained securitization interests, net of taxes of ($2,179)	--	--	--	--	4,001	--	4,001
Derivative financial instruments, net of taxes of ($15,353)	--	--	--	--	24,992	--	24,992
Marketable securities, net of tax benefit of $243	--	--	--	--	(394)	--	(394)
Comprehensive income							1,030,353
Dividends	--	--	--	(173,785)	--	--	(173,785)
Repurchase of common stock	--	--	--	--	--	(1,054,615)	(1,054,615)
Share-based compensation	--	--	24,117	--	--	--	24,117
Issuance of nonvested stock	115,801	1	(1)	--	--	--	--
Exercise of stock options	937,903	9	31,255	--	--	--	31,264
Tax benefit of stock options	--	--	7,800	--	--	--	7,800
Balance December 31, 2005	330,961,869	$ 3,310	$ 596,239	$ 4,630,390	$ 58,653	($2,204,987)	$ 3,083,605
Comprehensive income:							

Net income	--	--	--	1,043,153	--	1,043,153
Other comprehensive income (loss):						
Foreign currency translation adjustment	--	--	--	--	12,898	12,898
Minimum pension liability adjustment, net of taxes of ($165)	--	--	--	--	267	267
Change in net unrealized gains (losses):						
Investment in retained securitization interests, net of tax benefit of $7,360	--	--	--	--	(13,522)	(13,522)
Derivative financial instruments, net of tax benefit of $9,111	--	--	--	--	(15,048)	(15,048)
Marketable securities, net of taxes of ($2,456)	--	--	--	--	3,991	3,991
Comprehensive income						1,031,739
Adjustment to initially apply SFAS No. 158, net of taxes of ($156,278)	--	--	--	--	(253,901)	(253,901)
Dividends	--	--	--	(212,914)	--	(212,914)
Repurchase of common stock	(1,061,968)	--	--	--	--	(1,061,968)

Share-based compensation	--	--	21,446	--	--	-- 21,446
Issuance of nonvested stock	253,319	3	(3)	--	--	-- --
Exercise of stock options	3,113,005	30	125,771	--	--	-- 125,801
Tax benefit of stock options	--	--	22,929	--	--	-- 22,929
Balance December 31, 2006	334,328,193	$ 3,343	$ 766,382	$ 5,460,629	($206,662)	($3,266,955) $ 2,756,737

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

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HARLEY-DAVIDSON, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation -- The consolidated financial statements include the accounts of Harley-Davidson, Inc. and its subsidiaries (the Company), including the accounts of the groups of companies doing business as Harley-Davidson Motor Company (HDMC), Buell Motorcycle Company (BMC) and Harley-Davidson Financial Services (HDFS).

All of the Company's subsidiaries are wholly owned and are included in the consolidated financial statements. All of the Company's international subsidiaries use the respective local currency as their functional currency. Assets and liabilities of international subsidiaries have been translated at period-end exchange rates, and income and expenses have been translated using average exchange rates for the period.

In connection with securitization transactions, HDFS utilizes Qualifying Special Purpose Entities (QSPEs) as defined by Statement of Financial Accounting Standards (SFAS) No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Assets and liabilities of the QSPEs are not consolidated in the financial statements of the Company. For further discussion of QSPEs and securitization transactions see "Finance Receivable Securitizations," which follows.

The Company operates in two principal business segments: Motorcycles and Related Products (Motorcycles) and Financial Services (Financial Services). All intercompany accounts and material transactions are eliminated, except for amounts related primarily to: (1) interest paid by HDMC to HDFS on behalf of HDMC's independent dealers as a way to manage seasonal increases in inventory; and (2) amounts paid by HDMC to reimburse HDFS for certain European wholesale finance receivable credit losses. See Note 3 for additional detail related to these items.

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

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

Marketable Securities -- The Company has investments in marketable securities consisting primarily of investment-grade debt instruments such as corporate bonds and government backed securities of $337.4 million and $535.9 million at December 31, 2006 and 2005, respectively, with contractual maturities of approximately 1 year. Marketable securities also include auction rate securities of $320.7 million and $369.3 million at December 31, 2006 and 2005, respectively, with contractual maturities of up to 30 years. The auction rate securities have interest re-set dates that occur every 90 days or less and can be actively marketed at ongoing auctions that occur every 90 days or less. The Company classifies its investments in marketable securities as available for sale, thus requiring the Company to carry them at their fair value with any unrealized gains or losses reported in other comprehensive income. Net unrealized losses, net of taxes, included in other comprehensive income as of December 31, 2006 and 2005 were $1.3 million and $5.3 million, respectively. Gains and losses realized on sales of marketable securities are included in investment income and were not material.

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1. Summary of Significant Accounting Policies (continued)

Finance Receivables Credit Losses -- The provision for credit losses on finance receivables is charged to earnings in amounts sufficient to maintain the allowance for uncollectible accounts at a level HDFS believes is adequate to cover the losses of principal and accrued interest in the existing portfolio. HDFS' periodic evaluation of the adequacy of the allowance is generally based on HDFS' past loan loss experience, known and inherent risks in the portfolio, the value of the underlying collateral and current economic conditions. HDFS' wholesale and other large loan charge-off policy is based on a loan-by-loan review which considers the specific borrower's ability to repay and the estimated value of any collateral.

Retail loans are generally charged-off at 120 days contractually past due. All finance receivables accrue interest until either collected or charged-off. Accordingly, as of December 31, 2006 and 2005, all finance receivables are accounted for as interest-earning receivables.

Finance Receivables Held for Sale -- U.S. retail motorcycle loans intended for securitization at origination are classified as finance receivables held for sale. These finance receivables held for sale in the aggregate are carried at the lower of cost or estimated fair value. Finance receivables held for sale are held for a short period of time prior to being securitized, and have a cost basis that approximates fair value. Cash flows related to finance receivables held for sale are included in cash flows from operating activities.

Finance Receivables Securitizations -- HDFS sells retail motorcycle loans through securitization transactions. Under the terms of securitization transactions, HDFS sells retail loans to a securitization trust utilizing the two-step process described below. The securitization trust issues notes to investors, with various maturities and interest rates, secured by future collections of purchased retail loans. The proceeds from the issuance of the asset-backed securities are utilized by the securitization trust to purchase retail loans from HDFS.

Upon sale of the retail loans to the securitization trust, HDFS receives cash and also retains an interest in excess cash flows, servicing rights, and the right to receive cash reserve account deposits in the future, collectively referred to as "investment in retained securitization interests." The investment in retained securitization interests is included with finance receivables held for investment in the consolidated balance sheets.

The interest in excess cash flows equals the cash flows arising from retail loans sold to the securitization trust less servicing fees, credit losses and

contracted payment obligations due to securitization trust investors. Key assumptions in determining the present value of projected excess cash flows are prepayments, credit losses and discount rate. HDFS retains servicing rights under retail loans that it has sold to the securitization trust and receives a servicing fee. The servicing fee paid to HDFS is considered adequate compensation for the services provided and is included in financial services income as earned.

Reserve account deposits represent interest-earning cash deposits collateralizing trust securities. The funds are not available for use by HDFS until the reserve account balances exceed thresholds specified in the securitization agreements.

Gains on current year securitizations on the sale of the retail loans are recognized in the period in which the sale occurs. The amount of the gain depends on the proceeds received and the original carrying amount of the transferred retail loans, allocated between the assets sold and the retained interests based on their relative fair values at the date of transfer.

Investments in retained securitization interests are recorded at fair value and are periodically reviewed for impairment. Market quotes of fair value are generally not available for retained interests; therefore, HDFS estimates fair value based on the present value of future expected cash flows using HDFS' best estimates of key assumptions for credit losses, prepayments and discount rate commensurate with the risks involved. Unrealized gains and losses on investments in retained securitization interests are recorded in other comprehensive income and as of December 31, 2006 and 2005 were net unrealized gains of $43.4 million and $64.3 million before income taxes, or $28.1 million and $41.6 million net of taxes, respectively.

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1. Summary of Significant Accounting Policies (continued)

Finance Receivables Securitizations (continued):

HDFS does not guarantee payments on the securities issued by the securitization trusts or the projected cash flows from the retail loans purchased from HDFS. The Company's retained securitization interests, excluding servicing rights, are subordinate to the interests of securitization trust investors. Such investors have priority interests in the cash collections on the retail loans sold to the securitization trust (after payment of servicing fees) and in the cash reserve account deposits. These priority interests ultimately could impact the value of the Company's investment in retained securitization interests. Investors also do not have recourse to the assets of HDFS for failure of the obligors on the retail loans to pay when due.

HDFS utilizes a two-step process to transfer retail loans to a securitization trust. Loans are initially transferred to a special purpose, bankruptcy remote, wholly owned subsidiary which in turn sells the retail loans to the securitization trust. HDFS has surrendered control of retail loans sold to the securitization trust. Securitization transactions have been structured such that: (1) transferred assets have been isolated from HDFS by being put presumptively beyond the reach of HDFS and its creditors, even in bankruptcy or other receivership, (2) each holder of a beneficial interest in the securitization trust has the right to pledge or exchange their interest; and (3) HDFS does not maintain effective control over the transferred assets through either (a) an agreement that both entitles and obligates HDFS to repurchase or redeem the transferred assets before their maturity other than for breaches of certain representations, warranties and covenants relating to the transferred assets, or (b) the ability to unilaterally cause the holder to return specific assets, other than through a customary cleanup call.

Activities of the securitization trust are limited to acquiring retail loans, issuing asset-backed securities and making payments on securities to investors. Securitization trusts have a limited life and generally terminate upon final distribution of amounts owed to the investors in the asset-backed securities. Historically, the life of securitization trusts purchasing retail loans from HDFS has approximated four years.

Due to the overall structure of the securitization transaction, the nature of the assets held by the securitization trust and the limited nature of its activities, the securitization trusts are considered QSPEs. Accordingly, gain on sale is recognized upon transfer of retail loans to a QSPE and assets and liabilities of the QSPEs are not consolidated in the financial statements of HDFS. See Note 3 for further discussion of HDFS' securitization program.

Inventories -- Inventories are valued at the lower of cost or market. Substantially all inventories located in the United States are valued using the last-in, first-out (LIFO) method. Other inventories totaling $103.5 million at December 31, 2006, and $77.4 million at December 31, 2005 are valued at the lower of cost or market using the first-in, first-out (FIFO) method.

Property, Plant and Equipment -- Property, plant and equipment is recorded at cost. Depreciation is determined on the straight-line basis over the estimated useful lives of the assets. The following useful lives are used to depreciate the various classes of property, plant and equipment: buildings - 30 to 40 years; building equipment and land improvements - 7 to 10 years; and machinery and equipment - 3 to 10 years. Accelerated methods of depreciation are used for income tax purposes.

Internal-use Software -- The Company's policy is to capitalize costs incurred in connection with developing or obtaining software for internal use. The Company's policy explicitly excludes certain types of costs from capitalization, such as costs incurred for enhancements, maintenance, project definition, data conversion, research and development, business process re-engineering and training. Costs capitalized by the Company include amounts paid to outside consulting firms for materials or services used in developing or obtaining computer software for internal use, wages and benefits paid to employees who are directly associated with and who devote time to developing or obtaining computer software for internal use, and interest costs incurred during the period of development of software for internal use. During 2006, 2005 and 2004 the Company capitalized $38.1 million, $17.0 million and $15.0 million, respectively, of costs incurred in connection with

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1. Summary of Significant Accounting Policies (continued)

Internal-use Software (continued):

developing or obtaining software for internal use. The Company depreciates costs capitalized in connection with developing or obtaining software for internal use on a straight-line basis over the estimated useful life. Generally, internal-use software has a three to seven year useful life.

Goodwill -- Goodwill represents the excess of acquisition cost over the fair value of the net assets purchased. Goodwill is tested for impairment at least annually based on financial data related to the reporting unit to which it has been assigned. The Company has assigned goodwill to reporting units based on specific review of each purchase transaction. During 2006 and 2005, the Company tested its goodwill balances for impairment and no adjustments were recorded to goodwill as a result of those reviews.

Long-lived Assets -- The Company periodically evaluates the carrying value of long-lived assets to be held and used and long-lived assets held for sale, when

events and circumstances warrant such review. If the carrying value of a long-lived asset is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset for assets to be held and used, or the amount by which the carrying value exceeds the fair market value less cost to sell for assets held for sale. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Product Warranty and Recall Campaigns -- The Company provides a standard two-year limited warranty on all new motorcycles sold. The warranty coverage for the retail customer includes parts and labor and begins when the motorcycle is sold to a retail customer. The Company maintains reserves for future warranty claims using an estimated cost per unit sold, which is based on historical Company claim information. Additionally, the Company has from time to time initiated certain voluntary recall campaigns. The Company reserves for all estimated costs associated with recalls in the period that the recalls are announced. Changes in the Company's warranty and product recall liability were as follows (in thousands):

	2006	2005	2004
Balance, beginning of period	$ 43,073	$ 44,868	$ 33,322
Warranties issued during the period	56,008	37,043	41,434
Settlements made during the period	(57,267)	(38,761)	(37,247)
Recalls and changes to pre-existing warranty liabilities	24,571	(77)	7,359
Balance, end of period	$ 66,385	$ 43,073	$ 44,868

The increase in warranty expense during 2006 was due primarily to higher costs associated with the Company's second year warranty program and higher product program costs. Beginning with shipments of 2004 model year motorcycles, the Company extended its warranty coverage from one to two years. During 2006, additional claims data became available which indicated that the cost of the second year warranty was higher than originally estimated. Based on the higher actual claims, the Company adjusted warranty reserves for the motorcycles affected, which were primarily 2004, 2005 and 2006 models. In addition, the Company announced a number of product programs during 2006 to address customer concerns and promote customer satisfaction. Under a product program, the Company contacts retail customers directly to promote non-safety related improvements that are covered by the Company's standard warranty. The liability for product recall campaigns was $6.5 million, $8.8 million and $4.9 million as December 31, 2006, 2005 and 2004, respectively.

Derivative Financial Instruments -- The Company uses derivative financial instruments to manage foreign currency exchange rate and interest rate risk. The Company's policy specifically prohibits the use of derivatives for speculative purposes. The fair values of the Company's derivative financial instruments are discussed in Note 10.

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1. Summary of Significant Accounting Policies (continued)

Derivative Financial Instruments (continued):

All derivative instruments are recognized on the balance sheet at fair value. 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 and subsequently reclassified into earnings when the hedged transaction affects income. 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.

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 contracts to mitigate the effect of these fluctuations on earnings. The foreign currency contracts are entered into with banks and allow the Company to exchange a specified amount of foreign currency for U.S. dollars at a future date, based on a fixed exchange rate. The Company's foreign currency contracts, which generally have maturities of less than one year, are designated as cash flow hedges. The effectiveness of these hedges is measured based on changes in the fair value of the contract attributable to changes in the forward exchange rate and are highly effective. The fair value of foreign currency contracts is reflected in current assets or liabilities, realized gains and losses are recorded in cost of goods sold and the related cash flows are included in cash flows from operations.

HDFS enters into interest rate swap agreements to reduce the impact of fluctuations in interest rates on its securitization transactions. HDFS originates fixed-rate retail loans on an ongoing basis. Eligible loans are pooled and sold through securitization transactions on a periodic basis. HDFS utilizes interest rate swap agreements to hedge anticipated cash flows from the securitization of retail motorcycle loans.

In addition, HDFS enters into interest rate swap agreements to reduce the impact of fluctuations in interest rates on its fixed and floating rate debt. At inception, HDFS designates each interest rate swap as a hedge of the fair value of a recognized asset or liability (fair value hedge) or a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge).

Revenue Recognition -- Sales are recorded when products are shipped to wholesale customers (independent dealers and distributors) and ownership is transferred. The Company offers sales incentive programs to both wholesale and retail customers designed to promote the sale of motorcycles and related products. The total costs of these programs are recognized as revenue reductions and are accrued at the later of the date the related sales are recorded or the date the incentive program is both approved and communicated.

Financial Services Income Recognition -- Interest income on finance receivables is recorded as earned and is based on the average outstanding daily balance for wholesale and retail receivables. Accrued interest is classified with finance receivables. Loan origination payments made to dealers for certain retail loans are deferred and amortized over the estimated life of the contract.

Research and Development Expenses -- Expenditures for research activities relating to product development and improvement are charged against income as incurred and included within operating expenses in the consolidated statement of income. Research and development expenses were $177.7 million, $178.5 million and $170.7 million for 2006, 2005 and 2004, respectively.

Advertising Costs -- The Company expenses the production cost of advertising the first time the advertising takes place. Advertising costs relate to the Company's efforts to promote its products and brands through the use of media. During 2006, 2005 and 2004 the Company incurred $69.7 million, $66.5 million and $48.8 million in advertising costs, respectively.

1. Summary of Significant Accounting Policies (continued)

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

Reclassifications -- Certain prior year amounts have been reclassified to conform to the current year presentation.

Stock Compensation Costs -- On January 1, 2005 the Company early adopted SFAS No. 123 (revised 2004), "Share-Based Payment," which requires the Company to recognize the cost of its employee stock option awards in its income statement. According to SFAS No. 123 (revised 2004), the total cost of the Company's share-based awards is equal to their grant date fair value and is recognized as expense on a straight-line basis over the service periods of the awards. The Company adopted the fair value recognition provisions of SFAS No. 123 (revised 2004) using the modified-prospective-transition method. Under that transition method, compensation cost includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2005, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and (b) compensation cost for all share-based payments granted subsequent to January 1, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123 (revised 2004). Results for prior periods have not been restated. Total stock compensation expense recognized by the Company during 2006 and 2005, including stock option and nonvested stock awards, was $21.4 million and $23.0 million, respectively, or $13.3 million and $14.5 million net of taxes, respectively.

Prior to the adoption of SFAS No. 123 (revised 2004), the Company presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the Statement of Cash Flows. Beginning on January 1, 2005 the Company changed its cash flow presentation in accordance with SFAS No. 123 (revised 2004) which requires the cash flows of the realized tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows.

Prior to January 1, 2005, the Company accounted for its stock option plans under the recognition and measurement provisions of APB Opinion No. 25 and related Interpretations, as permitted by SFAS No. 123, "Accounting for Stock-Based Compensation." No stock option-based employee compensation cost was recognized in the income statement prior to 2005, as all stock options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant. The Company estimated the fair value of its option awards granted prior to January 1, 2005 using the Black-Scholes option-pricing formula. The Black-Scholes option pricing model was used with the following weighted-average assumptions for grants made in the following years:

	2004	2003	2002
Fair value of options granted during the period	$ 17	$ 14	$ 19
Expected term (in years)	4.9	4.7	4.4
Expected volatility	34 %	36 %	38 %
Expected dividend yield	0.6 %	0.3 %	0.3 %
Risk free rate	3.2 %	2.7 %	4.3 %

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1. Summary of Significant Accounting Policies (continued)

Stock Compensation Costs (continued):

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to its stock options during the year ended December 31, 2004. For purposes of this pro forma disclosure, the value of the options is amortized to expense on a straight-line basis over a four-year vesting period and forfeitures are recognized as they occur. The Company's pro forma information follows (in thousands, except per share amounts):

	2004
Net income, as reported	$ 889,766
Total stock-based employee compensation expense determined under fair value based method for all option awards, net of related tax effects	(13,932)
Pro forma net income	$ 875,834
Basic earnings per share as reported	$ 3.02
Basic earnings per share pro forma	$ 2.97
Diluted earnings per share as reported	$ 3.00
Diluted earnings per share pro forma	$ 2.96

New Accounting Standards

In June 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation No. (FIN) 48, "Accounting for Uncertainty in Income Taxes," which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company is required to adopt FIN 48 beginning in fiscal year 2007 and the impact that the adoption of FIN 48 will have on its consolidated financial statements and notes thereto is expected to be immaterial.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)." SFAS No. 158 requires employers that sponsor defined benefit pension and postretirement benefit plans to recognize previously unrecognized actuarial losses and prior service costs in the statement of financial position and to recognize future changes in these amounts in the year in which changes occur through comprehensive income. As a result, the statement of financial position will reflect the funded status of those plans as an asset or liability. Additionally, employers are required to measure the funded status of a plan as of the date of its year-end statement of financial position. The Company was required to adopt SFAS No. 158, as it relates to recognizing the funded status of its defined benefit pension and postretirement benefit plans, and the related disclosure requirements, as of December 31, 2006. The requirement to measure the funded status as of the date of the year-end statement of financial position is required by December 31, 2008. The Company is currently evaluating the impact the change in the measurement date will have on its consolidated financial statements and notes thereto. See Note 6 for further discussion of the effect of adopting SFAS No. 158 on the Company's consolidated financial statements and notes thereto.

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2. Additional Balance Sheet and Cash Flow Information

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

Balance Sheet Information:

Accounts receivable, net (in thousands):

	2006	2005
Domestic	$ 22,236	$ 21,154
Foreign	120,813	100,933
	$ 143,049	$ 122,087

The Company's sales of motorcycles and related products in the United States, Canada and a portion of its sales in Europe are financed by the purchasing dealers or distributors through HDFS, and the related receivables are included in finance receivables held for investment in the consolidated balance sheets. The Company's remaining foreign sales are sold on open account, letter of credit, draft, and payment in advance or financed by the purchasing dealers. The allowance for doubtful accounts deducted from total accounts receivable was $9.5 million and $8.5 million as of December 31, 2006 and 2005, respectively.

Inventories, net (in thousands):

	2006	2005
Components at the lower of FIFO cost or market		
Raw materials and work in process	$ 123,376	$ 90,955
Motorcycle finished goods	94,399	73,736
Part and accessories and general merchandise	98,749	80,017
Inventory at lower of FIFO cost or market	316,524	244,708
Excess of FIFO over LIFO cost	28,726	23,290
	$ 287,798	$ 221,418

Inventory obsolescence reserves deducted from FIFO cost were $15.3 million and $16.7 million as of December 31, 2006 and 2005, respectively.

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

	2006	2005
Land and related improvements	$ 49,126	$ 44,669
Buildings and related improvements	378,150	378,614
Machinery and equipment	1,956,935	1,797,322
Construction in progress	148,292	113,493
	2,532,503	2,334,098
Less: accumulated depreciation	1,508,034	1,322,486
	$ 1,024,469	$ 1,011,612

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2. Additional Balance Sheet and Cash Flow Information
(continued)

Accrued liabilities (in thousands):

	2006	2005
Payroll, performance incentives and related expenses	$ 145,575	$ 125,886
Warranty and recalls	66,385	43,073
Sales incentive programs	83,524	65,612
Income taxes	49,668	58,075
Fair value of derivative financial instruments	28,076	15,119
Other	106,481	89,760
	$ 479,709	$ 397,525

Components of accumulated other comprehensive (loss) income, net of tax (in thousands):

	2006	2005
Cumulative foreign currency translation adjustment	$ 28,430	$ 15,532
Unrealized gain on investment in retained securitization interest	28,112	41,634
Unrealized net (loss) gain on derivative financial instruments	(6,287)	8,761
Unrealized net (loss) on marketable securities	(1,328)	(5,319)
Minimum pension liability	--	(1,955)
Unrecognized pension and postretirement benefit plan liabilities	(255,589)	--
	($206,662)	$ 58,653

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2. Additional Balance Sheet and Cash Flow Information (continued)

Cash Flow Information:

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

	2006	2005	2004
Cash flows from operating activities:			
Net income	$ 1,043,153	$ 959,604	$ 889,766
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	213,769	205,705	214,112
Provision for employee long-term benefits	80,179	71,461	62,775
Stock compensation expense	21,446	22,974	--
Gain on current year securitizations	(32,316)	(46,581)	(58,302)
Net change in wholesale finance receivables	(159,886)	(161,342)	(154,124)
Origination of retail finance receivables held for sale	(2,772,733)	(2,447,320)	(2,069,713)
Collections on retail finance receivables held for sale	112,131	124,462	84,310
Proceeds from securitization of retail finance receivables	2,303,562	2,450,920	1,847,895
Contributions to pension and postretirement plans	(13,512)	(296,859)	--
Tax benefit from the exercise of stock options	--	--	51,476
Deferred income taxes	(39,768)	48,165	(41,314)
Foreign currency adjustments	(7,975)	18,688	(5,283)
Other, net	32,535	31,996	31,482
Changes in current assets and liabilities:			
Accounts receivable, net	(16,361)	(11,556)	(4,069)
Finance receivables - accrued interest and other	(23,442)	(16,252)	(27,443)
Inventories	(54,352)	(6,366)	(12,811)
Accounts payable and accrued liabilities	76,058	24,810	35,694
Other	(708)	(9,895)	(8,620)
Total adjustments	(281,373)	3,010	(53,935)
Net cash provided by operating activities	$ 761,780	$ 962,614	$ 835,831

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

	2006	2005	2004
Interest	$ 57,990	$ 34,417	$ 21,346
Income taxes	$ 602,347	$ 471,613	$ 469,658

Interest paid represents interest payments of HDFS which are included in financial services expense.

Non-cash investing activity during the period (in thousands):

	2006	2005	2004
Investment in retained securitization interests received in connection with securitizations during the year	$ 156,955	$ 176,640	$ 154,569

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3. Financial Services

HDFS is engaged in the business of financing and servicing wholesale inventory receivables and retail loans, primarily for the purchase of motorcycles, and providing insurance programs principally to Harley-Davidson and Buell dealers and their retail customers. HDFS conducts business in the United States, Canada and Europe and is responsible for all credit and collection activities for the Company's U.S. dealer receivables, its Canadian distributor receivables and the majority of its European dealer receivables.

The condensed statements of operations relating to the Financial Services segment, for the years ended December 31, were as follows (in thousands):

	2006	2005	2004
Interest income	$ 167,504	$ 129,869	$ 102,177
Income from securitizations	111,177	123,136	115,104
Other income	106,210	78,613	87,981
Financial services income	384,891	331,618	305,262
Interest expense	59,761	36,154	22,723
Operating expenses	114,406	103,844	93,939
Financial services expenses	174,167	139,998	116,662
Operating income from financial services	$ 210,724	$ 191,620	$ 188,600

Interest income includes approximately $23.6 million, $16.0 million and $11.8 million of interest on wholesale finance receivables paid by HDMC to HDFS in 2006, 2005 and 2004, respectively. This interest is paid on behalf of HDMC's independent dealers as a way to manage seasonal increases in inventory. These interest transactions between the Motorcycles and Financial Services segments are not eliminated.

Income from securitizations includes gains on current year securitization

transactions of $32.3 million, $46.6 million and $58.3 million during 2006, 2005 and 2004, respectively, and income on investment in retained securitization interests of $78.9 million, $76.6 million and $56.8 million during 2006, 2005 and 2004, respectively.

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3. Financial Services (continued)

Finance Receivables:

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

	2006	2005	2004	2003	2002
Wholesale					
United States	$ 1,206,753	$ 1,040,220	$ 870,640	$ 690,662	$ 574,489
Europe	66,421	59,960	73,231	91,987	91,137
Canada	65,538	50,097	51,945	59,171	42,236
Total wholesale	1,338,712	1,150,277	995,816	841,820	707,862
Retail					
United States	409,788	319,856	287,841	233,079	202,193
Canada	174,894	149,597	120,217	92,740	60,921
Total retail	584,682	469,453	408,058	325,819	263,114
	1,923,394	1,619,730	1,403,874	1,167,639	970,976
Allowance for credit losses	27,283	26,165	30,277	31,311	31,045
	1,896,111	1,593,565	1,373,597	1,136,328	939,931
Investment in retained securitization interests	384,106	349,659	282,187	254,409	198,748
	$ 2,280,217	$ 1,943,224	$ 1,655,784	$ 1,390,737	$ 1,138,679

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

	2006	2005	2004	2003	2002
Retail					
United States	$ 547,106	$ 299,373	$ 456,516	$ 347,112	$ 306,901

HDFS has cross-border outstandings to Canada as of December 31, 2006, 2005 and 2004 of $61.1 million, $51.7 million and $30.9 million, respectively.

HDFS provides 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., Canada and Europe.

HDFS 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 HDFS and the retail customer, unrelated to the Company's sale of product to its dealers. Retail loans consist of secured promissory notes and installment loans. HDFS either holds titles or liens on titles to vehicles financed by promissory notes and installment loans. As of December 31, 2006 and 2005, approximately 10% of gross outstanding finance receivables were originated in California and 10% were originated in Canada, respectively.

At December 31, 2006 and 2005, unused lines of credit extended to HDFS' wholesale finance customers totaled $782.8 million and $713.9 million, respectively. Approved but unfunded retail finance loans totaled $593.5 million and $457.1 million at December 31, 2006 and 2005, respectively.

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3. Financial Services (continued)

Finance Receivables (continued):

Wholesale finance receivables are related primarily to motorcycles and related parts and accessories sales to independent dealers and are generally contractually due within one year. Retail finance receivables are primarily related to sales of motorcycles to the dealers' customers, the end consumers. On December 31, 2006, contractual maturities of finance receivables held for investment (excluding retained securitization interests) were as follows (in thousands):

	United States	Europe	Canada	Total
2007	$ 1,238,936	$ 66,421	$ 86,574	$ 1,391,931
2008	25,947	--	22,598	48,545
2009	28,647	--	25,248	53,895
2010	31,638	--	28,208	59,846
2011	34,954	--	31,515	66,469
Thereafter	256,425	--	46,283	302,708
Total	$ 1,616,547	$ 66,421	$ 240,426	$ 1,923,394

As of December 31, 2006, all finance receivables due after one year were at fixed interest rates.

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

	2006	2005	2004
Balance at beginning of year	$ 26,165	$ 30,277	$ 31,311
Provision for finance credit losses	5,962	3,263	3,070
Charge-offs, net of recoveries	(4,844)	(7,375)	(4,104)
Balance at end of year	$ 27,283	$ 26,165	$ 30,277

Included in charge-offs, net of recoveries are $0.6 million, $1.8 million and $3.7 million of recoveries in 2006, 2005 and 2004, respectively, received by HDFS from HDMC. These recoveries relate to certain guarantees provided by HDMC on wholesale loans to European Harley-Davidson dealers. At December 31, 2006, 2005 and 2004, HDMC had $0.5 million, $0.3 million and $3.3 million, respectively, included in its allowance for doubtful accounts related to outstanding guarantees.

The carrying value of retail and wholesale finance receivables contractually past due 90 days or more at December 31 for the past five years were as follows (in thousands):

	2006	2005	2004	2003	2002
United States	$ 4,476	$ 2,574	$ 1,906	$ 2,012	$ 1,724
Canada	1,561	1,442	994	639	523
Europe	452	283	3,688	4,126	5,307
Total	$ 6,489	$ 4,299	$ 6,588	$ 6,777	$ 7,554

Securitization Transactions:

During 2006, 2005 and 2004, the Company sold $2.33 billion, $2.48 billion and $1.88 billion, respectively, of retail motorcycle loans through securitization transactions utilizing QSPEs (see Note 1). These sales resulted in cash proceeds of $2.30 billion, $2.45 billion and $1.85 billion during 2006, 2005 and 2004, respectively. The Company retains an interest in excess cash flows, servicing rights and cash reserve account deposits, collectively referred to as investment in retained securitization interests. The total securitization interests retained during the year for the last three years are disclosed under non-cash investing activities in Note 2. In conjunction with current and prior

year sales, HDFS had investments in retained securitization interests of $384.1 million and $349.7 million at December 31, 2006 and 2005, respectively. The Company receives annual servicing fees approximating 1% of the outstanding securitized retail loans. HDFS serviced $4.28 billion and $3.90 billion of securitized retail loans as of December 31, 2006 and 2005, respectively.

The Company's retained securitization interests, excluding servicing rights, are subordinate to the interests of securitization trust investors. Such investors have priority interests in the cash collections on the retail loans sold to the securitization trust (after payment of servicing fees) and in the cash reserve account deposits. These priority interests ultimately could impact the value of the Company's investment in retained securitization interests. Investors do not have recourse to the assets of HDFS for failure of the obligors on the retail loans to pay when due. Key assumptions in the valuation of the investment in retained securitization interests and in calculating the gain on current year securitizations are credit losses, prepayments and discount rate.

At the date of the transaction, the following weighted-average key assumptions were used to calculate the gain on securitizations completed in 2006, 2005 and 2004:

	2006	2005	2004
Prepayment speed (Single Monthly Mortality)	2.47 %	2.50 %	2.50 %
Weighted-average life (in years)	1.96	1.93	1.94
Expected cumulative net credit losses	2.84 %	2.60 %	2.60 %
Residual cash flows discount rate	12.00 %	12.00 %	12.00 %

As of December 31, 2006 and 2005, respectively, the following weighted-average key assumptions were used to value the investment in retained securitization interests:

	2006	2005
Prepayment speed (Single Monthly Mortality)	2.40 %	2.50 %
Weighted-average life (in years)	2.06	2.02
Expected cumulative net credit losses	2.99 %	2.57 %
Residual cash flows discount rate	12.00 %	12.00 %

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3. Financial Services (continued)

Securitization Transactions (continued):

Expected cumulative net credit losses are a key assumption in the valuation of retained securitization interests. As of December 31, 2006, 2005 and 2004, respectively, weighted-average expected net credit losses for all active securitizations were 2.99%, 2.57% and 2.55%. The table below summarizes, as of December 31, 2006, 2005 and 2004, respectively, expected weighted-average cumulative net credit losses by year of securitization, expressed as a percentage of the original balance of loans securitized for all securitizations completed during the years noted.

Expected weighted-average cumulative net credit losses (%) as of :	Loans securitized in 2006	2005	2004	2003	2002
December 31, 2006	3.00 %	3.15 %	2.93 %	2.53 %	2.60 %
December 31, 2005	--	2.60 %	2.60 %	2.52 %	2.44 %
December 31, 2004	--	--	2.60 %	2.60 %	2.39 %

Detailed below at December 31, 2006 and 2005, is the sensitivity of the fair value to immediate 10% and 20% adverse changes in the weighted-average key assumptions for all retained securitization interests (dollars in thousands):

	2006		2005	
Carrying amount/fair value of retained interests	$ 384,106		$ 349,659	
Weighted-average life (in years)	2.06		2.02	
Prepayment speed assumption (monthly rate)	2.40	%	2.50	%
Impact on fair value of 10% adverse change	($9,000)		($9,400)	
Impact on fair value of 20% adverse change	($17,500)		($18,300)	
Expected cumulative net credit losses	2.99	%	2.57	%
Impact on fair value of 10% adverse change	($24,400)		($18,800)	
Impact on fair value of 20% adverse change	($48,800)		($37,600)	
Residual cash flows discount rate (annual)	12.00	%	12.00	%
Impact on fair value of 10% adverse change	($7,000)		($6,400)	
Impact on fair value of 20% adverse change	($13,900)		($12,600)	

These sensitivities are hypothetical and should not be considered to be predictive of future performance. Changes in fair value generally cannot be extrapolated because the relationship of change in assumption to change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated independently from any change in another assumption. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities. Furthermore, the estimated fair values as disclosed should not be considered indicative of future earnings on these assets.

3. Financial Services (continued)

Securitization Transactions (continued):

The table below provides information regarding certain cash flows received from and paid to all motorcycle loan securitization trusts during the years ended December 31, 2006 and 2005 (in thousands):

	2006	2005
Proceeds from new securitizations	$ 2,303,562	$ 2,450,920
Servicing fees received	43,809	36,662
Other cash flows received on retained interests	166,760	182,278
10% clean-up call repurchase option	(104,023)	(61,859)

Managed retail motorcycle loans consist of all retail motorcycle installment loans serviced by HDFS including those held by securitization trusts and those held by HDFS. As of December 31, 2006 and 2005, managed retail motorcycle loans totaled $5.11 billion and $4.41 billion, respectively, of which $4.28 billion and $3.90 billion, respectively, were securitized. The principal amount of managed retail motorcycle loans 30 days or more past due was $246.1 million and $189.5 million at December 31, 2006 and 2005, respectively. Managed loans 30 days or more past due exclude loans reclassified as repossessed inventory.
Credit losses, net of recoveries, of the managed retail motorcycle loans were $68.1 million, $53.0 million and $33.0 million during 2006, 2005 and 2004, respectively.

Finance Debt:

HDFS' debt as of December 31 consisted of the following (in thousands):

	2006	2005
Commercial paper	$ 894,250	$ 416,797
Credit facilities	191,866	172,965
	1,086,116	589,762
Medium-term notes	586,375	585,211
Senior subordinated notes	30,000	30,000
	$ 1,702,491	$ 1,204,973

Credit Facilities -- In December 2006, HDFS increased its revolving credit facility (Global Credit Facility) to $1.40 billion from $1.10 billion. The

primary use of the Global Credit Facility is to provide liquidity to the unsecured commercial paper program and to fund domestic and foreign operations. Subject to certain limitations, HDFS has the option to borrow in various currencies. Interest is based on London interbank offered rates (LIBOR), European interbank offered rates or other short-term indices, depending on the type of advance. The Global Credit Facility is a committed facility due in September 2009 and HDFS pays a fee for its availability.

Commercial Paper -- Subject to limitations, HDFS may issue commercial paper of up to $1.40 billion. Maturities may range up to 365 days from the issuance date. Outstanding commercial paper may not exceed the unused portion of the Global Credit Facility. As a result, the combined total of commercial paper and borrowings under the Global Credit Facility was limited to $1.40 billion and $1.10 billion as of December 31, 2006 and 2005, respectively. The weighted-average interest rate of outstanding commercial paper balances was 5.20% and 4.18% at December 31, 2006 and 2005, respectively. The December 31, 2006 and 2005 weighted-average interest rates include the impact of interest rate swap agreements.

Medium-Term Notes -- HDFS has $400.0 million of 3.63% medium-term notes outstanding which are due in December 2008 and $200.0 million of 5% medium-term notes which are due in December 2010 (collectively referred to as "Notes"). The Notes provide for semi-annual interest payments and principal due at maturity. HDFS entered into swap agreements, the effect of which is to convert the interest rates on

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3. Financial Services (continued)

Finance Debt (continued):

$550.0 million of the Notes from fixed rates to floating rates, which are based on 3-month LIBOR. The weighted-average interest rates on the Notes for the years ended December 31, 2006 and 2005 were 5.28% and 3.51%, respectively, which include the impact of interest rate swap agreements. At December 31, 2006 and 2005, the Notes reflect $13.6 million and $14.7 million decreases, respectively, due to fair value adjustments related to the impact of the interest rate swap agreements.

Senior Subordinated Debt -- At December 31, 2006 and 2005, HDFS had $30.0 million of 6.79% senior subordinated notes outstanding due in December 2007. The senior subordinated notes provide for semi-annual interest payments and principal at maturity.

Intercompany Borrowings -- HDFS has a revolving credit line with the Company whereby HDFS may borrow up to $210.0 million at market rates of interest. As of December 31, 2006 and 2005, HDFS had no borrowings owed to the Company under the revolving credit agreement.

The Company has classified the $586.4 million of medium-term notes as long-term finance debt at December 31, 2006. Additionally, the Company has classified $283.6 million related to its Commercial Paper and its Global Credit Facilities as long-term finance debt as of December 31, 2006. This amount has been excluded from current liabilities because it is supported by the Global Credit Facility and is expected to remain outstanding for an uninterrupted period extending beyond one year from the balance sheet date.

The Company and HDFS have entered into a support agreement wherein, if required, the Company agrees to provide HDFS certain financial support to maintain certain financial covenants. Support may be provided either as capital contributions or loans at the Company's option. No amount has ever been provided to HDFS under the support agreement.

Operating and Financial Covenants -- HDFS is subject to various operating and financial covenants related to the Global Credit Facilities, Medium-Term Notes and Senior Subordinated Debt issued by HDFS. The more significant covenants are further described below.

The covenants limit HDFS' ability to (1) incur certain additional indebtedness; (2) assume or incur certain liens; (3) participate in a merger, consolidation, liquidation or dissolution; and (4) purchase or hold margin stock.

Under the Global Credit Facility financial covenants, the debt to equity ratio of HDFS and its consolidated subsidiaries cannot exceed 9.0 to 1.0 and HDFS must maintain a minimum consolidated tangible net worth of $300.0 million. The financial covenants under the Senior Subordinated Notes require that HDFS maintain a tangible net worth of $40.0 million and a minimum fixed charge coverage ratio of 125%. No financial covenants are required under the Medium-Term Notes.

At December 31, 2006, HDFS remained in compliance with all of these covenants.

4. Income Taxes

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

	2006	2005	2004
Current:			
Federal	$ 531,655	$ 421,760	$ 466,476
State	74,942	47,605	61,982
Foreign	15,109	10,501	2,775
	621,706	479,866	531,233
Deferred:			
Federal	($22,451)	47,718	(38,332)
State	(20,594)	4,577	(5,261)
Foreign	2,426	(4,006)	2,080
	(40,619)	48,289	(41,513)
Total	$ 581,087	$ 528,155	$ 489,720

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

	2006	2005	2004
Provision at statutory rate	35.0 %	35.0 %	35.0 %
Foreign income taxes	(0.1)	0.1	0.1
Foreign tax credits	0.1	(0.1)	(0.1)
State taxes, net of federal benefit	2.4	2.3	2.5
Extraterritorial income exclusion	(0.4)	(0.6)	(0.7)
Manufacturing deduction	(0.7)	(0.4)	--
Research and development credit	(0.4)	(0.6)	(0.5)
Other	(0.1)	(0.2)	(0.8)
Provision for income taxes	35.8 %	35.5 %	35.5 %

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

	2006	2005
Deferred tax assets:		
Accruals not yet tax deductible	$ 71,749	$ 58,436
Postretirement healthcare benefit obligation	30,907	25,862
Supplemental employee retirement plan agreements obligation	12,843	11,834
Minimum pension liability	--	1,205
Pension and postretirement benefit plan funded status	33,889	--
Other, net	81,162	49,659
	230,550	146,996
Deferred tax liabilities:		
Depreciation, tax in excess of book	(85,673)	(66,273)
Prepaid pension costs	--	(138,706)
Unrealized gain on investment in retained securitization interests	(15,271)	(22,631)
Other, net	(13,231)	(13,337)
	(114,175)	(240,947)
Total	$ 116,375	($93,951)

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5. Commitments and Contingencies

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining required reserves 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. The required reserves are monitored on an ongoing basis and are updated based on new developments or new information in each matter.

Shareholder Lawsuits:

A number of shareholder class action lawsuits were filed between May 18, 2005 and July 1, 2005 in the United States District Court for the Eastern District of Wisconsin. On February 14, 2006, the court consolidated all of the actions into a single case, captioned In re Harley-Davidson, Inc. Securities Litigation, and appointed Lead Plaintiffs and Co-Lead Plaintiffs' Counsel. Pursuant to the schedule set by the court, on October 2, 2006, the Lead Plaintiffs filed a Consolidated Class Action Complaint, which names the Company and Jeffrey L. Bleustein, James L. Ziemer, and James M. Brostowitz, who are Company officers, as defendants. The Consolidated Complaint alleges securities law violations and seeks unspecified damages relating generally to the Company's April 13, 2005 announcement that it was reducing short-term production growth and planned increases of motorcycle shipments from 317,000 units in 2004 to a new 2005 target of 329,000 units (compared to its original target of 339,000 units). On December 18, 2006, the defendants filed a motion to dismiss the Consolidated Complaint in its entirety. Briefing of the motion to dismiss is anticipated to be completed in April 2007.

Three shareholder derivative lawsuits were filed in the United States District Court for the Eastern District of Wisconsin on June 3, 2005, October 25, 2005 (this lawsuit was later voluntarily dismissed) and December 2, 2005 and two shareholder derivative lawsuits were filed in Milwaukee County Circuit Court on July 22, 2005 and November 16, 2005 against some or all of the following current or former directors and officers of the Company: Jeffrey L. Bleustein,

James L. Ziemer, James M. Brostowitz, Barry K. Allen, Richard I. Beattie, George H. Conrades, Judson C. Green, Donald A. James, Sara L. Levinson, George L. Miles, Jr., James A. Norling, James A. McCaslin, Donna F. Zarcone, Jon R. Flickinger, Gail A. Lione, Ronald M. Hutchinson, W. Kenneth Sutton, Jr. and John A. Hevey. The lawsuits also name the Company as a nominal defendant. In general, the shareholder derivative complaints include factual allegations similar to those in the class action complaints and allegations that officers and directors breached their fiduciary duties to the Company. On February 14, 2006, the state court consolidated the two state court derivative actions and appointed Lead Plaintiffs and Lead Plaintiffs' counsel, and on April 24, 2006, the state court ordered that the consolidated state court derivative action be stayed until after motions to dismiss the federal securities class action are decided. On February 15, 2006, the federal court consolidated the federal derivative lawsuits with the securities and ERISA (see below) actions for administrative purposes.

On July 11, 2005, the staff of the Enforcement Division of the United States Securities and Exchange Commission (SEC) advised the Company that it is inquiring into matters relating generally to the Company's April 13, 2005 announcement and certain allegations contained in the shareholder complaints. The Company is cooperating with the SEC.

On August 25, 2005, a class action lawsuit alleging violations of the Employee Retirement Income Security Act (ERISA) was filed in the United States District Court for the Eastern District of Wisconsin. As noted above, on February 15, 2006, the court ordered the ERISA action consolidated with the federal derivative and securities actions for administrative purposes. Pursuant to the schedule set by the court, on October 2, 2006, the ERISA plaintiff filed an Amended Class Action Complaint, which named the Company, the Harley-Davidson Motor Company Retirement Plans Committee, the Company's Leadership and Strategy Council, Harold A. Scott, James L. Ziemer, James M. Brostowitz, Gail A. Lione, Joanne M. Bischmann, Karl M. Eberle, Jon R. Flickinger, Ronald M. Hutchinson, James A. McCaslin, W. Kenneth Sutton, Jr., and Donna F. Zarcone, who are current or former Company officers or employees, as defendants (the "Company Defendants"). In general, the ERISA complaint includes factual allegations similar to those in the shareholder class action lawsuits and alleges on behalf of participants in certain Harley-Davidson retirement savings plans

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5. Commitments and Contingencies (continued)

Shareholder Lawsuits (continued):

that the plan fiduciaries breached their ERISA fiduciary duties. On December 18, 2006, the defendants filed a motion to dismiss the ERISA complaint in its entirety. Briefing of the motion to dismiss is anticipated to be completed in April 2007.

The Company believes the allegations against all of the defendants in the lawsuits against the Company are without merit and it intends to vigorously defend against them. Since all of these matters are in the preliminary stages, the Company is unable to predict the scope or outcome or quantify their eventual impact, if any, on the Company. At this time, the Company is also unable to estimate associated expenses or possible losses. The Company maintains insurance that may limit its financial exposure for defense costs and liability for an unfavorable outcome, should it not prevail, for claims covered

by the insurance coverage.

Security Breach Lawsuit:

On January 22, 2007, a purported class action lawsuit was filed in the Supreme Court of the State of New York against Harley-Davidson, Inc. and the Harley Owners Group. The complaint alleges that the Company was negligent in failing to properly safeguard, protect and keep confidential the personal "Customer Identifiable Information" that was stored on a Company laptop computer that was lost on or about August 14, 2006. The complaint also alleges that Harley-Davidson breached fiduciary duties and made false and fraudulent representations and warranties to its customers that it would keep confidential and safeguard and protect the personal customer information in its possession. The complaint seeks unspecified damages. The Company believes the allegations in the lawsuit are without merit and it intends to vigorously defend against them.

Cam Bearing Lawsuit:

In January 2001, the Company, on its own initiative, notified each owner of 1999 and early-2000 model year Harley-Davidson motorcycles equipped with Twin Cam 88(R) and Twin Cam 88BTM engines that the Company was extending the warranty for a rear cam bearing to 5 years or 50,000 miles. Subsequently, on June 28, 2001, a putative nationwide class action was filed against the Company in state court in Milwaukee County, Wisconsin, which was amended by a complaint filed September 28, 2001. The complaint alleged that this cam bearing is defective and asserted various legal theories. The complaint sought unspecified compensatory and punitive damages for affected owners, an order compelling the Company to repair the engines and other relief. On February 27, 2002, the Company's motion to dismiss the amended complaint was granted by the Court and the amended complaint was dismissed in its entirety. An appeal was filed with the Wisconsin Court of Appeals. On April 12, 2002, the same attorneys filed a second putative nationwide class action against the Company in state court in Milwaukee County, Wisconsin relating to this cam bearing issue and asserting different legal theories than in the first action. The complaint sought unspecified compensatory damages, an order compelling the Company to repair the engines and other relief. On September 23, 2002, the Company's motion to dismiss was granted by the Court, the complaint was dismissed in its entirety, and no appeal was taken. On January 14, 2003, the Wisconsin Court of Appeals reversed the trial court's February 27, 2002 dismissal of the complaint in the first action, and the Company petitioned the Wisconsin Supreme Court for review. On March 26, 2004, the Wisconsin Supreme Court reversed the Court of Appeals and dismissed the remaining claims in the action. On April 12, 2004, the same attorneys filed a third action in the state court in Milwaukee County, on behalf of the same plaintiffs from the action dismissed by the Wisconsin Supreme Court. This third action was dismissed by the court on July 26, 2004. In addition, the plaintiffs in the original case moved to reopen that matter and amend the complaint to add new causes of action. On September 9, 2004, Milwaukee County Circuit Court refused to allow the reopening or amendment. Plaintiffs again appealed to the Wisconsin Court of Appeals, and on December 13, 2005, the Court of Appeals again reversed the trial court. On January 12, 2006, the Company filed a petition for review with the Wisconsin Supreme Court. Oral arguments were heard on September 7, 2006 and the Company is awaiting a decision from the court. The Company believes that the 5-year/50,000 mile warranty extension it announced in January 2001 adequately addressed the condition for affected owners, and the Company intends to continue to vigorously defend this matter.

5. Commitments and Contingencies (continued)

Environmental Matters:

The Company is involved with government agencies and groups of potentially responsible parties in various environmental matters, including 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 an ongoing site-wide remedial investigation/feasibility study (RI/FS).

In January 1995, the Company entered into a settlement agreement (the Agreement) with the Navy. The Agreement calls for the Navy and the Company to contribute amounts into a trust equal to 53% and 47%, respectively, of future 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.

In February 2002, the Company was advised by the U.S. Environmental Protection Agency (EPA) that it considers some of the Company's remediation activities at the York facility to be subject to the EPA's corrective action program under the Resource Conservation and Recovery Act (RCRA) and offered the Company the option of addressing corrective action under a RCRA facility lead agreement. In July 2005, the York facility was designated as the first site in Pennsylvania to be addressed under the "One Cleanup Program." The program provides a more streamlined and efficient oversight of voluntary remediation by both PADEP and EPA and will be carried out consistent with the Agreement with the Navy. As a result, the RCRA facility lead agreement has been superseded.

Although the RI/FS is still under way and substantial uncertainty exists concerning the nature and scope of the additional environmental investigation and remediation that will ultimately be required at the York facility, the Company estimates that its share of the future Response Costs at the York facility will be approximately $7.7 million. The Company has established reserves for this amount, which are included in Accrued Expenses and Other Liabilities in the Condensed Consolidated Balance Sheets.

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. Response Costs related to the remediation of soil are expected to be incurred over a period of several years ending in 2012. Response Costs related to ground water remediation may continue for some time beyond 2012. However, these Response Costs are expected to be much lower than those related to the remediation of soil.

Under the terms of the sale of the Commercial Vehicles Division in 1996, the Company has agreed to indemnify Utilimaster Corporation, until 2008, for certain claims related to environmental contamination present at the date of sale, up to $20.0 million. Based on the environmental studies performed, the Company does not expect to incur any material expenditures under this

indemnification.

Product Liability Matters:

Additionally, 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 will not have a material adverse effect on the Company's consolidated financial statements.

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6. Employee Benefit Plans and Other Postretirement Benefits

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

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

Adoption of SFAS No. 158

As discussed in Note 1, the Company adopted SFAS No. 158, as it relates to recognizing the funded status of its defined benefit pension and postretirement benefit plans in its statement of financial position and related disclosure provisions, on December 31, 2006. Funded status is defined as the difference between the projected benefit obligation and the fair value of plan assets. Upon adoption, the Company recorded an adjustment to accumulated other comprehensive income representing the recognition of previously unrecorded pension and postretirement healthcare liabilities related to net unrecognized actuarial losses, unrecognized prior service costs and unrecognized prior service credits. These amounts will be subsequently recognized as a component of net periodic pension cost pursuant to the Company's historical accounting policy for recognizing such amounts.

The incremental effects of adopting the provisions of SFAS No. 158 on the Company's statement of financial position at December 31, 2006 are presented in the following table. The adoption of SFAS No. 158 had no effect on the Company's consolidated statement of income for the year ended December 31, 2006, or for any prior period presented, and it will not affect the Company's operating results in future periods. Had the Company not been required to adopt SFAS No. 158 at December 31, 2006, it would have recognized an additional minimum pension liability pursuant to the provisions of SFAS No. 87. The effect of recognizing the additional minimum pension liability is included in the table below in the column labeled "Prior to Adopting of SFAS No. 158."

	At December 31, 2006		
	Prior to Adopting SFAS No. 158	Effect of Adopting SFAS No. 158	As Reported
Prepaid pension costs	$ 322,671	$ (267,320)	$ 55,351
Deferred income taxes, net	(113,292)	156,278	42,986
Accrued liabilities	(477,170)	(2,539)	(479,709)
Long-term pension liability	(34,683)	(13,233)	(47,916)
Postretirement healthcare benefits	(74,039)	(127,087)	(201,126)
Accumulated other comprehensive (income) loss	(47,239)	253,901	206,662

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6. Employee Benefit Plans and Other Postretirement Benefits (continued)

Adoption of SFAS No. 158 (continued):

Amounts included in accumulated other comprehensive income, net of tax, at December 31, 2006 which have not yet been recognized in net periodic benefit cost are as follows (in thousands):

	Pension and SERPA	Postretirement Healthcare Benefits
Prior service cost (credit)	$ 25,333	$ (5,819)
Net actuarial loss	151,283	84,792
	$ 176,616	$ 78,973

Included in accumulated other comprehensive income at December 31, 2006 are prior service costs of $6.7 million ($4.1 million net of tax) and unrecognized net actuarial losses of $11.7 million ($7.2 million net of tax) expected to be recognized in pension and SERPA net periodic benefit cost during the fiscal year ending December 31, 2007.

Included in accumulated other comprehensive income at December 31, 2006 are prior service credits of $1.1 million ($0.7 million net of tax) and unrecognized net actuarial losses of $6.9 million ($4.3 million net of tax) expected to be recognized in postretirement healthcare benefits net periodic benefit cost during the fiscal year ending December 31, 2007.

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6. Employee Benefit Plans and Other Postretirement Benefits (continued)

Obligations and Funded Status:

The information following provides detail of changes in the benefit obligations, changes in the fair value of plan assets and funded status as of the Company's September 30 measurement date (in thousands):

	Pension and SERPA		Postretirement Healthcare Benefits	
	2006	2005	2006	2005
Change in benefit obligation				
Benefit obligation, October 1	$ 963,824	$ 816,998	$ 298,340	$ 241,345
Service cost	48,829	40,371	12,944	10,536
Interest cost	52,625	49,944	16,074	14,738
Actuarial (gains) losses	(67,058)	100,726	9,230	42,256
Plan participant contributions	7,156	6,627	306	107
Benefits paid	(28,664)	(50,842)	(11,909)	(10,642)
Benefit obligation, September 30	976,712	963,824	324,985	298,340
Change in plan assets:				
Fair value of plan assets, October 1	922,238	712,183	109,261	--
Actual return on plan assets	80,358	70,886	10,568	7,011
Company contributions	1,014	183,384	12,108	112,785
Plan participant contributions	7,156	6,627	306	107
Benefits paid	(28,664)	(50,842)	(12,414)	(10,642)
Fair value of plan assets, September 30	982,102	922,238	119,829	109,261
Funded status of the plans:				
Benefit obligation under (over) plan assets	5,390	(41,586)	(205,156)	(189,079)
Unrecognized prior service cost (credit)	--	47,924	--	(10,524)
Unrecognized net loss	--	336,070	--	135,723
Minimum pension liability:				
Accumulated other comprehensive loss	--	(3,162)	--	--
Prepaid (accrued) benefit cost, September 30	5,390	339,246	(205,156)	(63,880)
Fourth quarter contributions	--	241	3,536	2,905
Prepaid (accrued) benefit cost, December 31	$ 5,390	$ 339,487	($201,620)	($60,975)
Amounts recognized in the Consolidated Balance Sheets, December 31:				
Accrued benefit liability (current liabilities)	($2,045)	--	($494)	--
Accrued benefit liability (long-term liabilities)	(47,916)	($28,678)	(201,126)	($60,975)
Prepaid benefit cost (long-term assets)	55,351	368,165	--	--
Net amount recognized	$ 5,390	$ 339,487	($201,620)	($60,975)

No plan assets are expected to be returned to the Company during the fiscal year-ended December 31, 2007.

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6. Employee Benefit Plans and Other Postretirement Benefits (continued)

Benefit Costs:

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

	Pension and SERPA			Postretirement Healthcare Benefits		
	2006	2005	2004	2006	2005	2004
Service cost	$ 48,829	$ 40,371	$ 36,863	$ 12,944	$ 10,536	$ 11,367
Interest cost	52,625	49,944	45,852	16,074	14,738	14,994
Expected return on plan assets	(76,415)	(62,566)	(59,193)	(9,112)	(4,430)	--
Amortization of unrecognized:						
Prior service cost (credit)	6,997	7,036	7,081	(1,123)	(1,317)	(1,025)
Net loss	17,640	13,060	10,145	6,515	4,994	5,691
Net periodic benefit cost	$ 49,676	$ 47,845	$ 40,748	$ 25,298	$ 24,521	$ 31,027

Assumptions:

Weighted-average assumptions used to determine benefit obligations as of September 30 and weighted-average assumptions used to determine net periodic benefit cost for the years ended September 30 are as follows:

	Pension and SERPA			Postretirement Healthcare Benefits		
	2006	2005	2004	2006	2005	2004
Assumptions for benefit obligations:						
Discount rate	5.90 %	5.50 %	6.25 %	5.90 %	5.50 %	6.25 %
Rate of compensation	3.33 %	3.20 %	3.50 %	n/a	n/a	n/a
Assumptions for net periodic benefit cost:						
Discount rate	5.50 %	6.25 %	6.50 %	5.50 %	6.25 %	6.50 %
Expected return on plan assets	8.50 %	8.50 %	8.50 %	8.50 %	8.50 %	n/a
Rate of compensation increase	3.20 %	3.50 %	4.00 %	n/a	n/a	n/a

Pension and SERPA Accumulated Benefit Obligation:

Each of the Company's pension and SERPA plans has a separately determined accumulated benefit obligation (ABO) and plan asset value. The ABO is the actuarial present value of benefits based on service rendered and current and past compensation levels. This differs from the projected benefit obligation (PBO) in that it includes no assumption about future compensation levels. The total ABO for all the Company's pension and SERPA plans combined was $925.8 million and $886.0 million as of September 30, 2006 and 2005, respectively.

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6. Employee Benefit Plans and Other Postretirement Benefits (continued)

Pension and SERPA Accumulated Benefit Obligation (continued):

The following table summarizes information related to Company pension plans with an ABO or PBO in excess of the fair value of plan assets as of September 30 (in millions):

	2006	2005
Pension plans with PBOs in excess of fair value of plan assets:		
PBO	$ 284.0	$ 591.5
Fair value of plan assets	$ 270.3	$ 568.0
Number of plans	1	2

There were no pension plans with ABOs in excess of fair value of plan assets as of September 30, 2006 and 2005.

The Company's SERPA plans, which can only be funded as claims are paid, had projected and accumulated benefit obligations of $36.2 million and $33.1 million, respectively, as of September 30, 2006 and $31.1 million and $27.7 million, respectively, as of September 30, 2005.

Plan Assets:

The Company's asset allocations at September 30, 2006 and 2005, by asset category are as follows (in thousands):

	Pension		Postretirement Healthcare Benefits	
	2006	2005	2006	2005
Equity securities (excluding Company stock)	66 %	65 %	76 %	78 %
Debt securities	15	11	17	11
Company common stock	11	7	--	--
Other	6	2	7	7
Cash	2	15	--	4
	100 %	100 %	100 %	100 %

The Company employs a total return investment approach whereby a mix of equities and fixed-income investments is used to maximize the long-term return of plan assets for a prudent level of risk. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S and non-U.S. stocks as well as growth, value, and small and large capitalizations. The Company's targeted asset allocation ranges at September 30, 2006 as a percentage of total market value were as follows: equity securities, 60% to 80%; debt securities, 10% to 20%; other, 10% to 15%; and Company stock, not to exceed 25%. Additionally, cash balances are maintained at levels adequate to meet near term plan expenses and benefit payments. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews.

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6. Employee Benefit Plans and Other Postretirement Benefits (continued)

Plan Assets (continued):

The fair value of pension plan assets was $1,032.3 million and $932.0 million as of December 31, 2006 and 2005, respectively. Included in the pension plan assets are 1,273,592 shares of the Company's common stock at December 31, 2006 and 2005. The market value of these shares at December 31, 2006 and 2005 was $89.8 million and $65.6 million, respectively.

The fair value of postretirement healthcare plan assets was $125.5 million as of December 31, 2006.

The Company's overall expected long-term rate of return on assets is 8.5%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based on historical returns adjusted to reflect the current view of the long-term investment market.

Postretirement Healthcare Cost:

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

	2006	2005
Healthcare cost trend rate for next year	10.0 %	10.0 %
Rate to which the cost trend rate is assumed to decline (the ultimate rate)	5.0 %	5.0 %
Year that the rate reaches the ultimate trend rate	2011	2010

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

	One Percent Increase	One Percent Decrease
Total of service and interest cost components in 2006	$ 625	($644)
Accumulated benefit obligation as of September 30, 2006	$ 13,532	($10,847)

Future Contributions and Benefit Payments:

The Company does not expect to make additional contributions to further pre-fund its pension and postretirement healthcare plans during 2007. During 2007, the Company expects to continue its practice of funding the SERPA and postretirement healthcare plans in amounts equal to benefits paid during the year. The expected benefit payments and Medicare subsidy receipts for the next five years and thereafter are as follows (in thousands):

	Pension Benefits	SERPA Benefits	Postretirement Healthcare Benefits	Medicare Subsidy Receipts
2007	$ 30,536	$ 2,045	$ 13,784	$ 767
2008	36,132	2,808	17,261	878
2009	41,341	3,043	20,760	1,012
2010	44,238	4,698	22,269	1,146
2011	47,474	4,287	23,767	1,305
2012-2016	302,472	22,048	135,586	9,697

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6. Employee Benefit Plans and Other Postretirement Benefits (continued)

Defined Contribution Plans:

The Company has various defined contribution benefit plans that in total cover substantially all full-time employees. Employees can make voluntary contributions in accordance with the provisions of their respective plan, which includes a 401(k) tax deferral option. The Company expensed $8.8 million, $7.5 million and $8.2 million for matching contributions during 2006, 2005 and 2004, respectively.

7. Capital Stock

Common Stock:

The Company is authorized to issue 800,000,000 shares of common stock of $.01 par value. There were 258.1 million and 274.0 million common shares outstanding as of December 31, 2006 and 2005, respectively.

During 2006, 2005 and 2004, the Company repurchased 19.3 million, 21.4 million and 10.6 million shares of its common stock at weighted-average prices of $55, $49 and $53, respectively. These repurchases were made pursuant to the following authorizations (in millions of shares):

	Shares Repurchased			Authorization Remaining at
Board of Directors' Authorization	2006	2005	2004	December 31, 2006
1990 Authorization	--	--	7.8	--
1997 Authorization	2.1	1.4	2.8	4.3
2004 Authorization	--	20.0	--	--
2005 Authorization	17.2	--	--	2.8
2006 Authorization	--	--	--	20.0
Total	19.3	21.4	10.6	27.1

1990 Authorization -- The Company had a separate authorization from the Company's Board of Directors originally approved in October 1990. The original authorization provided for the repurchase of 16.0 million shares of common stock (as adjusted for four 2-for-1 stock splits) and contained no dollar limit or expiration date. This authorization was exhausted during 2004.

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

2004 Authorization -- In April 2004, the Company received a separate authorization from its Board of Directors which provided for the repurchase of up to 20.0 million shares of its common stock and contained no dollar limit or expiration date. This authorization was exhausted during 2005.

2005 Authorization -- In April 2005, the Company's Board of Directors separately authorized the Company to buy back up to 20.0 million shares of its common stock with no dollar limit or expiration date. There are 2.8 million shares remaining under this authorization at December 31, 2006.

2006 Authorization -- In October 2006, the Company's Board of Directors separately authorized the Company to buy back up to 20.0 million shares of its common stock with no dollar limit or expiration date. No repurchases have been made under this authorization as of the end of 2006.

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7. Capital Stock (continued)

Preferred Stock:

The Company is authorized to issue 2,000,000 shares of preferred stock of $1.00 par value. The Company has designated 500,000 of the 2,000,000 authorized shares of preferred stock as Series A Junior Participating preferred stock (Preferred Stock). The Preferred Stock has a par value of $1 per share. Each share of Preferred Stock, none of which is outstanding, is entitled to 10,000 votes per share (subject to adjustment) and other rights such that the value of a one ten-thousandth interest in a share of Preferred Stock should approximate the value of one share of common stock.

The Preferred Stock is reserved for issuance in connection with the Company's outstanding Preferred Stock purchase rights (Rights). On February 17, 2000, the Board of Directors of the Company declared a dividend of one Right for each outstanding share of common stock payable upon the close of business on August 20, 2000 to the shareholders of record on that date. Under certain conditions, each Right entitles the holder to purchase one ten-thousandth of a share of Preferred Stock at an exercise price of $175, subject to adjustment. The Rights are only exercisable if a person or group has: (1) acquired 15% or more of the outstanding common stock or (2) has announced an intention to acquire 25% or more of the outstanding common stock (either (1) or (2) are a "Triggering Event"). If there is a 15% acquiring party, then each holder of a Right, other than the acquiring party, will be entitled to purchase, at the exercise price, Preferred Stock having a market value of two times the exercise price.

In addition, prior to the acquisition of 50% or more of the outstanding common stock by an acquiring party, the Board of Directors of the Company may exchange the Rights (other than the Rights of an acquiring party which have become void), in whole or in part, at an exchange ratio of one share of common stock or one ten-thousandth of a share of Preferred Stock (or a share of the Company's preferred stock having equivalent rights, privileges, and preferences) per Right, subject to adjustment. The Rights expire upon the close of business on August 20, 2010, subject to extension.

8. Stock Compensation

The Company has a stock compensation plan which was approved by its Shareholders in April 2004 (Plan) under which the Board of Directors may grant to employees equity awards including nonqualified stock options and shares of nonvested stock. The options granted under the Plan have an exercise price equal to the fair market value of the underlying stock at the date of grant and vest ratably over a four-year period with the first 25% becoming exercisable one year after the date of grant. The options expire 10 years from the date of grant. Shares of nonvested stock that have been issued under the Plan generally vest over periods ranging from 3 to 5 years with certain of the shares subject to accelerated vesting should the Company meet certain performance conditions. Dividends are paid on shares of nonvested stock. At December 31, 2006, there were 11.5 million shares of common stock available for future awards under the Plan.

Stock Options:

As discussed in Note 1, the Company adopted SFAS No. 123 (revised 2004) on January 1, 2005, which requires the Company to recognize the cost of its

employee stock option awards in its income statement based on the fair value of the award. The Company estimates the fair value of its option awards granted after January 1, 2005, using a lattice-based option valuation model. The Company believes that the lattice-based option valuation model provides a more precise estimate of fair value than the Black-Scholes option pricing model used in prior years. Lattice-based option valuation models utilize ranges of assumptions over the expected term of the options. Expected volatilities are based on the historical volatility of the Company's stock. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted is derived from the output of the option valuation model and represents the average period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Assumptions used in calculating the lattice-based fair value of options granted during 2006 and 2005 were as follows:

	2006	2005
Expected average term (in years)	5.7	4.5
Expected volatility	23% - 34 %	16% - 36 %
Weighted average volatility	30 %	30 %
Expected dividend yield	1.2 %	0.8 %
Risk-free interest rate	4.4% - 4.7 %	2.4% - 4.1 %

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

	2006 Options	2006 Weighted-Average Price	2005 Options	2005 Weighted-Average Price	2004 Options	2004 Weighted-Average Price
Options outstanding at January 1	6,785	$ 45	6,895	$ 41	9,029	$ 31
Options granted	689	$ 52	905	$ 60	1,419	$ 52
Options exercised	(3,113)	$ 40	(938)	$ 33	(3,418)	$ 18
Options forfeited	(241)	$ 52	(77)	$ 51	(135)	$ 47
Options outstanding at December 31	4,120	$ 49	6,785	$ 45	6,895	$ 41
Exercisable at December 31	2,046	$ 44	4,159	$ 40	3,482	$ 35
Weighted-average fair value of options granted during the year	$ 15		$ 16		$ 17	

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8. Stock Compensation (continued)

Stock Options (continued):

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

	2006	2005	2004
Exercised	$ 77,415	$ 23,355	$ 135,752
Outstanding	$ 90,359	$ 46,564	$ 135,652
Exercisable	$ 53,292	$ 47,594	$ 94,974

The Company's policy is to issue new shares of common stock upon the exercise of employee stock options. The Company has a continuing authorization from its Board of Directors to repurchase shares to offset dilution caused by the exercise of stock options, see Note 7.

Stock options outstanding at December 31, 2006 (options in thousands):

Price Range	Weighted-Average Contractual Life	Options	Weighted-Average Exercise Price
$10.01 to $20	0.9	74	$ 14
$20.01 to $30	2.1	116	$ 26
$30.01 to $40	3.3	274	$ 35
$40.01 to $50	5.7	1,055	$ 42
$50.01 to $60	7.4	1,893	$ 52
$60.01 to $70	8.1	708	$ 61
Options outstanding	6.6	4,120	$ 49
Options exercisable	5.2	2,046	$ 44

Nonvested Stock:

The fair value of nonvested shares is determined based on the market price of the Company's shares on the grant date. The following table summarizes the nonvested share transactions for the years ended December 31 (in thousands except for per share amounts):

	2006 Nonvested Shares	2006 Fair Value Per Share	2005 Nonvested Shares	2005 Fair Value Per Share
Nonvested at January 1	112	$ 60	--	--
Granted	253	$ 52	115	$ 60
Vested	--	--	--	--
Forfeited	(18)	$ 52	(3)	$ 60
Nonvested at December 31	347	$ 54	112	$ 60

As of December 31, 2006, there was $10.8 million of unrecognized compensation cost related to nonvested stock that is expected to be recognized over a weighted-average period of 2.6 years.

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9. Earnings Per Share

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

	2006	2005	2004
Numerator:			
Net income used in computing basic and diluted earnings per share	$ 1,043,153	$ 959,604	$ 889,766
Denominator:			
Denominator for basic earnings per share - weighted-average common shares	264,453	280,303	295,008
Effect of dilutive securities - employee stock compensation plan	820	732	1,844
Denominator for diluted earnings per share - adjusted weighted-average shares outstanding	265,273	281,035	296,852

Options to purchase 1.9 million and 2.6 million shares of common stock outstanding during 2006 and 2005, 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. There were no anti-dilutive securities for the year ended December 31, 2004.

10. Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, marketable securities, trade receivables, finance receivables, finance receivables held for sale, trade payables, finance debt, foreign currency contracts and interest rate swaps.

Cash and Cash Equivalents, Trade Receivables and Trade Payables -- The book values for these amounts are estimated to approximate their respective fair values due to the short maturity of these instruments.

Marketable Securities -- The carrying value of marketable securities approximates fair value. The fair value of marketable securities is based primarily on quoted market prices. Changes in fair value are recorded, net of tax, as other comprehensive income and included as a component of shareholder's equity.

Finance Receivables, Net -- The carrying value of retail finance receivables approximates fair value. The carrying value of wholesale finance receivables

approximates fair value because they are either short-term or have interest rates that adjust with changes in market interest rates.

The fair value of investment in retained securitization interests is estimated based on the present value of future expected cash flows using management's best estimates of the key assumptions. Changes in fair value are recorded, net of tax, as other comprehensive income and included as a component of shareholder's equity.

Finance Receivables Held for Sale -- The carrying value of finance receivables held for sale approximates fair value as finance receivables held for sale are held for only a short period of time prior to being securitized.

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10. Fair Value of Financial Instruments (continued)

Finance Debt -- The carrying value of debt provided under the credit facilities approximates fair value since the interest rates charged under this facility are tied directly to market rates and fluctuate as market rates change. The carrying value of commercial paper approximates fair value due to their short maturity.

Medium-term notes are carried at fair value and include a fair value adjustment due to the interest rate swap agreement which effectively converts the majority of the notes from a fixed to a floating interest rate.

The carrying value of senior subordinated notes approximates fair value and is estimated based upon rates currently available for debt with similar terms and remaining maturities.

Foreign Currency Contracts -- During 2006 and 2005, the Company utilized foreign currency contracts to hedge its sales transactions denominated in the Euro. The foreign currency contracts were designated as cash flow hedges and generally had lives less than one year. The Company bases the fair value of its foreign currency contracts on quoted market prices. Information related to the Company's foreign currency contracts as of December 31 is as follows (in millions):

	2006	2005
Euro value	€ 280.0	€ 150.0
Notional U.S. dollar value	$ 360.3	$ 186.9
Fair value of contracts recorded as current (liabilities) assets	($12.4)	$ 7.7
Unrealized (loss) gain recorded in accumulated other comprehensive income (loss), net of tax	($7.5)	$ 4.1

During 2006 and 2005, the hedges were highly effective and, as a result, the amount of hedge ineffectiveness recognized during the year was not material. The total net unrealized loss, net of taxes, related to foreign currency contracts reclassified to earnings during 2006 was $2.2 million. The Company

expects that the unrealized losses, net of taxes, as of December 31, 2006, of $7.5 million will be reclassified to earnings within one year.

Interest Rate Swaps - Securitization Transactions -- During 2006 and 2005, HDFS utilized interest rate swaps to reduce the impact of fluctuations in interest rates on its securitization transactions. These interest rate derivatives are designated as cash flow hedges and generally have a life of less than six months. Information related to these swap agreements as of December 31 is as follows (in millions):

	2006	2005
Notional value	$ 501.5	$ 226.2
Fair value of swaps recorded as current assets (liabilities)	$ 0.3	($0.4)
Unrealized gain (loss) recorded in accumulated other comprehensive income (loss), net of tax	$ 0.2	($0.2)

During 2006 and 2005, the hedges were highly effective and, as a result, the amount of hedge ineffectiveness recognized during the year was not material. Unrealized losses of $0.2 million, net of taxes, as of December 31, 2005, were reclassified to earnings during 2006 upon the sale of the respective retail motorcycle loans. HDFS expects to reclassify $0.2 million of the unrealized gains, net of taxes, as of December 31, 2006, to earnings within one year when HDFS completes a securitization of retail motorcycle loans.

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10. Fair Value of Financial Instruments (continued)

Interest Rate Swaps - Commercial Paper -- HDFS has entered into interest rate swap agreements that effectively convert a portion of its floating-rate debt to a fixed-rate basis for periods of four years, ending in 2007 and 2008. The differential paid or received on these swaps is recognized on an accrual basis as an adjustment to interest expense. As of December 31, 2006 and 2005, the agreements were designated as cash flow hedges. Information related to the swap agreements as of December 31 is as follows (in millions):

	2006	2005
Notional value	$ 200.0	$ 200.0
Fair value of swaps recorded as current assets	$ 3.7	$ 7.6
Unrealized gain recorded in accumulated other comprehensive income (loss), net of tax	$ 2.3	$ 4.8

During 2006 and 2005, the hedges were highly effective, and as a result, the amount of hedge ineffectiveness recognized during the year was not material. Unrealized gains of $3.5 million, net of taxes, as of December 31, 2005, were reclassified to earnings during 2006 upon payment of the related interest. HDFS expects to reclassify $2.2 million of the unrealized gains, net of taxes, as of December 31, 2006, to earnings within one year. The unrealized gains will be offset by the payment of variable interest associated with the floating

rate debt.

Interest Rate Swaps - Medium-Term Notes -- During 2005 and 2003, HDFS entered into interest rate swap agreements that effectively convert a portion of its fixed-rate debt to a floating-rate basis for a period of five years. The differential paid or received on these swaps is recognized on an accrual basis as an adjustment to interest expense. As of December 31, 2006 and 2005, the agreements were designated as fair value hedges. During 2006 and 2005, the hedges were highly effective and, as a result, there was no ineffectiveness recognized on these hedges during the year. Information related to these swap agreements as of December 31 is as follows (in millions):

	2006	2005
Notional value	$ 550.0	$ 550.0
Fair value of swaps recorded as current liabilities	($13.6)	($14.7)

No ready market exists for swaps utilized by HDFS. Fair value is determined by an independent third party using established valuation methods.

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11. Business Segments and Foreign Operations

Business Segments:

The Company operates in two business segments: Motorcycles and Financial Services. The Company's reportable segments are strategic business units that offer different products and services. They are managed separately based on the fundamental differences in their operations.

The Motorcycles segment consists primarily of the group of companies doing business as Harley-Davidson Motor Company and Buell Motorcycle Company. The Motorcycles segment designs, manufactures and sells primarily heavyweight (engine displacement of 651+cc) touring, custom and sport motorcycles and a broad range of related products which include motorcycle parts and accessories and riding apparel.

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

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

	2006	2005	2004
Motorcycles net revenue and Financial Services income:			
Motorcycles net revenue	$ 5,800,686	$ 5,342,214	$ 5,015,190
Financial Services income	384,891	331,618	305,262
	$ 6,185,577	$ 5,673,832	$ 5,320,452
Income from operations:			
Motorcycles	$ 1,414,357	$ 1,299,865	$ 1,189,519
Financial Services	210,724	191,620	188,600
General corporate expenses	(22,561)	(21,474)	(16,628)
	$ 1,602,520	$ 1,470,011	$ 1,361,491

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

	Motorcycles	Financial Services	Corporate	Consolidated
2006				
Identifiable assets	$ 1,683,724	$ 2,951,896	$ 896,530	$ 5,532,150
Depreciation	205,954	7,815	--	213,769
Net capital expenditures	209,055	10,547	--	219,602
2005				
Identifiable assets	$ 1,845,802	$ 2,363,235	$ 1,046,172	$ 5,255,209
Depreciation	198,833	6,872	--	205,705
Net capital expenditures	188,078	10,311	--	198,389
2004				
Identifiable assets	$ 1,646,251	$ 2,223,796	$ 1,613,246	$ 5,483,293
Depreciation	206,420	7,536	156	214,112
Net capital expenditures	188,122	25,171	257	213,550

11. Business Segments and Foreign Operations (continued)

Geographic Information:

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

	2006	2005	2004
Motorcycles net revenue(a):			
United States	$ 4,618,997	$ 4,304,865	$ 4,097,882
Europe	621,069	530,124	477,962
Japan	207,884	192,268	192,720
Canada	188,993	143,204	136,721
Other foreign countries	163,743	171,753	109,905
	$ 5,800,686	$ 5,342,214	$ 5,015,190
Financial Services income(a):			
United States	$ 356,539	$ 308,341	$ 283,837
Europe	11,034	9,135	9,538
Canada	17,318	14,142	11,887
	$ 384,891	$ 331,618	$ 305,262
Long-lived assets(b):			
United States	$ 1,139,846	$ 1,450,278	$ 1,246,808
Other foreign countries	56,214	38,002	44,300
	$ 1,196,060	$ 1,488,280	$ 1,291,108

(a) Net revenue and income is attributed to geographic regions based on location of customer.

(b) Long-lived assets include all long-term assets except those specifically excluded under SFAS No. 131, such as deferred income taxes and finance receivables.

12. Related Party Transactions

The Company has the following material related party transactions. A director of the Company is Chairman and Chief Executive Officer and an equity owner of Fred Deeley Imports Ltd. (Deeley Imports), the exclusive distributor of the Company's motorcycles in Canada. During 2006, 2005 and 2004, the Company recorded revenue and financial services income from Deeley Imports of $187.7 million, $145.1 million and $137.6 million, respectively, and had accounts receivables balances due from Deeley Imports of $21.0 million and $14.8 million at December 31, 2006 and 2005, respectively. All such products were provided in the ordinary course of business at prices and on terms and conditions that the Company believes are the same as those that would result from arm's-length negotiations between unrelated parties.

SUPPLEMENTARY DATA

Quarterly financial data (unaudited)

(In millions, except per share data)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	Mar 26, 2006	Mar 27, 2005	June 25, 2006	June 26, 2005	Sep 24, 2006	Sep 25, 2005	Dec 31, 2006	Dec 31, 2005
Net revenue	$ 1,285.1	$ 1,235.5	$ 1,377.0	$ 1,333.3	$ 1,635.9	$ 1,431.2	$ 1,502.7	$ 1,342.2
Gross profit	493.2	464.3	516.3	500.4	652.3	561.3	571.0	514.5
Income before taxes	366.5	352.3	380.4	368.0	488.6	410.8	388.7	356.7
Net income	234.6	227.2	243.4	237.4	312.7	265.0	252.5	230.0
Earnings per commmon share:								
Basic	$ 0.86	$ 0.78	$ 0.91	$ 0.85	$ 1.20	$ 0.97	$ 0.98	$ 0.84
Diluted	$ 0.86	$ 0.77	$ 0.91	$ 0.84	$ 1.20	$ 0.96	$ 0.97	$ 0.84

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

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Management's Report on Internal Control over Financial Reporting

The report of management required under this Item 9A is contained in Item 8 of Part II of this Annual Report on Form 10-K under the heading "Management's

Report on Internal Control over Financial Reporting."

Attestation Report of Independent Registered Public Accounting Firm

The attestation report required under this Item 9A is contained in Item 8 of Part II of this Annual Report on Form 10-K under the heading "Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting."

Changes in Internal Controls

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART III

Item 10. Directors and Executive Officers of the Registrant

The information included or to be included in the Company's definitive proxy statement for the 2007 annual meeting of shareholders, which will be filed on or about March 23, 2007 (the Proxy Statement) under the captions "Election of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," "Audit Committee Report" and "Independence of Directors" is incorporated by reference herein.

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

Item 11. Executive Compensation

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

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information included or to be included in the Proxy Statement under the caption

"Common Stock Ownership of Certain Beneficial Owners and Management" is incorporated by reference herein.

The following table provides information about the Company's equity compensation plans (including individual compensation arrangements) as of December 31, 2006:

Plan Category	Number of securities to be issued upon the exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by shareholders:			
Management employees	4,033,983	$ 48.77	11,494,263
Equity compensation plans not submitted to shareholders:			
Union employees:			
Kansas City, MO	3,080	$ 21.19	24,468
York, PA	53,395	$ 38.88	52,075
Non employees:			
Board of Directors	29,300	$ 38.27	114,911
	85,775	$ 38.04	191,454
Total all plans	4,119,758	$ 48.55	11,685,717

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

The material features of the union employees' stock option awards are the same as those of the management employees' stock option awards. Under the Company's management and union plans, stock options have an exercise price equal to the fair market value of the underlying stock at the date of grant, expire ten years from the date of grant and vest ratably over a four-year period, with the first 25 percent becoming exercisable one year after the date of grant.

Effective December 31, 2002, non-employee directors of the Company's Board of

Directors were no longer eligible to receive stock options. Prior to December 31, 2002, under the Board of Directors' plan, each non-employee director who served as a member of the Board immediately following the annual meeting of shareholders was automatically granted an immediately exercisable stock option for the purchase of such number of shares of Common Stock equal to three times the annual retainer fee for directors divided by the fair market value of a share of Common Stock on the day of grant (rounded up to the nearest multiple of 100). Board of Directors' stock options have an exercise price equal to the fair market value of the underlying stock at the date of grant and expire ten years from the date of grant.

In 2002, the Director Compensation Policy was changed to provide that a non-employee Director may elect to receive 50% or 100% of the annual fee to be paid in each calendar year in the form of Common Stock based upon the fair market value of the Common Stock at the time of the annual meeting of shareholders. Directors must receive a minimum of one-half of their annual retainer in Company Common Stock until the Director reaches the Director stock ownership guidelines, defined below.

In 2006, the Director Compensation Policy was amended, based upon an independent market study of director compensation, to provide Directors with compensation that included an annual retainer as well as a grant of shares. In 2006, the Directors received a grant of 1,000 share units, each representing the value of one share of Company stock. The payment of share units is deferred until a director ceases to serve as a director and are payable at that time in actual Company stock.

In August 2002, the Board approved "Director and Senior Executive Stock Ownership Guidelines" (Ownership Guidelines) which were revised in August 2004 and more recently in February 2006. The Ownership Guidelines stipulate that all directors hold 5,000 shares of the Company's Common Stock and senior executives hold from 5,000 to 30,000 shares of the Company's Common Stock depending on their level. The directors and senior executives have five years from January 2003 or the date they are elected a director or promoted to a senior executive to accumulate the appropriate number of shares of the Company's Common Stock.

Item 13. Certain Relationships and Related Transactions

The information included or to be included in the Proxy Statement under the caption "Certain Transactions" is incorporated by reference herein.

Item 14. Principal Accounting Fees and Services

The information included or to be included in the Proxy Statement under the caption "Fees Paid to Ernst & Young LLP" is incorporated by reference herein.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

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

Consolidated statements of income for each of the three years in the period ended December 31, 2006 58
Consolidated balance sheets at December 31, 2006 and December 31, 2005 59
Consolidated statements of cash flows for each of the three years in the period ended December 31, 2006 60
Consolidated statements of shareholders' equity for each of the three years in the period ended December 31, 2006 61
Notes to consolidated financial statements 62
(2) Financial Statement Schedule
Schedule II -- Valuation and qualifying accounts 103
(3) Exhibits

Reference is made to the separate Index to Exhibits contained on pages 105 through 108 filed herewith

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

Schedule II

HARLEY-DAVIDSON, INC.

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

Years ended December 31, 2006, 2005 and 2004

(In thousands)

Classification		Balance at beginning of year	Additions charged to expense	Deductions(1)	Balance at end of year
Accounts receivable-					
Allowance for doubtful accounts:					
	2006	$ 8,492	$ 1,589	($646)	$ 9,435
	2005	$ 10,295	($1,330)	($473)	$ 8,492
	2004	$ 9,368	$ 2,462	($1,535)	$ 10,295
Finance receivables-					
Allowance for doubtful accounts:					
	2006	$ 26,165	$ 5,962	($4,844)	$ 27,283
	2005	$ 30,277	$ 3,263	($7,375)	$ 26,165
	2004	$ 31,311	$ 3,070	($4,104)	$ 30,277
Inventories-					
Allowance for obsolescence (2)					
	2006	$ 16,669	$ 5,611	($6,998)	$ 15,282
	2005	$ 14,451	$ 7,597	($5,379)	$ 16,669
	2004	$ 16,956	$ 8,410	($10,915)	$ 14,451

(1) Deductions represent amounts written off to the reserve, net of recoveries. Included in the Finance receivables recoveries are $0.6 million, $1.8 million and $3.7 million of recoveries in 2006, 2005 and 2004, respectively, received by HDFS from HDMC. These recoveries relate to certain guarantees provided by HDMC on wholesale loans to European Harley-Davidson dealers. At December 31, 2006, 2005 and 2004, HDMC has $0.5 million, $0.3 million and $3.3 million, respectively, included in the accounts receivable allowance for doubtful accounts related to outstanding guarantees.

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

SIGNATURES

Pursuant to the requirements of Section 13, or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 27, 2007.

HARLEY-DAVIDSON, INC.
By: /S/ James L. Ziemer
James L. Ziemer
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 27, 2007.

Name	Title
/S/ James L. Ziemer James L. Ziemer	President and Chief Executive Officer and Director (Principal executive officer)
/S/ Thomas E. Bergmann Thomas E. Bergmann	Vice President and Chief Financial Officer (Principal financial officer)
/S/ James M. Brostowitz James M. Brostowitz	Vice President and Treasurer and Chief Accounting Officer (Principal accounting officer)
/S/ Barry K. Allen Barry K. Allen	Director
/S/ Richard I. Beattie Richard I. Beattie	Director
/S/ Jeffrey L. Bleustein Jeffrey L. Bleustein	Chairman and Director
/S/ George H. Conrades George H. Conrades	Director
/S/ Judson C. Green Judson C. Green	Director
/S/ Donald A. James Donald A. James	Director
/S/ Sara L. Levinson Sara L. Levinson	Director
/S/ George L. Miles, Jr. George L. Miles, Jr.	Director
/S/ James A. Norling James A. Norling	Director

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INDEX TO EXHIBITS

{Items 15(a)(3) and 15(c)}

Exhibit No Description

3.1 Restated Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 1-9183))

3.2 By-Laws, as amended February 14, 2007 (incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed February 21, 2007 (File No. 1-9183))

4.1 Form of Rights Agreement between the Registrant and Firstar Bank, N.A. dated February 17, 2000 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-A dated February 18, 2000 (File No. 1-9183))

4.2 Form of Rights Agent Agreement between the Registrant and Computershare Investor Services, LLC (incorporated herein by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-9183))

4.3 Harley-Davidson Financial Services Five-Year Revolving Credit Facility (the Registrant has instruments that define the rights of holders of long-term debt that are not being filed with this Annual Report in reliance upon Item 601(b)(4)(iii) of Regulation S-K. The Registrant agrees to furnish to the Securities and Exchange Commission, upon request, copies of these instruments) (incorporated herein by reference to Exhibit 4.3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 1-9183))

4.4 Amendment No. 1 to Harley-Davidson Financial Services Five-Year Revolving Credit Facility

4.5 Indenture to provide for the issuance of indebtedness dated as of November 21, 2003 between Harley-Davidson Funding Corp., Issuer, Harley-Davidson Financial Services, Inc. and Harley-Davidson Credit Corp., Guarantors, to BNY Midwest Trust Company, Trustee (incorporated herein by reference to Exhibit 4.4 to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2005 (File No. 1-9183))

10.1* Harley-Davidson, Inc. 1995 Stock Option Plan as amended through February 14, 2007

10.2* Harley-Davidson, Inc. Director Stock Plan as amended February 14, 2007

10.3* Form of Transition Agreement between the Registrant and Ms. Lione and each of Messrs. Brostowitz, Eberle, Hutchinson, McCaslin, Sutton and Ziemer (incorporated herein by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-9183))

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

INDEX TO EXHIBITS

{Items 15(a)(3) and 15(c)}

Exhibit No. Description

10.4* Form of Transition Agreement dated March 6, 2006 between the Registrant and Mr. Bergmann (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 26, 2006 (File No. 1-9183))

10.5* Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-9183))

10.6* Form of Life Insurance Agreement between the Registrant and Ms. Lione and each of Messrs. Brostowitz, Hutchinson, McCaslin and Ziemer (incorporated herein by reference from Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 1-9183))

10.7* Harley-Davidson, Inc. Corporate Short Term Incentive Plan as amended April 24, 2004 (incorporated herein by reference from Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended March 28, 2004 (File No. 1-9183))

10.8* Form of Severance Benefits Agreement between the Registrant and Ms. Bischmann and Ms. Lione and each of Messrs. Brostowitz, Eberle, Flickinger, Hutchinson, McCaslin, Sutton and Ziemer (incorporated herein by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-9183))

10.9* Form of Severance Benefits Agreement dated March 6, 2006 between the Registrant and Mr. Bergmann (incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 26, 2006 (File No. 1-9183))

10.10* Form of Supplemental Executive Retirement Plan Agreement between the Registrant and each of Messrs. McCaslin and Ziemer (incorporated herein by reference from Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 1996 (File No. 1-9183))

10.11* Harley-Davidson Pension Benefit Restoration Plan (incorporated herein by reference from Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 1996 (File No. 1-9183))

10.12* Description of Post-Retirement Life Insurance Equivalent (incorporated herein by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-9183))

10.13 Harley-Davidson, Inc. 1998 Non-Exempt Employee Stock Option Plan (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-8 (File No. 333-75347))

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

INDEX TO EXHIBITS

{Items 15(a)(3) and 15(c)}

Exhibit No	Description
10.14	2001 York Hourly-Paid Employees Stock Option Plan (incorporated herein by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-9183))
10.15*	Director Compensation Policy effective April 29, 2006 (incorporated herein by reference from Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed May 4, 2006 (File No. 1-9183))
10.16*	Deferred Compensation Plan for Nonemployee Directors initially effective May 1, 1995 amended and restated May 1, 2001 and amended May 3, 2003 (incorporated herein by reference from Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 29, 2003 (File No. 1-9183))
10.17*	Harley-Davidson, Inc. 2004 Incentive Stock Plan as amended through February 14, 2007
10.18*	Form of Notice of Grant of Stock Options and Option Agreement of Harley-Davidson, Inc. under the Harley-Davidson Inc. 1995 Stock Option Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.21 to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2005 (File No. 1-9183))
10.19*	Form of Notice of Special Grant of Stock Options and Option Agreement of Harley-Davidson, Inc under the Harley-Davidson Inc. 1995 Stock Option Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.22 to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2005 (File No. 1-9183))
10.20*	Form of Notice of Award of Restricted Stock and Restricted Stock Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.23 to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2005 (File No. 1-9183))
10.21*	Form of Notice of Special Award of Restricted Stock and Restricted Stock Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.24 to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2005 (File No. 1-9183))

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

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INDEX TO EXHIBITS

{Items 15(a)(3) and 15(c)}

Exhibit No.	Description
10.22*	Form of Notice of Grant of Stock Appreciation Rights and Stock Appreciation Rights Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan
10.23*	Form of Notice of Award of Restricted Stock Unit and Restricted Stock Unit Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan
10.24*	Harley-Davidson, Inc. Employee Short-Term Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Registrant's Form 10-Q filed May 2, 2005 (File No. 1-9183))
21	List of Subsidiaries
23	Consent of Independent Registered Public Accounting Firm
31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a)
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a)
32	Written Statement of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. (s)1350

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

Exhibit 4.4

AMENDMENT NO. 1

Dated as of December 1, 2006

to

CREDIT AGREEMENT

Dated as of September 16, 2004

THIS AMENDMENT NO. 1 ("Amendment") is made as of December 1, 2006 (the "Effective Date") by and among Harley-Davidson Funding Corp., a Nevada corporation, Harley-Davidson Financial Services Europe Limited, a company incorporated and organized under the laws of England and Wales and Harley-Davidson Financial Services Canada, Inc., a corporation organized under the laws of Canada (collectively, the "Borrowers"), the financial institutions listed on the signature pages hereof and JPMorgan Chase Bank, National Association, as Global Administrative Agent (the "Administrative Agent"), under that certain Credit Agreement dated as of September 16, 2004 by and among the Borrowers, the Lenders and the Administrative Agent (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Credit Agreement.

WHEREAS, the Borrowers have requested that certain modifications be made to the Credit Agreement;

WHEREAS, the Borrowers, the Lenders party hereto and the Administrative Agent

have agreed to amend the Credit Agreement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the premises set forth above, the terms and conditions contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrowers, the Lenders party hereto and the Administrative Agent hereby agree to the following amendment to the Credit Agreement.

1. Amendments to Credit Agreement. Effective as of the Effective Date but subject to the satisfaction of the conditions precedent set forth in Section 2 below, the Credit Agreement is hereby amended as follows:

(a) The Commitments of certain of the Syndicated Global Lenders are amended as set forth on Annex I hereto. The Borrowers hereby agree to compensate each Syndicated Global Lender for any and all losses, costs and expenses incurred by such Lender in connection with the sale and assignment of any Eurocurrency Rate Loans and the reallocation described in Section 2(a) below, in each case on the terms and in the manner set forth in Section 3.4 of the Credit Agreement.

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2. Conditions of Effectiveness. The effectiveness of this Amendment is subject to the conditions precedent that (a) the Administrative Agent and the Lenders shall have administered the reallocation of the Aggregate Outstanding Credit Exposure among the Lenders such that after giving effect to the amendments to the Commitments pursuant hereto, each Lender's Pro Rata Share of the Aggregate Outstanding Credit Exposure is equal to such Lender's Pro Rata Share of the Aggregate Commitment and (b) the Administrative Agent shall have received (i) counterparts of this Amendment duly executed by each Borrower, each Lender increasing its Commitment pursuant to Section 1(a) above, the Required Lenders and the Administrative Agent and counterparts of the Consent and Reaffirmation attached hereto duly executed by the Guarantors and Harley, (ii) an opinion of counsel in form and substance reasonably acceptable to the Administrative Agent and such other instruments and documents as are reasonably requested by the Administrative Agent and (iii) payment and/or reimbursement of the Administrative Agent's reasonable fees and expenses (including, to the extent invoiced, fees and expenses of counsel for the Administrative Agent) in connection with this Amendment.

3. Representations and Warranties of each Borrower. Each Borrower hereby represents and warrants as follows:

(a) This Amendment and the Credit Agreement as amended hereby constitute the legal, valid and binding obligations of such Borrower enforceable against such Borrower in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and general principles of equity, regardless of whether the application of such principles is considered in a proceeding in equity or at law.

(b) As of the date hereof and giving effect to the terms of this Amendment, (i) no Default or Unmatured Default shall have occurred and be continuing and (ii) the representations and warranties of such Borrower contained in Article Vof the Credit Agreement, as amended hereby, are true and correct as of the Effective Date, except for representations and warranties made with reference solely to an earlier date, which representations and warranties shall be true and correct as of such earlier date.

4. Reference to and Effect on the Credit Agreement.

(a) Upon the effectiveness hereof, each reference to the Credit Agreement in the Credit Agreement or any other Loan Document shall mean and be a reference to the Credit Agreement as amended hereby.

(b) Except as specifically amended above, the Credit Agreement and all other documents, instruments and agreements executed and/or delivered in connection therewith shall remain in full force and effect and are hereby ratified and confirmed.

(c) Except as specifically provided above, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or the Lenders, nor constitute a waiver of any provision of the Credit Agreement or any other documents, instruments and agreements executed and/or delivered in connection therewith.

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5. Governing Law. This Amendment shall be construed in accordance with and governed by the internal laws of the State of Illinois, but giving effect to federal laws applicable to banks.

6. Headings. Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

7. Counterparts. This Amendment may be executed by one or more of the parties hereto on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

{Signature Pages Follow}

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IN WITNESS WHEREOF, this Amendment has been duly executed as of the day and year first above written.

HARLEY-DAVIDSON FUNDING CORP.,
as a Borrower
By:_____
Name:
Title:
HARLEY-DAVIDSON FINANCIAL SERVICES
EUROPE LIMITED,
as a Borrower
By:_____
Name:
Title:
HARLEY-DAVIDSON FINANCIAL SERVICES CANADA, INC.,
as a Borrower
By:_____
Name:
Title:

Signature Page to Amendment No. 1

Credit Agreement dated as of September 16, 2004

Harley-Davidson Funding Corp. et al

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION,
individually as a Lender, as Global Swingline Lender and as Global Administrative Agent
By:_____
Name:
Title:

Signature Page to Amendment No. 1

Credit Agreement dated as of September 16, 2004

Harley-Davidson Funding Corp. et al

CITIBANK, N.A.,
individually as a Lender and as Syndication Agent
By:_____
Name:
Title:

Signature Page to Amendment No. 1

Credit Agreement dated as of September 16, 2004

Harley-Davidson Funding Corp. et al

BNP PARIBAS,
individually as a Lender and as Documentation Agent
By:_____
Name:
Title:
By:_____
Name:
Title:

Signature Page to Amendment No. 1

Credit Agreement dated as of September 16, 2004

Harley-Davidson Funding Corp. et al

ABN AMRO BANK N.V.,
individually as a Lender
By:_____
Name:
Title:
By:_____
Name:
Title:

Signature Page to Amendment No. 1

Credit Agreement dated as of September 16, 2004

Harley-Davidson Funding Corp. et al

WACHOVIA BANK, N.A.,
individually as a Lender
By:_____
Name:
Title:

Signature Page to Amendment No. 1

Credit Agreement dated as of September 16, 2004

Harley-Davidson Funding Corp. et al

FORTIS CAPITAL CORP.,
individually as a Lender
By:_____
Name:
Title:
By:_____
Name:
Title:

Signature Page to Amendment No. 1

Credit Agreement dated as of September 16, 2004

Harley-Davidson Funding Corp. et al

LLOYDS TSB BANK plc,
individually as a Lender
By:_____
Name:
Title:
By:_____
Name:
Title:

Signature Page to Amendment No. 1

Credit Agreement dated as of September 16, 2004

Harley-Davidson Funding Corp. et al

MIZUHO CORPORATE BANK, LTD.,
individually as a Lender
By:_____
Name:
Title:

Signature Page to Amendment No. 1

Credit Agreement dated as of September 16, 2004

Harley-Davidson Funding Corp. et al

U.S. BANK NATIONAL ASSOCIATION,
individually as a Lender
By:_____
Name:
Title:

Signature Page to Amendment No. 1

Credit Agreement dated as of September 16, 2004

Harley-Davidson Funding Corp. et al

WELLS FARGO BANK, N.A.,
individually as a Lender
By:_____
Name:
Title:
By:_____
Name:
Title:

Signature Page to Amendment No. 1

Credit Agreement dated as of September 16, 2004

Harley-Davidson Funding Corp. et al

THE BANK OF NEW YORK,
individually as a Lender
By:_____
Name:
Title:

Signature Page to Amendment No. 1

Credit Agreement dated as of September 16, 2004

Harley-Davidson Funding Corp. et al

BARCLAYS BANK plc,
individually as a Lender
By:_____
Name:
Title:

Signature Page to Amendment No. 1

Credit Agreement dated as of September 16, 2004

Harley-Davidson Funding Corp. et al

M&I MARSHALL & IISLEY BANK,
individually as a Lender
By:_____
Name:
Title:
By:_____
Name:
Title:

Signature Page to Amendment No. 1

Credit Agreement dated as of September 16, 2004

Harley-Davidson Funding Corp. et al

THE NORTHERN TRUST COMPANY,
individually as a Lender
By:_____
Name:
Title:

Signature Page to Amendment No. 1

Credit Agreement dated as of September 16, 2004

Harley-Davidson Funding Corp. et al

SCOTIABANK, INC.,
individually as a Lender
By:_____
Name:
Title:

Signature Page to Amendment No. 1

Credit Agreement dated as of September 16, 2004

Harley-Davidson Funding Corp. et al

BANCA NAZIONALE DEL LAVORO SpA,
individually as a Lender
By:_____
Name:
Title:
By:_____
Name:
Title:

Signature Page to Amendment No. 1

Credit Agreement dated as of September 16, 2004

Harley-Davidson Funding Corp. et al

CONSENT AND REAFFIRMATION

Each of the undersigned hereby acknowledges receipt of a copy of the foregoing Amendment No. 1 to the Credit Agreement dated as of June 30, 2006 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement") by and among Harley-Davidson Funding Corp., Harley-Davidson Financial Services Europe Limited and Harley-Davidson Financial Services Canada, Inc. (collectively, the "Borrowers"), the Lenders and JPMorgan Chase Bank, National Association, as Global Administrative Agent (the "Administrative Agent"), which Amendment No. 1 is dated as of November , 2006 and is by and among the Borrowers, the financial institutions listed on the signature pages thereof and the Administrative Agent (the "Amendment"). Capitalized terms used in this Consent and Reaffirmation and not defined herein shall have the meanings given to them in the Credit Agreement. Without in any way establishing a course of dealing by the Administrative Agent or any Lender, each of the undersigned consents to the Amendment and reaffirms the terms and conditions of the Support Agreement (in the case of Harley), the Subsidiary Guaranty (in the case of the Guarantors) and any other Loan Document executed by it and acknowledges and agrees that each and every Loan Document executed by the undersigned in connection with the Credit Agreement remains in full force and effect and is hereby reaffirmed, ratified and confirmed. All references to the Credit Agreement contained in the above-referenced documents shall be a reference to the Credit Agreement as so modified by the Amendment and as the same may from time to time hereafter be amended, modified or restated.

Dated December 1, 2006

{Signature Pages Follow}

IN WITNESS WHEREOF, this Consent and Reaffirmation has been duly executed as of the day and year above written.

HARLEY-DAVIDSON, INC.

By:_____

Name:

Title:

HARLEY-DAVIDSON FINANCIAL SERVICES, INC.

By:_____

Name:

Title:

HARLEY-DAVIDSON FINANCIAL SERVICES INTERNATIONAL, INC.

By:_____

Name:

Title:

HARLEY-DAVIDSON CREDIT CORP.

By:_____

Name:

Title:

ANNEX I

COMMITMENTS

Lender	Commitment
JPMorgan Chase Bank, National Association	$ 215,000,000
Citibank, N.A.	$ 215,000,000
ABN AMRO Bank N.V.	$ 160,000,000
Wachovia Bank, N.A.	$ 160,000,000
BNP Paribas	$ 145,000,000
Fortis Capital Corp.	$ 60,000,000
Lloyds TSB Bank plc	$ 60,000,000
Mizuho Corporate Bank, Ltd.	$ 60,000,000
U.S. Bank National Association	$ 60,000,000
Wells Fargo Bank, N.A.	$ 60,000,000
The Bank of New York	$ 35,000,000
Barclays Bank plc	$ 35,000,000
M&I Marshall & Ilsley Bank	$ 35,000,000
The Northern Trust Company	$ 35,000,000
Scotiabanc, Inc.	$ 35,000,000
Banca Nazionale del Lavoro SpA	$ 30,000,000
Aggregate Commitment	$ 1,400,000,000

Exhibit 10.1

HARLEY-DAVIDSON, INC.

1995 STOCK OPTION PLAN

(as amended through February 14, 2007)

ARTICLE I

PURPOSE

The purpose of the Harley-Davidson, Inc. 1995 Stock Option Plan is to provide favorable opportunities for certain selected employees of Harley-Davidson, Inc. and its subsidiaries to purchase or receive shares of Common Stock of Harley-Davidson, Inc., or to benefit from the appreciation thereof. Such opportunities should provide an increased incentive for these employees to contribute to the future success and prosperity of Harley-Davidson, Inc., thus enhancing the value of the stock for the benefit of the shareholders, and increase the ability of Harley-Davidson, Inc. to attract and retain individuals of exceptional skill upon whom, in large measure, its sustained progress, growth and profitability depend.

ARTICLE II

DEFINITIONS

The following capitalized terms used in the Plan shall have the respective meanings set forth in this Article:

2.1. BOARD: The Board of Directors of Harley-Davidson, Inc.

2.2. CODE: The Internal Revenue Code of 1986, as amended.

2.3. COMMITTEE: The Human Resources Committee of the Board; provided that if any member of the Human Resources Committee is not both a Disinterested Person and Outside Director, the Committee shall be comprised of only those members of the Human Resources Committee who are both Disinterested Persons and Outside Directors.

2.4. COMMON STOCK: The common stock of Harley-Davidson, Inc.

2.5. COMPANY: Harley-Davidson, Inc. and any of its Subsidiaries.

2.6. DISABILITY: Disability within the meaning of Section 22(e)(3) of the Code, as determined by the Committee.

2.7. DISINTERESTED PERSONS: Non-employee directors within the meaning of Rule 16b-3 as promulgated under the Securities Exchange Act of1934, as amended.

2.8. EMPLOYER: The entity that employs the employee or Optionee.

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2.9. FAIR MARKET VALUE: (From and after February 14, 2007) Per share of Common Stock on the date as of which Fair Market Value is being determined, if the Common Stock is listed for trading on the New York Stock Exchange, the closing sales price on the date in question as reported in The Wall Street Journal, or if no sales of Common Stock occur on the date in question, on the last preceding date on which there was a sale on such exchange.

2.10. ISO: An incentive stock option within the meaning of Section 422 of the Code and which is designated as an incentive option by the Committee.

2.11. NON-ISO: A stock option which is not an ISO.

2.12. OPTION: A stock option granted under the Plan. Options include both ISOs and Non-ISOs.

2.13. OPTION PRICE: The purchase price of a share of Common Stock under an Option.

2.14. OPTIONEE: A person who has been granted one or more Options.

2.15. OUTSIDE DIRECTORS: Outside Directors within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder.

2.16. PARENT CORPORATION: The parent corporation, as defined in Section 424(e) of the Code.

2.17. PLAN: The Harley-Davidson, Inc. 1990 Stock Option Plan.

2.18. RETIREMENT: Retirement on or after age sixty-two or, with the consent of the Committee, at an earlier age.

2.19. SUBSIDIARY: A corporation, limited partnership, general partnership, limited liability company, business trust or other entity of which more than fifty percent (50%) of the voting power or ownership interest is directly and/or indirectly held by the Harley-Davidson, Inc.

2.20. TERMINATION DATE: A date fixed by the Committee but not later than the day preceding the tenth anniversary of the date on which the Option is granted.

ARTICLE III

ADMINISTRATION

3.1. The Committee shall administer the Plan and shall have full power to grant Options, construe and interpret the Plan, establish and amend rules and regulations for its administration, and perform all other acts relating to the Plan, including the delegation of administrative responsibilities, which it believes reasonable and proper.

3.2. Subject to the provisions of the Plan, the Committee shall, in its discretion, determine who shall be granted Options, the number of shares subject to option under any such Options, the dates after which Options, the dates after which Options may be exercise, in whole or in part, whether Options shall be ISOs, and the terms and conditions of the Options.

3.3. Any decision made, or action taken, by the Committee arising out of or in connection with the interpretation and administration of the Plan shall be final and conclusive.

3.4 To the extent permitted by applicable law, the Committee may, in its discretion, delegate to the Chief Executive Officer of the Company any or all of the authority and responsibility of the Committee under the Plan to grant Options to employees of the Company or its affiliates and/or persons who have been engaged to become employees of the Company or its affiliates, in each case other than employees who are, or persons engaged to become employees who upon employment will be, subject to the provisions of Section 16 of the Securities and Exchange Act of 1934, as amended, at the time any such delegated authority or responsibility is exercised. To the extent that the committee has delegated to the Chief Executive Officer the authority and responsibility of the Committee, all references to the Committee in the Plan other than in this Section 3.4 shall include the Chief Executive Officer with respect to the matters delegated. No such delegation shall preclude the Committee from exercising the authority and responsibility delegated.

ARTICLE IV

SHARES SUBJECT TO THE PLAN

4.1. The total number of shares of Common Stock available for grants of Options under the Plan shall be 15,200,000; provided that Options for not more than 800,000 shares of Common Stock shall be granted to an Optionee in any calendar year under the Plan, which amount shall be reduced by the amount of Common Stock subject to options granted to such Optionee in such calendar year under any other stock option plan of the Company. The foregoing amounts shall be subject to adjustment in accordance with Article VIII of the Plan. If an Option or portion thereof shall expire, be canceled or terminate for any reason without having been exercised in full, the unpurchased shares covered by such Option shall be available for future grants of Options. An Option, or portion thereof, exercised through the exercise of a stock appreciation right pursuant to Section 6.7 of the Plan shall be treated, for the purposes of this Article, as though the Option, or portion thereof, had been exercised through the purchase, that was so exercised shall not be available for future grants of Options.

ARTICLE V

ELIGIBILITY

5.1. Options may be granted to key employees of the Company or to persons who have been engaged to become key employees of the Company. Key employees will comprise, in general, those who contribute to the management, direction and overall success of the Company, including those who are members of the Board. Members of the Board who are not employees of the Company shall not be eligible for Option grants.

ARTICLE VI

TERM OF OPTIONS

6.1. OPTION AGREEMENTS: All Options shall be evidenced by written agreements executed by the Company. Such Options shall be subject to the applicable provisions of the Plan, and shall contain such provisions as are required by the Plan and any other provisions the Committee may prescribe. All agreements evidencing Options shall specify the total number of shares subject to each grant, the Option Price and the Termination Date. Those Options that comply with the requirements for an ISO set forth in Section 422 of the Code and are designated ISOs by the Committee shall be ISOs and all other Options shall be Non-ISOs.

6.2. OPTION PRICE: The Option Price shall be set by the Committee; provided, however, that the price per share shall not be less than the Fair Market Value of a share of Common Stock on the date the Option is granted.

6.3. PERIOD OF EXERCISE: The Committee shall determine the dates after which Options may be exercised in whole or in part. If Options are exercisable in installments, installments or portions thereof that are exercisable and not exercised shall accumulate and remain exercisable. The Committee may also amend an Option to accelerate the dates after which Options may be exercised in whole or in part. However, no Option or portion there of shall be exercisable after the Termination Date.

6.4. SPECIAL RULES REGARDING ISOS GRANTED TO CERTAIN EMPLOYEES:

Notwithstanding any contrary provisions of Sections 6.2 and 6.3 of the Plan, no ISO shall be granted to any employee who, at the time the Option is granted, owns (directly or indirectly, within the meaning of Section 424(d) of the Code) more than ten percent of the total combined voting power of all classes of stock of the Employer or of any Subsidiary or Parent Corporation thereof, unless (a) the Option Price under such Option is at least 110 percent of the Fair Market Value of a share of Common Stock on the date the Option is granted and (b) the Termination Date of such Option is a date not later than the day preceding the fifth anniversary of the date on which the Option is granted.

6.5. MANNER OF EXERCISE AND PAYMENT: An Option, or portion thereof, shall be exercised by delivery of a written notice of exercise to the Company and provision (in a manner acceptable to the Committee) for payment of the full price of the shares being purchased pursuant to the Option and any withholding taxes due thereon.

6.6. TAXES:

a. WITHHOLDING TAXES. The Company is entitled to withhold the amount of any tax attributable to any amount payable or Common Stock delivered or deliverable under this Plan, and the Company may defer making payment or delivery if any such tax may be pending unless and until indemnified to its satisfaction. An Optionee shall satisfy the federal, state and local withholding tax obligations arising in connection with an Option in a manner acceptable to the Committee.

b. NO GUARANTEE OF TAX TREATMENT. The Company does not guarantee to any Optionee or any other person with an interest in an Option that any Option intended to be exempt from Code Section 409A shall be so exempt, or that any Option intended to comply with Code Section 409A shall so comply, and nothing in this Plan obligates the Company or any affiliate to indemnify, defend or hold harmless any individual with respect to the tax consequences of any such failure

6.7. STOCK APPRECIATION RIGHTS: At or after the grant of an Option, the Committee, in its discretion, may provide an Optionee with an alternate means of exercising an Option, or a designated portion thereof, by granting the Optionee a stock appreciation right. A "stock appreciation right": is a right to receive, upon exercise of an Option or any portion thereof, in the Committee's sole discretion, an amount of cash equal to, and/or shares of Common Stock having a Fair Market Value on the date of exercise equal to, the excess of the Fair Market Value of a share of Common Stock on the date of exercise over the Option Price, multiplied by the number of shares of Common Stock that the Optionee would have received had the Option or portion thereof been exercised through the purchase of shares of Common Stock at the Option Price, provided that (a) such Option or portion thereof has been designated as exercisable in this alternative manner, (s) such Option or portion thereof is otherwise exercisable, and (c) the Fair Market Value of a share of Common Stock on the date of exercise exceeds the Option Price.

6.8. NONTRANSFERABILITY OF OPTIONS: Except as may otherwise be provided by the Committee, each Option shall, during the Optionee's lifetime, be exercisable only by the Optionee, and neither it nor any right hereunder shall be transferable otherwise than by will or the laws of descent and distribution or be subject to attachment, execution or other similar process. In the event of any attempt by the Optionee to alienate, assign, pledge, hypothecate or other wise dispose of an Option or of any right hereunder, except as provided for herein, or in the event of any levy or any attachment, execution or similar process upon the rights or interest hereby conferred, the Company may terminate the Option by notice to the Optionee and the Option shall thereupon become null and void.

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Transfers of Options under the Plan pursuant to any judgment, decree, or order (including approval of a property settlement agreement) which relates to the

provision of child support, alimony payments, or marital property rights to a spouse, former spouse, child, or other dependent of a participant, and is made pursuant to a State domestic relations law (including a community property law) and satisfies, to the extent applicable, the provisions of Internal Revenue Code Section 414(p) are allowed.

6.9. CESSATION OF EMPLOYMENT OF OPTIONEE:

a. CESSATION OF EMPLOYMENT OTHER THAN BY REASON OF RETIREMENT, DISABILITY OR DEATH. Except as may be otherwise provided by the Committee, if an Optionee shall cease to be employed by the Company otherwise than by reason of Retirement, Disability, or death, (i) each Option held by the Optionee, together with all rights thereunder, that is not vested shall terminate on the date of cessation of employment, to the extent not previously exercised and (ii) the Optionee shall have a period of 90 days from the date of cessation of employment to exercise each Option held by the Optionee that is vested on the date of cessation of employment. At the end of such 90-day period, each such Option that has not been exercised, together with all rights thereunder, shall terminate, to the extent not previously exercised.

b. CESSATION OF EMPLOYMENT BY REASON OF RETIREMENT OR DISABILITY. If an Optionee shall cease to be employed by the Company by reason of Retirement or Disability, each Option held by the Optionee shall remain exercisable, to the extent it was exercisable at the time of cessation of employment, until the earliest of:

i. the Termination Date,

ii. the death of the Optionee, or such later date not more than one year after the death of the Optionee as the Committee, in its discretion, may provide pursuant to Section 6.9(c) of the Plan,

iii. the third anniversary of the date of the cessation of the Optionee's employment, if employment ceased by reason of Retirement, or

iv. the first anniversary of the date of the cessation of the Optionee's employment by reason of Disability;

v. and thereafter all such Options shall terminate together with all rights hereunder, to the extent not previously exercised.

c. CESSATION OF EMPLOYMENT BY REASON OF DEATH. In the event of the death of the Optionee, while employed by the Company, an Option may be exercised at any time or from time to time prior to the earlier of the

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Termination Date or the first anniversary of the date of the Optionee's death, by the person or persons to whom the Optionee's rights under each Option shall pass by will or by the applicable laws of descent and death. In the event of the death of the Optionee while entitled to exercise an Option pursuant to Section 6.9(b), the Committee, in its discretion, may permit such Option to be exercised at any time or from time to time prior to the Termination Date during

a period of up to one year from the death of the Optionee, as shall pass by will of by the applicable laws of descent and distribution, to the extent that the Option was exercisable at the time of cessation of the Optionee's employment. Any person or person to whom an Optionee's rights under an Option have passed by will or by the applicable laws of descent and distribution shall be subject to all terms and condition of the plan and the Option applicable to the Optionee.

6.10. NOTIFICATION OF SALES OF COMMON STOCK: Any Optionee who disposes of shares of Common Stock acquired upon the exercise of an ISO either (a) within two years after the date of the grant of the ISO under which the stock was acquired or (b) within one year after the transfer of such shares to the Optionee, shall notify the Company of such disposition and of the amount realized upon such disposition.

ARTICLE VII

LIMITATIONS AND ACCELERATIONS ON EXERCISABILITY

7.1. Notwithstanding any other provision of this Plan, in the case of an ISO, the aggregate Fair Market Value (determined at the time the ISO is granted) of the shares of Common Stock with respect to which all "incentive stock options" (within the meaning of Section 422 of the Code) are first exercisable by the Optionee during any calendar year (under this Plan and under all other incentive stock option plans of the Employer, any Subsidiary and any Parent Corporation) shall not exceed $100,000.

7.2. Each Option granted under the Plan shall become vested and immediately exercisable upon a Change of Control Event, whether or not the Option was theretofore exercisable. For purposes of this Section 7.2:

(a) "Change of Control Event" means any one of the following:

(i) Continuing Directors no longer constitute at least two-thirds ofthe

Directors constituting the Board;

(ii) any person or groups (as defined in Rule 13d-5 under the Securities Exchange Act of 1934, as amended ("Exchange Act")), together with its affiliates, becomes the beneficial owner, directly or indirectly, of 20% or more of Harley-Davidson, Inc.'s then outstanding Common Stock or 20% or more of the voting power of Harley-Davidson, Inc.'s Directors;

(iii) the approval by Harley-Davidson, Inc.'s stockholders of the merger or consolidation of Harley-Davidson, Inc. with any other corporation, the sale of substantially all of Harley-Davidson, Inc.'s assets or the liquidation or dissolution of Harley-Davidson, inc., unless, in the case of a merger or consolidation, the Continuing Directors in office immediately prior to such merger or consolidation constitute at least two-thirds of the directors constituting the board of directors of the surviving corporation of such merger or consolidation and any parent(as defined in Rule 12b-2 under the Exchange Act) of such corporation; or

(iv) at least two-thirds of the Continuing Directors who are Disinterested Persons in office immediately prior to any other action proposed to be taken by Harley-Davidson, Inc.'s stockholders or by the Board determine that such proposed action, if taken, would constitute a change of control of Harley-Davidson, Inc. and such action is taken.

Notwithstanding the foregoing, with respect to a grant of an Option that is deferred compensation subject to Code Section 409A, the term "Change of Control Event" as defined above shall be deemed amended to conform to the definition provided in guidance, rules or regulations promulgated by the Internal Revenue Service in construing Code Section 409A; and

(b) "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 (2/3) of the Continuing Directors (other than a person whose election was as a result of an actual or threatened proxy or other control contest).

ARTICLE VIII

ADJUSTMENTS

8.1. If (a) the Company shall at any time be involved in a merger or other transaction in which the Common Stock is changed or exchanged; or (b) the Company shall subdivide or combine its Common Stock or the Company shall declare a dividend payable in its Common Stock, other securities (other than any associated preferred stock purchase rights issued pursuant to that certain Rights Agreement, dated February 17, 2000, between the Company and ComputerShare Investor Services, LLC, as successor rights agent, or similar stock purchase rights that the Company might authorize and issue in the future) or other property; or (c) the Company shall effect a cash dividend the amount of which exceeds 15% of the trading price of the Common Stock at the time the dividend is declared or any other dividend or other distribution on the Common Stock in the form of cash, or a repurchase of Common Stock, that the Board determines by resolution is special or extraordinary in nature or that is in connection with a transaction that the Company characterizes publicly as a recapitalization or reorganization involving the Common Stock; or (d) any other event shall occur which, in the case of this clause (d), in the judgment of the Committee necessitates an adjustment to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or an Award, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of securities subject to the Plan and which thereafter may be the subject of Options; (ii) the number and type of securities subject to outstanding Options; (iii) the Option Price with respect to any Option; and (iv) the number of shares of Common Stock that may be issued pursuant to Options granted to an Optionee in any calendar year; provided, however, that each such adjustment, in the case of ISOs, shall be made in such manner as not to constitute a "modification" within the meaning of Section 424(h)(3) of the Code. Unless the Committee determines otherwise, any such adjustment to an Option that is exempt from Code Section 409A shall be made in manner that permits the Option to continue to be so exempt, and any adjustment

to an Option that is subject to Code Section 409A shall be made in a manner that complies with the provisions thereof. The judgment of the Committee with respect to any matter referred to in this Article shall be conclusive and binding upon each Optionee.

ARTICLE IX

AMENDMENT AND TERMINATION OF PLAN

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9.1. The Board may at any time, or from time to time, suspend or terminate the Plan in whole or in part or amend it in such respects as the Board may deem appropriate, provided, however, that no such amendment shall be made, which would, without approval of the shareholders:

a. materially modify the eligibility requirements for receiving Options;

b. increase the aggregate number of Shares of Common Stock which may be issued pursuant to Options granted under the Plan, except as is provided for in accordance with Article VIII of the Plan;

c. increase the number of shares of Common Stock which may be issued pursuant to Options granted to an Optionee in any calendar year, except as is provided for in accordance with Article VIII of the plan;

d. reduce the minimum Option Price, except as is provided for in accordance with Article VIII of the Plan;

e. extend the period of granting Options; or

f. materially increase in any other way the benefits accruing to Optionees.

9.2. No amendment, suspension or termination of this Plan shall, without the Optionee's consent, alter or impair any of the rights or obligations under any Option theretofore granted to an Optionee under the Plan, but the Committee need not obtain Optionee (or other interested party) consent for the cancellation of an Award pursuant to the provisions of Section 8.1, the modification of an Option to the extent deemed necessary to comply with any applicable law or the listing requirements of any principal securities exchange or market on which the Common Stock is then traded, to preserve favorable accounting treatment of any Option for the Company, or the adoption, amendment or rescission of rules and regulations relating to this Plan that do not materially and adversely affect the Optionee in respect of any Option then outstanding

9.3. The Board may amend this Plan, subject to the limitations cited above, in such manner as it deems necessary to permit the granting of Options meeting the requirements of future amendments or issued regulations, if any, to the Code.

9.4. The provisions of Code Section 409A are incorporated herein by reference to the extent necessary for any Option that is subject to Code Section 409A to comply therewith.

ARTICLE X

GOVERNMENT AND OTHER REGULATIONS

10.1. The obligation of the Company to issue or transfer and deliver shares for Options exercised under the plan shall be subject to all applicable laws, regulations, rules,

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orders and approvals which shall then be in effect and required by governmental entities and the stock exchanges on which Common Stock is traded.

ARTICLE XI

MISCELLANEOUS PROVISIONS

11.1. PLAN DOES NOT CONFER EMPLOYMENT OR SHAREHOLDER RIGHTS: The right of the Employer to terminate (whether by dismissal, discharge, retirement or otherwise) the Optionee's employment with it at any time at will, or as otherwise provided by any agreement between the Company and the Optionee, is specifically reserved. Neither the Optionee nor any person entitled to exercise the Optionee's rights in the event of the Optionee's death shall have any rights of a shareholder with respect to the shares subject to each Option, except to the extent that, and until, such shares shall have been issued upon the exercise of each Option.

11.2. PLAN EXPENSES: Any expenses of administering this Plan shall be borne by the Company.

11.3. USE OF EXERCISE PROCEEDS: Payments received from Optionees upon the exercise of Options shall be used for the general corporate purposes of the Company, except that any stock received in payment may be retired, or retained in the Company's treasury and reissued.

11.4. INDEMNIFICATION: In addition to such other rights of indemnification as they may have as members of the Board, or the Committee, the members of the Committee and the Board shall be indemnified by the Company against all costs and expenses reasonably incurred by them in connection with nay action, suit or proceeding to which they or any of them may be party by reason of any action taken or failure to act under or in connection with the Plan or any Option granted thereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except a judgment based upon a finding of bad faith; provided that upon the institution of any such action, suit or proceeding a Committee or Board member shall, in writing, give the Company notice thereof and an Opportunity, at its own expense, to handle and defend the same before such Committee or Board member undertakes to handle and defend it on such

member's own behalf.

ARTICLE XII

SHAREHOLDER APPROVAL AND EFFECTIVE DATES

12.1. The Plan shall become effective when it is approved by the shareholders of Harley-Davidson, Inc. at a shareholders meeting by the requisite vote under New York Stock Exchange Rules, Internal Revenue Code Section 162(m) and Rule 16b-3 under the Securities Exchange Act of 1934. Options may not be granted under the Plan after April 26, 2005.

Exhibit 10.2

HARLEY-DAVIDSON, INC.

DIRECTOR STOCK PLAN
As amended

ARTICLE I

Purpose

The purpose of the Harley-Davidson, Inc. Director Stock Plan is to facilitate payment of compensation to nonemployee directors in the form of Common Stock of Harley-Davidson, Inc. or in a form the value of which is based upon the value of Common Stock of Harley-Davidson, Inc. Such payment should provide a method for nonemployee directors to meet the requirements of the Director and Senior Executive Stock Ownership Guidelines for Harley-Davidson, Inc. and an increased incentive for nonemployee directors to contribute to the future success and prosperity of Harley-Davidson, Inc. We believe this will, in turn, enhance the value of the stock for the benefit of the shareholders, and increase the ability of Harley-Davidson, Inc. to attract and retain directors of exceptional skill upon whom, in large measure, its sustained growth and profitability depend.

ARTICLE II

Definitions

The following capitalized terms used in the Plan shall have the respective meanings set forth in this Article:

2.1. Annual Retainer Fee: The annual retainer fee then in effect for service by an Outside Director as a director, board committee chair and/or committee member, excluding grants of "Share Units" pursuant to Article IX hereof.

2.2. Board: The Board of Directors of the Company.

2.3. Code: The Internal Revenue Code of 1986, as amended.

2.4. Committee: The Nominating and Corporate Governance Committee of the Board; provided that if any member of the Nominating and Corporate Governance Committee is not a Disinterested Person, the Committee shall be comprised of only those members of the Nominating and Corporate Governance Committee who are Disinterested Persons.

2.5. Common Stock: The common stock of the Company.

2.6. Company: Harley-Davidson, Inc.

2.7. Deferral Election: An election by an Outside Director to defer receiving all or any portion of the shares of Common Stock that would otherwise be transferred to such Outside Director pursuant to a Share Election.

2.8. Disinterested Persons: Nonemployee directors within the meaning of Rule 16b-3 as promulgated under the Securities Exchange Act of 1934, as amended.

2.9. Fair Market Value: (From and after February 14, 2007) On the date as of which Fair Market Value is being determined, if the Common Stock is listed for trading on the New York Stock Exchange, the closing sales price on the date in question as reported in The Wall Street Journal, or if no sales of Common Stock occur on the date in question, on the last preceding date on which there was a sale on such exchange.

2.10. Option: A stock option granted under the Plan.

2.11. Option Price: The purchase price of a share of Common Stock under an Option.

2.12. Optionee: A person who has been granted one or more Options.

2.13. Outside Director: Each member of the Board who is not also an employee of the Company or any Subsidiary (including members of the Committee).

2.14. Plan: The Harley-Davidson, Inc. Director Stock Plan.

2.15. Share Accounts. An Outside Director's Deferral Share Account and/or Grant Share Account.

2.16. Share Election: An election by an Outside Director to receive either 50% or 100% of his or her Annual Retainer Fee in the form of Common Stock (subject to any Deferral Election by an Outside Director), with the receipt of such shares of Common Stock to be in lieu of any cash payment for that portion of his or her Annual Retainer Fee; provided, however, that if, at the time an Annual Retainer Fee is payable, an Outside Director satisfies, through the ownership of Common Stock and/or Share Units credited to his or her Share Accounts, the stock ownership guidelines for directors then in effect that the Board or any committee of the Board has established, then the Outside Director may make a Share Election to receive 0% of such Annual Retainer Fee in the form of Common Stock.

2.17. Subsidiary: A corporation, limited partnership, general partnership, limited liability company, business trust or other entity of which more than fifty percent (50%) of the voting power or ownership interest is directly and/or indirectly held by the Company.

2.18. Termination Date: The day preceding the tenth anniversary of the date on which the Option is granted.

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ARTICLE III

Administration

3.1. The Committee: The Committee shall administer the Plan and shall have full power to construe and interpret the Plan, establish and amend rules and regulations for its administration, and perform all other acts relating to the Plan, including the delegation of administrative responsibilities, which it believes reasonable and proper.

3.2. Actions Final: Any decision made, or action taken, by the Committee arising out of or in connection with the interpretation and administration of the Plan shall be final and conclusive.

ARTICLE IV

Shares Subject to the Plan

4.1. The total number of shares of Common Stock available for delivery under the Plan shall be 200,000 as of May 2, 1998 (after giving effect to a 2-for-1 stock split effected in 2000). The foregoing amount shall be subject to adjustment in accordance with Article X of the Plan. If an Option or portion thereof shall expire, be canceled or terminate for any reason without having been exercised in full, the unpurchased shares covered by such Options shall be available for future grants of Options. Shares of Common Stock to be delivered under the Plan shall be made available solely from authorized and issued shares of Common Stock reacquired and held as treasury shares. In no event shall the Company be required to deliver fractional shares of Common Stock under the Plan. Whenever under the terms of the Plan a fractional share of Common Stock would otherwise be required to be delivered, there shall be delivered in lieu thereof one full share of Common Stock. Payments in respect of an Outside Director's Share Accounts that are made in cash shall not reduce the number of shares of Common Stock available for delivery under the Plan.

ARTICLE V

Eligibility

5.1. Only Outside Directors shall be entitled to participate in the Plan.

ARTICLE VI

Options

6.1. Option Grants: Prior to December 31, 2002, each Outside Director who served as a member of the Board immediately following an annual meeting of shareholders of the Company was automatically granted on the first business day after such meeting (the "Annual Grant Date") an Option for the purchase of such number of shares of Common Stock (rounded up to the nearest multiple of 100) whose Fair Market Value on the Annual Grant Date equaled three (3) times the Optionee's Annual Retainer Fee other than committee chair retainer fees. No such Option shall be granted under the Plan after December 31, 2002.

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6.2. Option Agreements: All Options shall be evidenced by written agreements executed by the Company. Such options shall be subject to the

applicable provisions of the Plan, and shall contain such provisions as are required by the Plan and any other provisions the Committee may prescribe. All agreements evidencing Options shall specify the total number of shares subject to each grant, the Option Price and the Termination Date.

6.3. Option Price: The Option Price shall be the Fair Market Value of a share of Common Stock on the Annual Grant Date.

6.4. Period of Exercise: Options shall be exercisable from and after the Annual Grant Date and shall terminate one year after the Optionee ceases to serve as a member of the Board for any reason, except that as to any Optionee who is removed from the Board for cause in accordance with the Company's Restated Articles of Incorporation, the Options held by the Optionee shall terminate immediately on such removal. In any event, no Option or portion thereof shall be exercisable after the Termination Date.

6.5. Manner of Exercise and Payment: An Option, or portion thereof, shall be exercised by delivery of a written notice of exercise to the Company and provision (in a manner acceptable to the Committee) for payment of the full price of the shares being purchased pursuant to the Option and any withholding taxes due thereon.

6.6. Nontransferability of Options: Except as may be otherwise provided by the Committee, each Option shall, during the Optionee's lifetime, be exercisable only by the Optionee and neither it nor any right hereunder shall be transferable otherwise than by will or the laws of descent and distribution or be subject to attachment, execution or other similar process. In the event of any attempt by the Optionee to alienate, assign, pledge, hypothecate or otherwise dispose of an Option or of any right hereunder, except as provided for herein, or in the event of any levy or any attachment, execution or similar process upon the rights or interest hereby conferred, the Company may terminate the Option by notice to the Optionee and the Option shall thereupon become null and void.

ARTICLE VII

Share Election

7.1. Election: At any time and from time to time, each Outside Director may make a Share Election. An Outside Director's Share Election (i) must be in writing and delivered to the Treasurer of the Company, (ii) shall be effective commencing on the date the Treasurer receives the Share Election or such later date as may be specified in the Share Election, and (iii) shall remain in effect unless modified or revoked by a subsequent Share Election in accordance with the provisions hereof. If an Outside Director elects (or is deemed to have elected) to receive only 50% of his or her Annual Retainer Fee in the form of shares of Common Stock, then the remaining 50% shall be paid in cash (subject to any deferral by the Outside Director under the Company's Deferred Compensation Plan for Nonemployee Directors (the "Cash Deferral Plan")). If an Outside Director who is entitled to do so elects to receive 0% of his or her Annual Retainer Fee in the form of shares of Common Stock, then all of his or her Annual Retainer Fee shall be paid in cash (subject to any deferral by the Outside Director under the Cash Deferral

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Plan). If an Outside Director has not made a Share Election, the Director will be deemed to have made a Share Election to receive 50% of his or her Annual Retainer Fee in the form of Common Stock.

7.2. Transfer of Shares: Subject to any Deferral Election by an

Outside Director, shares of Common Stock issuable to an Outside Director pursuant to a Share Election shall be transferred to such Outside Director as of the first business day following each annual meeting of the shareholders of the Company, except that, for an Outside Director elected to the Board at a time other than at an annual meeting of the shareholders of the Company, shares of Common Stock issuable to the Outside Director pursuant to a Share Election shall be transferred to such Outside Director as of the first business day following the first meeting of the Board or a committee of the Board that the Outside Director attends. The total number of shares of Common Stock to be so transferred shall be determined by dividing (x) the dollar amount of the Annual Retainer Fee payable to which the Share Election applies, by (y) the Fair Market Value of a share of Common Stock on day on which the Annual Retainer Fee is payable to the Outside Director.

ARTICLE VIII

Deferral Elections

8.1. Deferral Election: Each Outside Director may make a Deferral Election to defer receiving all or 50% of the shares of Common Stock that would otherwise be transferred to such Outside Director pursuant to a Share Election with respect to any Annual Retainer Fees otherwise payable after the effective date of the Deferral Election. A Deferral Election, or a modification or revocation of a Deferral Election by a subsequent Deferral Election, must be in writing and delivered to the Treasurer of the Company. Each Outside Director serving as a member of the Board as of the Company's 2003 Annual Meeting of Shareholders may make a Deferral Election at any time on or before May 3, 2003. Thereafter, a newly eligible Outside Director may make his or her initial Deferral Election within 30 days of becoming an Outside Director. Such initial Deferral Elections shall be effective as of the date on which they are delivered to the Treasurer of the Company. Deferral Elections are irrevocable until changed. Any Deferral Elections other than in connection with the Company's 2003 Annual Meeting of Shareholders and other than when an Outside Director is initially eligible to make a Deferral Election, and any changes to existing Deferral Elections, may be made only during the 30 day period up to and including an annual meeting of shareholders of the Company, and shall be effective as of such annual meeting of shareholders. All Deferral Elections under the Plan shall automatically terminate upon the occurrence of a Change of Control Event. The definition of "Change of Control Event" is as set forth in Schedule A to the Plan, which may be revised from time to time by the Committee to maintain consistency with the definition of this term used by the Company for other corporate compensation-related purposes. The term "Change of Control Event" as defined above shall be deemed amended to conform to the definition provided in guidance, rules or regulations promulgated by the Internal Revenue Service in construing Code Section 409A.

8.2. Deferral Share Accounts: An Outside Director who makes a Deferral Election shall have the number of deferred shares of Common Stock (including fractions of a share) that

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would otherwise be transferred pursuant to Section 7.2 credited as whole and fractional "Share Units," with fractional units calculated to four decimal places, to a "Deferral Share Account" for the Outside Director, for recordkeeping purposes only.

8.3. Cash Dividends and Deferral Share Accounts: Whenever cash dividends are paid by the Company on outstanding Common Stock, on the payment date therefor there shall be credited to the Outside Director's Deferral Share Account a number of additional Share Units, with fractional units calculated to

four decimal places, equal to (i) the aggregate dividend that would be payable on outstanding shares of Common Stock equal to the number of Share Units credited to such Deferral Share Account on the record date for the dividend, divided by (ii) the Fair Market Value of a share of Common Stock on the last trading business day immediately preceding the date of payment of the dividend.

8.4. Payments: Upon cessation of an Outside Director's service as a director of the Company for any reason, or upon the occurrence of a Change of Control Event, the Company will make payments to the Outside Director (or, in case of the death of the Outside Director, to his or her beneficiary designated in accordance with Section 13.5 or, if no such beneficiary is designated, to his or her estate), as compensation for prior service as a director, in respect of the Outside Director's Deferral Share Account. All payments in respect of a Deferral Share Account shall be made in shares of Common Stock by converting Share Units into Common Stock on a one-for-one basis. However, to the extent shares of Common Stock are not available for delivery under the Plan, the Committee may direct that all or any part of the payments in respect of a Deferral Share Account be made in cash rather than by delivery of Common Stock, in which case the cash payment shall be determined by multiplying the number of Share Units in the Deferral Share Account that are the subject of the cash payment by the Fair Market Value of a share of Common Stock on the last trading business day preceding the date on which payment is made.

a. Form of Payments: An Outside Director may elect to have payments in respect of a Deferral Share Account made either in (i) a single payment, or (ii) annual installments; provided, however, that if an Outside Director making a Deferral Election under the Plan has elected to defer cash compensation under the Cash Deferral Plan, then that Outside Director must elect a payment option under the Plan that provides the same timing of deferred payments as the payment option elected under the Cash Deferral Plan. Under the installment payment option, at the time an Outside Director makes his or her initial Deferral Election, or thereafter in accordance with Plan rules, the Outside Director may select (subject to the proviso in the immediately preceding sentence) the number of years over which benefits are to be paid to the Outside Director, up to a maximum of 5 years, except that the number of installments selected may not result in any one installment payment with respect to less than 100 Share Units. The payment option elected shall apply to the Outside Director's entire Deferral Share Account. The installment payment option does not apply upon the occurrence of a Change of Control Event. An Outside Director who fails to make any payment election under the Plan and has not made a payment election under the Cash Deferral Plan shall be deemed to have elected the single payment option. An Outside Director who fails to make any payment election under the Plan but has made a payment election under the Cash Deferral Plan will be deemed to have elected under the Plan the same payment option that he or she has made under the Cash Deferral Plan. If at the time of the cessation of an Outside Director's service there exists a conflict in the payment

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options that the Outside Director elected under the Plan and under the Cash Deferral Plan, then that Outside Director will be deemed to have made a payment election under the Plan that provides the same timing of deferred payments as the payment option that the Outside Director elected under the Cash Deferral Plan.

b. If the Outside Director has elected the single payment option, then the Company will make payment to the Outside Director in respect of the number of Share Units credited to the Outside Director's Deferral Share Account within 30 days after the end of the quarter in which the Outside Director ceases service as a director of the Company. In addition, the Company will make payment to

the Outside Director in respect of the number of Share Units credited to the Outside Director's Deferral Share Account promptly upon the occurrence of a Change of Control Event.

c. If the Outside Director has elected the installment payment option, then the first installment will be made within 30 days after the end of the quarter in which the Outside Director ceases service as a director of the Company, and each subsequent installment shall be paid in July of each year following the year in which the first installment is paid to the Outside Director during the installment period. The annual installment payment amount for any year shall be initially determined by dividing the number of Share Units credited to the Outside Director's Deferral Share Account as of January 1 of the year for which the payment is being made and for which such an election is in effect by the number of installment payments remaining to be made, and then rounding the quotient obtained for all but the final installment to the next lowest whole number.

d. Changes by an Outside Director in the payment option elected and/or in the number of years in the installment payment period (not to exceed 5 years) shall be in writing and filed with the Treasurer of the Company not less than 12 months before the date the Outside Director ceases service as a director of the Company for any reason. If a change is requested less than 12 months in advance of the date the Outside Director ceases service as a director of the Company for any reason, then the Outside Director's previous valid election of a form of payment shall be given effect. If there is no previous valid election of the payment option in effect, then payment will be made under the single payment option.

8.5. Hardship Payments: The Committee may, in its sole discretion, upon the finding that an Outside Director has suffered a severe financial hardship, pay to the Outside Director part or all of his or her Deferral Share Account, as needed to meet the Outside Director's need.

ARTICLE IX

Share Unit Grants

9.1. Share Unit Grants. Each Outside Director shall automatically be granted Share Units under the Plan in the manner set forth in this Article IX. All grants of Share Units pursuant to this Article IX shall immediately vest in full on the date of grant.

9.2. Annual Share Unit Grants to Outside Directors. Beginning with the first annual meeting of shareholders held after April 28, 2006, each Outside Director shall, as of the first

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business day following such annual meeting, receive a grant of such number of Share Units as the Board shall determine at the meeting of the Board coinciding with such annual meeting.

9.3. Grant of Share Units to Newly-Elected Outside Directors. Any person who is first elected as an Outside Director after April 29, 2006 at a time other than at an annual meeting of the shareholders of the Company shall automatically be granted, as of the first business day following the first meeting of the Board or a committee of the Board that the Outside Director attends, a number of Share Units equal to the number of Share Units last granted to each of the Outside Directors pursuant to Section 9.2.

9.4. Grant Share Accounts: An Outside Director who receives a grant

of Share Units pursuant to Section 9.2 or Section 9.3 shall have the number of Share Units granted to such Outside Director credited to a "Grant Share Account" established for the Outside Director, for recordkeeping purposes only.

9.5. Cash Dividends and Grant Share Accounts: Whenever cash dividends are paid by the Company on outstanding Common Stock, on the payment date therefor there shall be credited to the Outside Director's Grant Share Account a number of additional Share Units, with fractional units calculated to four decimal places, equal to (i) the aggregate dividend that would be payable on outstanding shares of Common Stock equal to the number of Share Units credited to such Grant Share Account on the record date for the dividend, divided by (ii) the Fair Market Value of a share of Common Stock on the last trading business day immediately preceding the date of payment of the dividend.

9.6. Payments: Within 30 days after the end of the quarter in which an Outside Director ceases service as a director of the Company for any reason, or upon the occurrence of a Change of Control Event, the Company will make a payment to the Outside Director (or, in case of the death of the Outside Director, to his or her beneficiary designated in accordance with Section 13.5 or, if no such beneficiary is designated, to his or her estate), as compensation for prior service as a director, in respect of the Outside Director's Grant Share Account. All payments in respect of a Grant Share Account shall be made in shares of Common Stock by converting Share Units into Common Stock on a one-for-one basis. However, to the extent shares of Common Stock are not available for delivery under the Plan, the Committee may direct that all or any part of the payments in respect of a Grant Share Account be made in cash rather than by delivery of Common Stock, in which case the cash payment shall be determined by multiplying the number of Share Units in the Grant Share Account that are the subject of the cash payment by the Fair Market Value of a share of Common Stock on the last trading business day preceding the date on which payment is made.

ARTICLE X

Adjustments

10.1. If (a) the Company shall at any time be involved in a merger or other transaction in which the Common Stock is changed or exchanged; or (b) the Company shall subdivide or combine its Common Stock or the Company shall declare a dividend payable in its Common Stock, other securities (other than any associated preferred stock purchase rights issued pursuant

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to that certain Rights Agreement, dated February 17, 2000, between the Company and ComputerShare Investor Services, LLC, as successor rights agent, or similar stock purchase rights that the Company might authorize and issue in the future) or other property; or (c) the Company shall effect a cash dividend the amount of which exceeds 15% of the trading price of the Common Stock at the time the dividend is declared or any other dividend or other distribution on the Common Stock in the form of cash, or a repurchase of Common Stock, that the Board determines by resolution is special or extraordinary in nature or that is in connection with a transaction that the Company characterizes publicly as a recapitalization or reorganization involving the Common Stock; or (d) any other event shall occur which, in the case of this clause (d), in the judgment of the Committee necessitates an adjustment to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of securities subject to the Plan; (ii) the number and type of securities subject to outstanding Options; (iii) the Option Price with respect to any Option; and (iv) the number of Share Units credited

to each Outside Director's Share Accounts; provided, however, that Options subject to grant or previously granted to Optionees and the number of Share Units credited to each Outside Director's Share Accounts under the Plan at the time of any such event shall be subject to only such adjustment as shall be necessary to maintain the proportionate interest of the Optionee or Outside Director and preserve, without exceeding, the value of such Options and Outside Director's Share Accounts. Unless the Committee determines otherwise, any such adjustment to an Option that is exempt from Code Section 409A shall be made in manner that permits the Option to continue to be so exempt, and any adjustment to an Option that is subject to Code Section 409A shall be made in a manner that complies with the provisions thereof. The judgment of the Committee with respect to any matter referred to in this Article shall be conclusive and binding upon each Optionee and Outside Director.

ARTICLE XI

Amendment and Termination of Plan

11.1. General Powers: The Board of Directors may at any time terminate or suspend the Plan. Subject to applicable limitations set forth in New York Stock Exchange rules, the Code or Rule 16b-3 under the Securities Exchange Act of 1934, the Board of Directors may amend the Plan as it shall deem advisable including (without limiting the generality of the foregoing) any amendments deemed by the Board of Directors to be necessary or advisable to assure conformity of the Plan with any requirements of state and federal laws or regulations now or hereafter in effect; provided, however, that the Board of Directors may not amend either the provisions of Section 6.1 or the amount of the Annual Retainer Fee more often than once in any six month period.

11.2. No Impairment: No amendment, suspension or termination of this Plan shall, without the Outside Director's consent, alter or impair any of the rights or obligations under any Option theretofore granted to an Outside Director under the Plan or other entitlement of an Outside Director under the Plan. But, the Committee need not obtain Outside Director (or other interested party) consent for the adoption, amendment or rescission of rules and regulations relating to this Plan that do not materially and adversely affect the Outside Director in respect of any Option or other entitlement of an Outside Director under the Plan then outstanding.

11.3. Section 409A: The provisions of Code Section 409A are incorporated herein by reference to the extent necessary for any Option or other entitlement of an Outside Director under the Plan that is subject to Code Section 409A to comply therewith.

ARTICLE XII

Government and Other Regulations

12.1. The obligation of the Company to issue or transfer and deliver shares of Common Stock under the Plan shall be subject to all applicable laws, regulations, rules, orders and approvals which shall then be in effect and required by governmental entities and the stock exchanges on which Common Stock is traded.

ARTICLE XIII

Miscellaneous Provisions

13.1. Plan Does Not Confer Shareholder Rights: Neither an Outside

Director nor any person entitled to exercise the Outside Director's rights in the event of the Outside Director's death shall have any rights of a shareholder with respect to the shares subject to an Option, Share Election or any Share Units held in the Outside Director's Share Accounts, except to the extent that, and until, such shares shall have been issued upon the exercise of each Option, transfer of shares pursuant to a Share Election or the delivery of shares in respect of the Outside Director's Deferral Share Account.

13.2. No Assets: No stock, cash or other property shall be deliverable to an Outside Director in respect of the Outside Director's Share Accounts until the date or dates identified pursuant to Article VIII or Article IX, and an Outside Director's Share Units shall be reflected in an unfunded account established for such Outside Director by the Company. Payment of the Company's obligation with respect to an Outside Director's Share Accounts shall be from general funds, and no special assets (stock, cash or otherwise) have been or shall be set aside as security for this obligation.

13.3. No Transfers: An Outside Director's rights to payments under Article VIII and/or Article IX are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or garnishment by an Outside Director's creditors or the creditors of his or her beneficiaries, whether by operation of law or otherwise, and any attempted sale, transfer, assignment, pledge, or encumbrance with respect to such payment shall be null and void, and shall be without legal effect and shall not be recognized by the Company.

13.4. Unsecured Creditor; No Trust Fund: The right of an Outside Director to receive payments under Article VIII and/or Article IX is that of a general, unsecured creditor of the Company, and the obligation of the Company to make payments constitutes a mere promise by the Company to pay such benefits in the future. Further, the arrangements contemplated by Article VIII and Article IX are intended to be unfunded for tax purposes and for purposes of Title I of ERISA.

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13.5. Designation of Beneficiary: Each Outside Director or former Outside Director entitled to any payments under Article VIII and/or Article IX from time to time may designate a beneficiary or beneficiaries to whom any such payments are to be paid in case of the Outside Director's death before receipt of any or all of such payments. Any designation shall revoke all prior designations by the Outside Director or former Outside Director, shall be in a form prescribed by the Company and shall be effective only when filed by the Outside Director or former Outside Director, during his or her lifetime, in writing with the Treasurer of the Company. References in this Plan to an Outside Director's "beneficiary" at any date shall include such persons designated as concurrent beneficiaries on the director's beneficiary designation form then in effect. In the absence of any such designation, any balance remaining in an Outside Director's or former Outside Director's Share Accounts at the time of the director's death shall be paid to such Outside Director's estate in a lump sum.

13.6. Plan Expenses: Any expenses of administering this Plan shall be borne by the Company.

13.7. Use of Exercise Proceeds: Payment received from Optionees upon the exercise of Options shall be used for the general corporate purposes of the Company, except that any stock received in payment may be retired, or retained in the Company's treasury and reissued.

13.8. Indemnification: In addition to such other rights of

indemnification as they may have as members of the Board or the Committee, the members of the Committee and the Board shall be indemnified by the Company against all costs and expenses reasonably incurred by them in connection with any action, suit or proceeding to which they or any of them may be party by reason of any action taken or failure to act in connection with the adoption, administration, amendment or termination of the Plan, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except a judgment based upon a finding of bad faith; provided that upon the institution of any such action, suit or proceeding a Committee or Board member shall, in writing, give the Company notice thereof and an opportunity, at its own expense, to handle and defend the same before such Committee or Board member undertakes to handle and defend it on such member's own behalf.

13.9. Withholding Taxes: The Company may, in its discretion, require an Outside Director to pay to the Company at the time of exercise of an Option or issuance of Common Stock under the Plan the amount that the Company deems necessary to satisfy its obligation, if any, to withhold Federal, state or local income, FICA or other taxes incurred by the reason of the exercise or issuance. An Outside Director shall satisfy the federal, state and local withholding tax obligations arising in connection with the exercise of an Option or issuance of Common Stock under the Plan in a manner acceptable to the Committee.

13.10. No Guarantee Of Tax Treatment: The Company does not guarantee to any Outside Director or any other person with an interest in an Option or other entitlement of an Outside Director under the Plan that any such Option or other entitlement intended to be exempt from Code Section 409A shall be so exempt, or that any Option or other entitlement intended to comply with Code Section 409A shall so comply, and nothing in this Plan obligates the

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Company or any affiliate to indemnify, defend or hold harmless any individual with respect to the tax consequences of any such failure.

ARTICLE XIV

Effective Date

14.1. The Plan became effective on May 2, 1998 and was amended on May 3, 2003. The Plan, as further amended, shall become effective on April 29, 2006.

SCHEDULE A TO THE

HARLEY-DAVIDSON, INC.

DIRECTOR STOCK PLAN, AS AMENDED

A Change of Control Event means any one of the following:

a. Continuing directors no longer constitute at least two-thirds of the

directors of Harley-Davidson, Inc. "Continuing director" means any individual who is either (i) a member of the Board on May 3, 2003, or (ii) a member of the Board whose election or nomination to the Board was approved by a vote of at least two-thirds (2/3) of the Continuing Directors (other than a person whose election was as a result of an actual or threatened proxy or other control contest);

b. Any person or group of persons (as defined in Rule 13d-5 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), together with its affiliates, becomes the beneficial owner, directly or indirectly, of twenty percent (20%) or more of the then outstanding common stock of Harley-Davidson, Inc. or twenty percent (20%) or more of the voting power of the then outstanding securities of Harley-Davidson, Inc. entitled generally to vote for the election of the members of the Board;

c. The approval by the shareholders of Harley-Davidson, Inc. of the merger or consolidation of Harley-Davidson, Inc. with any other corporation, the sale of substantially all of the assets of Harley-Davidson, Inc., or the liquidation or dissolution, of Harley-Davidson, Inc., 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 of the surviving corporation of such merger or consolidation and any parent (as such term is defined in Rule 12b-2 under the Exchange) 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 shareholders of Harley-Davidson, Inc. or by the Board determines that such proposed action, if taken, would constitute a change of control of Harley-Davidson, Inc. and such action is taken.

Exhibit 10.17

HARLEY-DAVIDSON, INC.
2004 INCENTIVE STOCK PLAN

(as amended through February 14, 2007)

1. Purposes, History and Effective Date.

(a) Purpose. The Harley-Davidson, Inc. 2004 Incentive Stock Plan has two complementary purposes: (i) to attract and retain outstanding individuals to serve as officers and other employees and (ii) to increase shareholder value. The Plan will provide participants incentives to increase shareholder value by offering the opportunity to acquire shares of the Company's common stock or receive monetary payments based on the value of such common stock on the potentially favorable terms that this Plan provides.

(b) History. Prior to the effective date of this Plan, the Company had in effect the 1995 Plan, which was originally effective May 6, 1995. Upon shareholder approval of this Plan, the 1995 Plan will terminate and no new

awards will be granted under the 1995 Plan, although awards granted under such plan and still outstanding will continue to be subject to all terms and conditions of such plan.

(c) Effective Date. This Plan will become effective, and Awards may be granted under this Plan, on and after the Effective Date. This Plan will terminate as provided in Section 14.

2. Definitions. Capitalized terms used in this Plan have the following meanings:

(a) "1995 Plan" means the Harley-Davidson, Inc. 1995 Stock Option Plan, as amended.

(b) "Affiliate" has the meaning ascribed to such term in Rule 12b-2 promulgated under the Exchange Act or any successor rule or regulation thereto.

(c) "Award" means a grant of Options, Stock Appreciation Rights, Performance Shares, Performance Units, Restricted Stock, Restricted Stock Units, STIP Shares or Dividend Equivalent Units.

(d) "Award Agreement" means any written agreement, contract, or other instrument or document evidencing the grant of an Award in such form as the Committee determines.

(e) "Board" means the Board of Directors of the Company.

(f) "Change of Control" means the occurrence of any one of the following events:

(i) the Continuing Directors no longer constitute at least two-thirds of the Directors constituting the Board;

(ii) any person or group (as defined in Rule 13d-5 under the Exchange Act), together with its affiliates, becomes the beneficial owner, directly or indirectly, of 20% or more of the Company's then outstanding Stock or 20% or more of the voting power of the Company's then outstanding Stock;

(iii) the approval by the Company's shareholders of the merger or consolidation of the Company with any other corporation, the sale of substantially all of the Company's assets or the liquidation or dissolution of the Company, unless, in the case of a merger or consolidation, the Continuing Directors in office immediately prior to such merger or consolidation constitute at least two-thirds of the directors constituting the board of directors of the surviving corporation of such merger or consolidation and any parent (as defined in Rule 12b-2 under the Exchange Act) of such corporation; or

(iv) at least two-thirds of the then Continuing Directors in office immediately prior to any other action proposed to be taken by the Company's shareholders or by the Board determine that such proposed action, if taken, would constitute a change of control of the Company and such action is taken.

Notwithstanding the foregoing, with respect to an Award that is deferred

compensation subject to Code Section 409A, the term "Change of Control" as defined above shall be deemed amended to conform to the definition provided in guidance, rules or regulations promulgated by the Internal Revenue Service in construing Code Section 409A.

(g) "Change of Control Price" means the highest Fair Market Value price per Share during the sixty (60)-day period preceding the date of a Change of Control.

(h) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a specific provision of the Code includes any successor provision and the regulations promulgated under such provision.

(i) "Committee" means the Human Resources Committee of the Board (or a successor committee with the same or similar authority).

(j) "Company" means Harley-Davidson, Inc., a Wisconsin corporation, or any successor thereto.

(k) "Continuing Director" means any individual who is either (i) a member of the Board on the Effective Date or (ii) a member of the Board whose election or nomination to the Board was approved by a vote of at least two-thirds (2/3) of the Continuing Directors (other than a person whose election was as a result of an actual or threatened proxy or other control contest).

(l) "Director" means a member of the Board, and "Non-Employee Director" means a Director who is not also an employee of the Company or its Subsidiaries.

(m) "Disability" has the meaning ascribed to the term in Code Section 22(e)(3), as determined by the Committee.

(n) "Disinterested Persons" means the non-employee directors of the Company within the meaning of Rule 16b-3 as promulgated under the Exchange Act.

(o) "Dividend Equivalent Unit" means the right to receive a payment equal to the cash dividends paid with respect to a Share.

(p) "Effective Date" means the date the Company's shareholders approve this Plan.

(q) "Exchange Act" means the Securities Exchange Act of 1934, as amended. Any reference to a specific provision of the Exchange Act includes any successor provision and the regulations and rules promulgated under such provision.

(r) "Fair Market Value" (from and after February 14, 2007) means, per Share on the date as of which Fair Market Value is being determined, if the Stock is listed for trading on the New York Stock Exchange, the closing sales price on the date in question as reported in The Wall Street Journal, or if no sales of Stock occur on the date in question, on the last preceding date on which there was a sale on such exchange. If the Stock is not listed or admitted to trading on the New York Stock Exchange on the date in question, then "Fair Market Value" means, per Share on the date as of which Fair Market Value is being

determined, (i) the closing sales price on the date in question on the principal national securities exchange on which the Stock is listed or admitted to trading, or if no sales of Stock occur on the date in question, on the last preceding date on which there was a sale on such exchange; or (ii) if the Stock is not listed or admitted to trading on any national securities exchange, the closing quoted sale price on the date in question, or if no sales of Stock occur on the date in question, on the last preceding date on which there was a sale; or (iii) if not so quoted, the mean of the closing bid and asked prices on the date in question in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other system then in use, or if no sales of Stock occur on the date in question, on the last preceding date on which there was a sale; or (iv) if on any such date the Stock is not quoted by any such organization, the mean of the closing bid and asked prices on the date in question as furnished by a professional market maker making a market in the Stock selected by the Board for the date in question, or if no sales of Stock occur on the date in question, on the last preceding date on which there was a sale; or (v) if on any such date no market maker is making a market in the Stock, the price as determined in good faith by the Committee; provided that if Fair Market Value is being determined under clause (v) for purposes of determining the Change of Control Price, the value will be determined by the Continuing Directors.

(s) "Option" means the right to purchase Shares at a specified price for a specified period of time.

(t) "Participant" means an individual selected by the Committee to receive an Award, and includes any individual who holds an Award after the death of the original recipient.

(u) "Performance Goals" means any goals the Committee establishes that relate to one or more of the following for such period as the Committee specifies (in all cases excluding the effects of (A) extraordinary, unusual, transition, one-time and/or non-recurring items of gain or loss, (B) gains or losses on the disposition of a business or arising from the sale of assets outside the ordinary course of business, or (C) changes in tax or accounting regulations or laws):

(i) Any one or more of the following as determined for the Company on a consolidated basis, for any one or more Affiliates or divisions of the Company and/or for any other business unit or units of the Company, as determined by the Committee at the time an Award is made:

(1) Net sales;

(2) Cost of goods sold;

(3) Gross profit;

(4) Selling, administrative and engineering expenses;

(5) Income from operations;

(6) Income before interest and the provision for income taxes;

(7) Income before provision for income taxes;

(8) Net income;

(9) Average accounts receivable, calculated by taking the average of accounts receivable at the end of each fiscal month during the period in question;

(10) Average inventories, calculated by taking the average of inventories at the end of each fiscal month during the period in question;

(11) Return on average equity, with average equity calculated by taking the average of equity at the end of each fiscal month during the period in question;

(12) Return on year-end equity;

(13) Return on average assets, with average assets calculated by taking the average of assets at the end of each fiscal month during the period in question;

(14) Return on capital;

(15) Total shareholder return.

(16) Economic value added, or other measure of profitability that considers the cost of capital employed.

(17) Net cash provided by operating activities;

(18) Net cash provided by operating activities less net cash used in investing activities;

(19) Net increase (decrease) in cash and cash equivalents;

(20) Customer satisfaction;

(21) Market share; or

(22) Product quality.

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(ii) Basic earnings per Share for the Company on a consolidated basis.

(iii) Diluted earnings per Share for the Company on a consolidated basis.

In the case of Awards that the Committee determines will not be considered "performance-based compensation" under Code Section 162(m), the Committee may establish other Performance Goals not listed in this Plan.

(v) "Performance Shares" means the right to receive Shares to the extent Performance Goals are achieved.

(w) "Performance Units" means the right to receive a payment valued in relation to a unit the value of which is equal to the Fair Market Value of one or more Shares, to the extent Performance Goals are achieved.

(x) "Person" has the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 14(d) and 15(d) thereof.

(y) "Plan" means this Harley-Davidson, Inc. 2004 Incentive Stock Plan, as may be amended from time to time.

(z) "Restricted Stock" means Shares that are subject to a risk of forfeiture and/or restrictions on transfer, which may lapse upon the achievement or partial achievement of Performance Goals and/or upon the completion of a period of service.

(aa) "Restricted Stock Unit" means the right to receive a payment valued in relation to a unit that has a value equal to the Fair Market Value of a Share, which right may vest upon the achievement or partial achievement of Performance Goals and/or upon the completion of a period of service.

(bb) "Retirement" means termination of employment from the Company and its Affiliates on or after age sixty-two (62) or, with the consent of the Committee, at an earlier age.

(cc) "Rule 16b-3" means Rule 16b-3 as promulgated by the United States Securities and Exchange Commission under the Exchange Act.

(dd) "Section 16 Participants" means Participants who are subject to the provisions of Section 16 of the Exchange Act.

(ee) "Share" means a share of Stock.

(ff) "STIP Shares" means Shares that the Company delivers in payment or partial payment of an award under the Harley-Davidson, Inc. Corporate Short Term Incentive Plan (or any successor thereto) or other incentive plans of the Company or its affiliates that the Committee designates from time to time.

(gg) "Stock" means the common stock of the Company.

(hh) "Stock Appreciation Right" or "SAR" means the right of a Participant to receive a payment equal to the appreciation of the Fair Market Value of a Share during a specified period of time.

(ii) "Subsidiary" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each such corporation owns stock possessing fifty percent (50%) or more of the total combined voting power in one of the other corporations in the chain.

3. Administration.

(a) Committee Administration. In addition to the authority specifically granted to the Committee in this Plan, the Committee has full discretionary authority to administer this Plan, including but not limited to the authority to (i) interpret the provisions of this Plan, (ii) prescribe, amend and rescind rules and regulations relating to this Plan, (iii) correct any defect, supply any omission, or reconcile any inconsistency in any Award or Award Agreement in the manner and to the extent it deems desirable to carry this Plan into effect and (iv) make all other determinations necessary or advisable for the administration of this Plan.

(b) Delegation to Other Committees or CEO. To the extent applicable law permits, the Board or the Committee may delegate to another committee of the Board, or the Committee may delegate to the Chief Executive Officer of the Company, any or all of the authority and responsibility of the Committee. However, no such delegation is permitted with

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respect to Awards made to Section 16 Participants at the time any such delegated authority or responsibility is exercised. To the extent applicable law permits, the Board or the Committee also may delegate to another committee of the Board consisting entirely of Non-Employee Directors any or all of the authority and responsibility of the Committee with respect to individuals who are Section 16 Participants. If the Board or Committee has made such a delegation, then all references to the Committee in this Plan include such other committee or the Chief Executive Officer to the extent of such delegation.

(c) Indemnification. In addition to such other rights of indemnification as they may have as members of the Board or the Committee, the members of the Committee and the Board shall be indemnified by the Company against all costs and expenses reasonably incurred by them in connection with any action, suit or proceeding to which they or any of them may be party by reason of any action taken or failure to act under or in connection with this Plan or any Award, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Company) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except a judgment based upon a finding of bad faith; provided that upon the institution of any such action, suit or proceeding a Committee or Board member shall, in writing, give the Company notice thereof and an opportunity, at its own expense, to handle and defend the same before such Committee or Board member undertakes to handle and defend it on such member's own behalf.

4. Eligibility.The Committee may designate any of the following as a Participant from time to time: any officer or other employee of the Company or any of its Affiliates, or an individual that the Company or an Affiliate has engaged to become an officer or other employee. The Committee's designation of a Participant in any year will not require the Committee to designate such person to receive an Award in any other year.

5. Types of Awards.Subject to the terms of this Plan, the Committee may grant any type of Award to any Participant it selects, but only employees of the Company or a Subsidiary may receive grants of incentive stock options. Awards may be granted alone or in addition to, in tandem with, or in substitution for any other Award (or any other award granted under another plan of the Company or any Affiliate of the Company). Awards granted under this Plan shall be evidenced by an Award Agreement except to the extent the Committee provides otherwise.

6. Shares Reserved under this Plan.

(a) Plan Reserve. Subject to adjustment as provided in Section 16, an aggregate of 12,000,000 Shares, plus the number of Shares described in Section 6(c), are reserved for issuance under this Plan. The number of Shares reserved for issuance under this Plan shall be reduced only by the number of Shares delivered in payment or settlement of Awards. Notwithstanding the foregoing, subject to adjustment as provided in Section 16, the Company may issue only 12,000,000 Shares upon the exercise of incentive stock options. In addition, any Shares issued in connection with Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units shall count against the limit described in this Section 6(a) as two Shares for every one Share issued. Shares issued in connection with any other type of Award shall be counted against this limit as one Share for every one Share issued.

(b) Replenishment of Shares Under this Plan. If an Award lapses, expires, terminates or is cancelled without the issuance of Shares under the Award, or if Shares are forfeited under an Award, then the Shares subject to such Award may again be used for new Awards under this Plan under Section 6(a), including issuance as incentive stock options. If Shares are issued under any Award and the Company subsequently reacquires them pursuant to rights reserved upon the issuance of the Shares, or if previously owned Shares are delivered to the Company in payment of the exercise price of an Award, then such Shares may again be used for new Awards under this Plan under Section 6(a), but such Shares may not be issued pursuant to incentive stock options.

(c) Addition of Shares from Predecessor Plan. In addition to the Shares reserved for issuance under Section 6(a), the number of Shares which were reserved for issuance under the 1995 Plan but which are not subject to any outstanding awards under such plan as of the Effective Date shall be available for issuance under Awards granted under this Plan. Further, after the Effective Date, if any Shares subject to awards granted under the 1995 Plan would again become available for new grants under the terms of such plan if such plan were still in effect, then those Shares will be available for the purpose of granting Awards under this Plan, thereby increasing the number of Shares available for issuance under this Plan as determined under the first sentence of Section 6(a). Any such Shares will not be available for future awards under the terms of the 1995 Plan, which plan is terminated on the Effective Date.

(d) Participant Limitations. Subject to adjustment as provided in Section 16, no Participant may be granted Awards that could result in such Participant:

(i) receiving in any calendar year Options for, and/or Stock Appreciation Rights with respect to, more than 800,000 Shares (reduced, in the initial calendar year in which this Plan is effective, by the number of options granted to a Participant under the 1995 Plan in such year, if any);

(ii) receiving in any calendar year Awards of Restricted Stock and/or Restricted Stock Units relating to more than 400,000 Shares; or

(iii) receiving in any calendar year Awards of Performance Shares, and/or Awards of Performance Units, for more than 400,000 Shares.

In all cases, determinations under this Section 6(d) should be made in a manner that is consistent with the exemption for performance-based compensation that Code Section 162(m) provides.

7. Options.Subject to the terms of this Plan, the Committee will determine all terms and conditions of each Option, including but not limited to:

(a) Whether the Option is an "incentive stock option" which meets the requirements of Code Section 422, or a "nonqualified stock option" which does not meet the requirements of Code Section 422; provided that in the case of an incentive stock option, if the aggregate Fair Market Value (determined on the date of grant) of the Shares with respect to which all "incentive stock options" (within the meaning of Code Section 422) are first exercisable by the Participant during any calendar year (under this Plan and under all other incentive stock option plans of the Company or any Affiliate that is required to be included under Code Section 422) exceeds $100,000, such Option automatically shall be treated as a nonqualified stock option to the extent this limit is exceeded.

(b) The number of Shares subject to the Option.

(c) The exercise price, which may not be less than the Fair Market Value of the Shares subject to the Option as determined on the date of grant; provided that (i) no incentive stock option shall be granted to any employee who, at the time the Option is granted, owns (directly or indirectly, within the meaning of Code Section 424(d)) more than ten percent of the total combined voting power of all classes of stock of the Company or of any Subsidiary unless the exercise price is at least 110 percent of the Fair Market Value of a Share on the date of grant; and (ii) the exercise price may vary during the term of the Option if the Committee determines that there should be adjustments to the exercise price relating to achievement of Performance Goals and/or to changes in an index or indices that the Committee determines is appropriate (but in no event may the exercise price be less than the Fair Market Value of the Shares subject to the Option as determined on the date of grant).

(d) The terms and conditions of exercise, which may include a requirement that exercise of the Option is conditioned upon achievement of one or more Performance Goals; provided that, unless the Committee provides otherwise in an Award Agreement or in rules and regulations relating to this Plan, an Option, or portion thereof, shall be exercised by delivery of a written notice of exercise to the Company (or its designee) and provision (in a manner acceptable to the Committee) for payment of the full exercise price of the Shares being purchased pursuant to the Option and any withholding taxes due thereon.

(e) The termination date, except that each Option must terminate no later than ten (10) years after the date of grant, and each incentive stock option granted to any employee who, at the time the Option is granted, owns (directly or indirectly, within the meaning of Code Section 424(d)) more than ten percent of the total combined voting power of all classes of stock of the Company or of any Subsidiary must terminate no later than five (5) years after the date of

grant.

(f) The exercise period following a Participant's termination of employment, provided that:

(i) Unless the Committee provides otherwise, if a Participant shall cease to be employed by the Company or any of its Affiliates other than by reason of Retirement, Disability, or death, (A) the portion of the Option that is not vested shall terminate on the date of such cessation of employment and (B) the Participant shall have a period ending on the earlier of the Option's termination date or 90 days from the date of cessation of employment to exercise the vested portion of the Option to the extent not previously exercised. At the end of such period, the Option shall terminate.

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(ii) Unless the Committee provides otherwise, if a Participant shall cease to be employed by the Company or any of its Affiliates by reason of Retirement or Disability, the Option shall remain exercisable, to the extent it was exercisable at the time of cessation of employment, until the earliest of: the Option's termination date; the death of the Participant, or such later date not more than one year after the death of the Participant as the Committee, in its discretion, may provide; the third anniversary of the date of the cessation of the Participant's employment, if employment ceased by reason of Retirement; or the first anniversary of the date of the cessation of the Participant's employment by reason of Disability. At the end of such period, the Option shall terminate.

(iii) In the event of the death of the Participant while employed by the Company or any of its Affiliates, the Option may be exercised at any time prior to the earlier of the Option's termination date or the first anniversary of the date of the Participant's death to the extent that the Participant was entitled to exercise such Option on the Participant's date of death. In the event of the death of the Participant while entitled to exercise an Option pursuant to Section 7(f)(ii), the Committee, in its discretion, may permit such Option to be exercised prior to the Option's termination date during a period of up to one year from the death of the Participant, as determined by the Committee to the extent that the Option was exercisable at the time of cessation of the Participant's employment.

Any Participant who disposes of Shares acquired upon the exercise of an incentive stock option either (1) within two years after the date of the grant of such Option or (2) within one year after the transfer of such Shares to the Participant, shall notify the Company of such disposition and of the amount realized upon such disposition.

In all other respects, the terms of any incentive stock option should comply with the provisions of Code Section 422 except to the extent the Committee determines otherwise.

8. Stock Appreciation Rights.Subject to the terms of this Plan, the Committee will determine all terms and conditions of each SAR, including but not limited to:

(a) Whether the SAR is granted independently of an Option or relates to an

Option; provided that if an SAR is granted in relation to an Option, then unless otherwise determined by the Committee, the SAR shall be exercisable or shall mature at the same time or times, on the same conditions and to the extent and in the proportion, that the related Option is exercisable and may be exercised or mature for all or part of the Shares subject to the related Option. Upon exercise of any number of SARs, the number of Shares subject to the related Option shall be reduced accordingly and such Option may not be exercised with respect to that number of Shares. The exercise of any number of Options that relate to an SAR shall likewise result in an equivalent reduction in the number of Shares covered by the related SAR.

(b) The number of Shares to which the SAR relates.

(c) The grant price, provided that (i) the grant price shall not be less than the Fair Market Value of the Shares subject to the SAR as determined on the date of grant and (ii) the grant price may vary during the term of the SAR if the Committee determines that there should be adjustments to the grant price relating to achievement of Performance Goals and/or to changes in an index or indices that the Committee determines is appropriate (but in no event may the grant price be less than the Fair Market Value of the Shares subject to the SAR as determined on the date of grant).

(d) The terms and conditions of exercise or maturity.

(e) The termination date, provided that an SAR must terminate no later than 10 years after the date of grant.

(f) The exercise period following a Participant's termination of employment.

(g) Whether the SAR will be settled in cash, Shares or a combination thereof.

9. Performance Awards.Subject to the terms of this Plan, the Committee will determine all terms and conditions of each Award of Performance Shares or Performance Units, including but not limited to:

(a) The number of Shares and/or units to which such Award relates.

(b) One or more Performance Goals that must be achieved during such period as the Committee specifies in order for the Participant to realize the benefit of such Award.

(c) Whether all or a portion of the Performance Goals subject to an Award are deemed achieved upon a Participant's death, Disability or Retirement.

(d) With respect to Performance Units, whether to settle such Award in cash, Shares, or a combination of cash and Shares.

10. Restricted Stock and Restricted Stock Unit Awards. Subject to the terms of this Plan, the Committee will determine all terms and conditions of each Award

of Restricted Stock or Restricted Stock Units, including but not limited to:

(a) The number of Shares and/or units to which such Award relates.

(b) The period of time, if any, over which the risk of forfeiture or restrictions imposed on the Award will lapse, or the Award will vest, and whether, as a condition for the Participant to realize all or a portion of the benefit provided under the Award, one or more Performance Goals must be achieved during such period, if any, as the Committee specifies; provided that, subject to the provisions of Section 10(c), if an Award requires the achievement of Performance Goals, then the period to which such Performance Goals relate must be at least one year in length, and if an Award is not subject to Performance Goals, then the Award must have a restriction period of at least one year.

(c) Whether all or any portion of the period of forfeiture or restrictions imposed on the Award will lapse, or the vesting of the Award will be accelerated, upon a Participant's death, Disability or Retirement.

(d) With respect to Restricted Stock Units, whether to settle such Awards in cash, Shares, or a combination of cash and Shares.

(e) With respect to Restricted Stock, the manner of registration of certificates for such Shares, and whether to hold such Shares in escrow pending lapse of the period of forfeiture or restrictions or to issue such Shares with an appropriate legend referring to such restrictions.

(f) Whether dividends paid with respect to an Award of Restricted Stock will be immediately paid or held in escrow or otherwise deferred and whether such dividends shall be subject to the same terms and conditions as the Award to which they relate.

11. STIP Shares.Subject to the terms and conditions of this Plan, the Committee may elect to have the Company deliver STIP Shares in payment or partial payment of awards under the Harley-Davidson, Inc. Corporate Short Term Incentive Plan (or any successor thereto) or other incentive plans of the Company or its affiliates that the Committee designates from time to time.

12. Dividend Equivalent Units.Subject to the terms and conditions of this Plan, the Committee will determine all terms and conditions of each Award of Dividend Equivalent Units, including but not limited to whether such Award will be granted in tandem with another Award, and the form, timing and conditions of payment; provided that any Dividend Equivalent Units granted in connection with an Option, Stock Appreciation Right or other "stock right" within the meaning of Code Section 409A shall be set forth in a written arrangement that is separate from such Award, and to the extent such Dividend Equivalent Units are considered deferred compensation, such written arrangement shall comply with the provisions of Code Section 409A.

13. Transferability. Awards are not transferable other than by will or the laws of descent and distribution, unless and to the extent the Committee allows a Participant to: (a) designate in writing a beneficiary to exercise the Award after the Participant's death; or (b) transfer an Award, provided that STIP Shares and other Shares that a Participant receives upon final payment of an Award shall be transferable unless the Committee designates otherwise at the

time of the Award.

14. Termination and Amendment of Plan; Amendment, Modification or Cancellation of Awards.

(a) Term of Plan. Unless the Board or the Committee earlier terminates this Plan pursuant to Section 14(b), this Plan will terminate on the tenth anniversary of the Effective Date.

(b) Termination and Amendment. The Board or the Committee may amend, alter, suspend, discontinue or terminate this Plan at any time, subject to the following limitations:

(i) the Board must approve any amendment of this Plan to the extent the Company determines such approval is required by: (A) action of the Board, (B) applicable corporate law or (C) any other applicable law;

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(ii) shareholders must approve any amendment of this Plan to the extent the Company determines such approval is required by: (A) Section 16 of the Exchange Act, (B) the Code, (C) the listing requirements of any principal securities exchange or market on which the Shares are then traded or (D) any other applicable law; and

(iii) shareholders must approve any of the following Plan amendments: (A) an amendment to materially increase any number of Shares specified in Section 6(a) or 6(d) (except as permitted by Section 16); or (B) an amendment to the provisions of Section 14(e).

(c) Amendment, Modification or Cancellation of Awards. Except as provided in Section 14(e) and subject to the requirements of this Plan, the Committee may modify or amend any Award or waive any restrictions or conditions applicable to any Award or the exercise of the Award, and the terms and conditions applicable to any Awards may at any time be amended, modified or canceled by mutual agreement between the Committee and the Participant or any other person(s) as may then have an interest in the Award, so long as any amendment or modification does not increase the number of Shares issuable under this Plan (except as permitted by Section 16), but the Committee need not obtain Participant (or other interested party) consent for the cancellation of an Award pursuant to the provisions of Section 16(a), the modification of an Award to the extent deemed necessary to comply with any applicable law or the listing requirements of any principal securities exchange or market on which the Shares are then traded, or to preserve favorable accounting treatment of any Award for the Company, or the adoption, amendment or rescission of rules and regulations relating to this Plan that do not materially and adversely affect the Participant in respect of any Award then outstanding.

(d) Survival of Authority and Awards. Notwithstanding the foregoing, the authority of the Board and the Committee under this Section 14 will extend beyond the date of this Plan's termination. In addition, termination of this Plan will not affect the rights of Participants with respect to Awards previously granted to them, and all unexpired Awards will continue in full force and effect after termination of this Plan except as they may lapse or be terminated by their own terms and conditions.

(e) Repricing Prohibited. Notwithstanding anything in this Plan to the contrary, and except for the adjustments provided in Section 16, neither the Committee nor any other person may decrease the exercise price for any outstanding Option after the date of grant nor cancel or allow a Participant to surrender an outstanding Option to the Company as consideration for the grant of a new Option with a lower exercise price or the grant of another type of Award the effect of which is to reduce the exercise price of any outstanding Option.

(f) Foreign Participation. To assure the viability of Awards granted to Participants employed in foreign countries, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to, or amendments, restatements or alternative versions of, this Plan as it determines is necessary or appropriate for such purposes. Any such amendment, restatement or alternative versions that the Committee approves for purposes of using this Plan in a foreign country will not affect the terms of this Plan for any other country. In addition, all such supplements, amendments, restatements or alternative versions must comply with the provisions of Section 14(b)(ii).

(g) Code Section 409A. The provisions of Code Section 409A are incorporated herein by reference to the extent necessary for any Award that is subject to Code Section 409A to comply therewith.

15. Taxes.

(a) Withholding. The Company is entitled to withhold the amount of any tax attributable to any amount payable or Shares delivered or deliverable under this Plan, and the Company may defer making payment or delivery if any such tax may be pending unless and until indemnified to its satisfaction. A Participant shall satisfy the federal, state and local withholding tax obligations arising in connection with an Award in a manner acceptable to the Committee.

(b) No Guarantee of Tax Treatment. The Company does not guarantee to any Participant or any other Person with an interest in an Award that any Award intended to be exempt from Code Section 409A shall be so exempt, or that any Award intended to comply with Code Section 409A shall so comply, and nothing in this Plan obligates the Company or any Affiliate to indemnify, defend or hold harmless any individual with respect to the tax consequences of any such failure.

16. Adjustment Provisions; Change of Control.

(a) Adjustment of Shares. If (i) the Company shall at any time be involved in a merger or other transaction in which the Shares are changed or exchanged; or (ii) the Company shall subdivide or combine the Shares or the Company

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shall declare a dividend payable in Shares, other securities (other than any associated preferred stock purchase rights issued pursuant to that certain Rights Agreement, dated February 17, 2000, between the Company and ComputerShare Investor Services, LLC, as successor rights agent, or similar stock purchase rights that the Company might authorize and issue in the future)

or other property; or (iii) the Company shall effect a cash dividend the amount of which exceeds 15% of the trading price of the Shares at the time the dividend is declared or any other dividend or other distribution on the Shares in the form of cash, or a repurchase of Shares, that the Board determines by resolution is special or extraordinary in nature or that is in connection with a transaction that the Company characterizes publicly as a recapitalization or reorganization involving the Shares; or (iv) any other event shall occur which, in the case of this clause (iv), in the judgment of the Committee necessitates an adjustment to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then, subject to Participants' rights under Section 16(c), the Committee shall, in such manner as it may deem equitable, adjust any or all of: (A) the number and type of Shares subject to this Plan (including the number and type of Shares described in Sections 6(a) and 6(d)) and which may after the event be made the subject of Awards under this Plan, (B) the number and type of Shares subject to outstanding Awards, and (C) the grant, purchase, or exercise price with respect to any Award. In any such case, the Committee may also (or in lieu of the foregoing) make provision for a cash payment to the holder of an outstanding Award in exchange for the cancellation of all or a portion of the Award (without the consent of the holder of an Award) in an amount determined by the Committee effective at such time as the Committee specifies (which may be the time such transaction or event is effective), but if such transaction or event constitutes a Change of Control, then (1) such payment shall be at least as favorable to the holder as the greatest amount the holder could have received in respect of such Award under Section 16(c) and (2) from and after the Change of Control, the Committee may make such a provision only if the Committee determines that doing so is necessary to substitute, for each Share then subject to an Award, the number and kind of shares of stock, other securities, cash or other property to which holders of Stock are or will be entitled in respect of each Share pursuant to the transaction or event in accordance with the last sentence of this subsection (a). However, in each case, with respect to Awards of incentive stock options, no such adjustment may be authorized to the extent that such authority would cause this Plan to violate Code Section 422(b). Further, the number of Shares subject to any Award payable or denominated in Shares must always be a whole number. Unless the Committee determines otherwise, any such adjustment to an Award that is exempt from Code Section 409A shall be made in manner that permits the Award to continue to be so exempt, and any adjustment to an Award that is subject to Code Section 409A shall be made in a manner that complies with the provisions thereof. Without limitation, subject to Participants' rights under Section 16(c), in the event of any such merger or similar transaction, subdivision or combination of Shares, dividend or other event described above, whether or not constituting a Change of Control (other than any such transaction in which the Company is the continuing corporation and in which the outstanding Stock is not being converted into or exchanged for different securities, cash or other property, or any combination thereof), the Committee shall substitute, on an equitable basis as the Committee determines, for each Share then subject to an Award, the number and kind of shares of stock, other securities, cash or other property to which holders of Stock are or will be entitled in respect of each Share pursuant to the transaction.

(b) Issuance or Assumption. Notwithstanding any other provision of this Plan, and without affecting the number of Shares otherwise reserved or available under this Plan, in connection with any merger, consolidation, acquisition of property or stock, or reorganization, the Committee may authorize the issuance or assumption of Awards upon such terms and conditions as it may deem appropriate.

(c) Change of Control. Except to the extent the Committee provides a result more favorable to holders of Awards (either in an Award Agreement or at the time of a Change of Control), in the event of a Change of Control and with respect to each Award the holder of which is employed by the Company or an

Affiliate on the date of the Change of Control:

(i) each holder of an Option or SAR shall have the right at any time thereafter to exercise the Option or SAR in full whether or not the Option or SAR was theretofore exercisable;

(ii) Restricted Stock and Restricted Stock Units that are not then vested shall vest, and any period of forfeiture or restrictions to which Restricted Stock and Restricted Stock Units are subject shall lapse, upon the date of the Change of Control;

(iii) each holder of a Performance Share and/or Performance Unit for which the performance period has not expired shall become vested in an amount equal to the product of the value of the Performance Share and/or Performance Unit and a fraction the numerator of which is the number of whole months that have elapsed from the beginning of the performance period to which the Award is subject to the date of the Change of Control and the denominator of which is the number of whole months in the performance period;

(iv) all Dividend Equivalent Units that were awarded in connection with another Award shall vest.

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For purposes of this Section 16(c), the "value" of a Performance Share shall be equal to, and the "value" of a Performance Unit shall be based on, the Change of Control Price.

The rules of this Section 16(c) shall not prevent the Committee, in connection with a Change of Control transaction, from exercising the authority provided to the Committee under the last sentence of Section 16(a) to substitute, for each vested (taking into account the vesting rules of this Section 16(c)) and previously unexercised or undistributed Share then subject to or underlying an Award, the number and kind of shares of stock, other securities, cash or other property to which holders of Stock are or will be entitled in respect to each Share pursuant to the transaction.

Unless any agreement between the Participant and the Company provides for a payment by the Company to the Participant to cover the excise taxes due by the Participant upon receipt of an excess parachute payment within the meaning of Code Section 280G, if the receipt of any payment by a Participant under the circumstances described above would result in the payment by the Participant of any excise tax provided for in Section 280G and Section 4999 of the Code, then the amount of such payment shall be reduced to the extent required to prevent the imposition of such excise tax.

17. Miscellaneous.

(a) Other Terms and Conditions. Any Award may also be subject to other provisions (whether or not applicable to the Award granted to any other Participant) as the Committee determines appropriate, including, without limitation, provisions for:

(i) one or more means to enable Participants to defer the delivery of Shares or recognition of taxable income relating to Awards or cash payments derived from the Awards on such terms and conditions as the Committee determines, including, by way of example, the form and manner of the deferral election, the treatment of dividends paid on the Shares during the deferral period or a means for providing a return to a Participant on amounts deferred, and the permitted distribution dates or events (provided that if Shares would have otherwise been issued under an Award but for the deferral described in this paragraph and ultimately Shares will be or are issued in respect of the Award, then such Shares shall be treated as if they were issued for purposes of Section 6(a));

(ii) conditioning the grant or benefit of an Award on the Participant's agreement to comply with covenants not to compete, not to solicit employees and customers and not to disclose confidential information that may be effective during or after the Participant's employment, and/or provisions requiring the Participant to disgorge any profit, gain or other benefit received in connection with an Award as a result of the breach of such covenant;

(iii) restrictions on resale or other disposition of Shares, including imposition of a retention period; and

(iv) compliance with federal or state securities laws and stock exchange requirements.

(b) Employment. The issuance of an Award shall not confer upon a Participant any right with respect to continued employment with the Company or any Affiliate. Unless determined otherwise by the Committee, for purposes of this Plan and all Awards, the following rules shall apply:

(i) a Participant who transfers employment between the Corporation and any Affiliate of the Company, or between the Company's Affiliates, will not be considered to have terminated employment;

(ii) a Participant who ceases to be employed by the Company or an Affiliate of the Company and immediately thereafter becomes a Non-Employee Director, a non-employee director of any of its Affiliates, or a consultant to the Company or any of its Affiliates shall not be considered to have terminated employment until such Participant's service as a director of, or consultant to, the Company and its Affiliates has ceased; and

(iii) a Participant employed by an Affiliate of the Company will be considered to have terminated employment when such entity ceases to be an Affiliate of the Company.

Notwithstanding the foregoing, for purposes of an Award that is subject to Code Section 409A, if a Participant's termination of employment or service triggers the payment of compensation under such Award, then the Participant will be deemed to have terminated employment or service upon a "separation from service" within the meaning of Code Section 409A.

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(c) No Fractional Shares. No fractional Shares or other securities may be issued or delivered pursuant to this Plan, and the Committee may determine

whether cash, other securities or other property will be paid or transferred in lieu of any fractional Shares or other securities, or whether such fractional Shares or other securities or any rights to fractional Shares or other securities will be canceled, terminated or otherwise eliminated.

(d) Unfunded Plan. This Plan is unfunded and does not create, and should not be construed to create, a trust or separate fund with respect to this Plan's benefits. This Plan does not establish any fiduciary relationship between the Company and any Participant or other person. To the extent any person holds any rights by virtue of an Award granted under this Plan, such rights are no greater than the rights of the Company's general unsecured creditors.

(e) Requirements of Law and Securities Exchange. The granting of Awards and the issuance of Shares in connection with an Award are subject to all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required. Notwithstanding any other provision of this Plan or any Award Agreement, the Company has no liability to deliver any Shares under this Plan or make any payment unless such delivery or payment would comply with all applicable laws and the applicable requirements of any securities exchange or similar entity, and unless and until the Participant has taken all actions required by the Company in connection therewith. The Company may impose such restrictions on any Shares issued under this Plan as the Company determines necessary or desirable to comply with all applicable laws, rules and regulations or the requirements of any national securities exchanges.

(f) Governing Law. This Plan, and all agreements under this Plan, will be construed in accordance with and governed by the laws of the State of Wisconsin, without reference to any conflict of law principles. The parties agree that the exclusive venue for any legal action or proceeding with respect to this Plan, any Award or any Award Agreement shall be a court sitting in the County of Milwaukee, or the Federal District Court for the Eastern District of Wisconsin sitting in the County of Milwaukee, in the State of Wisconsin, and further agree that any such action may be heard only in a "bench" trial, and any party to such action or proceeding shall agree to waive its right to a jury trial.

(g) Limitations on Actions. Any legal action or proceeding with respect to this Plan, any Award or any Award Agreement must be brought within one year (365 days) after the day the complaining party first knew or should have known of the events giving rise to the complaint.

(h) Construction. Whenever any words are used herein in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are used in the singular or plural, they shall be construed as though they were used in the plural or singular, as the case may be, in all cases where they would so apply. Titles of sections are for general information only, and this Plan is not to be construed with reference to such titles.

(i) Severability. If any provision of this Plan or any Award Agreement or any Award (i) is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or as to any person or Award, or (ii) would disqualify this Plan, any Award Agreement or any Award under any law the Committee deems applicable, then such provision should be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of this Plan, such Award Agreement or such Award, then such provision should be

stricken as to such jurisdiction, person or Award, and the remainder of this Plan, such Award Agreement and such Award will remain in full force and effect.

12

Exhibit 10.22

General

Harley-Davidson, Inc.
or Subsidiaries

Notice of Grant of Stock Appreciation Right
and Stock Appreciation Right Agreement

"FirstName" "LastName"
"Address1"
"City," "State" "Zip"
"Country"

Stock Appreciation Right/Award
Plan: 2004 Incentive Stock Plan
ID:

Effective "Grant Date" (the "Grant Date"), you have been granted a Stock Appreciation Right with respect to "# of shares"shares of common stock of Harley-Davidson, Inc. ("HDI" and, together with its Subsidiaries, the "Company").

As soon as practicable following the first, second, third and fourth anniversary of the Grant Date (each, a "Settlement Date"), the compensation (if any) payable with respect to the portion of the Stock Appreciation Right that became vested on such Settlement Date will be valued and paid in cash in your local currency using the spot rate on the Settlement Date, less applicable withholding. The value of the portion of the Stock Appreciation Right that became vested on the Settlement Date will be equal to the product obtained by multiplying (1) the number of shares underlying the portion of the Stock Appreciation Right that became vested on the Settlement Date, and (2) the amount by which the Fair Market Value of a share of HDI's common stock on the Settlement Date exceeds "price". If the Fair Market Value of a share of HDI's common stock on the Settlement Date is less than or equal to <<price>>, no amount is payable with respect to that Settlement Date. Following each Settlement Date, the portion of the Stock Appreciation Right that was valued as of that Settlement Date (whether or not resulting in a payment) will be cancelled.

The portion of your Stock Appreciation Right that is not vested when you terminate employment will be forfeited.

The Stock Appreciation Right does not include the right to receive dividends or other distributions declared and paid on the shares of HDI's common stock underlying the Stock Appreciation Right.

On each anniversary of the Grant Date, if you are still then employed, you will obtain a 25 percent vested interest in the Stock Appreciation Right. Accordingly, in each period the Stock Appreciation Right will become vested on the date shown.

Shares Underlying Stock Vest Type Full Vest
Appreciation Right
"shares"
"shares"
"shares"
"shares"

The Stock Appreciation Right is granted under and governed by the terms and conditions of HDI's 2004 Incentive Stock Plan and this Stock Appreciation Right Agreement. Additional provisions regarding your Stock Appreciation Right and definitions of capitalized terms used and not defined in this Stock Appreciation Right Agreement can be found in the Plan.

You may return this Stock Appreciation Right Agreement to the Company (in care of the Vice President and Treasurer of HDI) within thirty (30) days after the Grant Date, and by doing so you will forfeit any rights under this Stock Appreciation Right Agreement. If you choose to retain this Stock Appreciation Right Agreement beyond that date, then you accept the terms of this Stock Appreciation Right and agree and consent to all amendments to the Plan and the Company's 1995 Stock Option Plan through the Grant Date as they apply to this Stock

Vice President and Treasurer

Exhibit 10.23

General

Harley-Davidson, Inc.
or Subsidiaries

Notice of Award of Restricted Stock Units
and Restricted Stock Unit Agreement

"Fname" "M""Lname"
"Address1"
"Address2"
"Address3"
"City", "St" "Zip"
"CO"

Award Number: "Grant_"
Plan: 2004 Incentive Stock Plan
ID: "ID"

Effective __/__/200_ (the "Grant Date"), you have been granted Restricted Stock Units with respect to "Shares" shares of Common Stock of Harley-Davidson, Inc. ("HDI" and, together with its Subsidiaries, the "Company"). This grant is made under HDI's 2004 Incentive Stock Plan (the "Plan").

All of the Restricted Stock Units will become fully unrestricted (or "vest") on the fourth anniversary of the Grant Date, subject to accelerated vesting and forfeiture as discussed below and in Exhibit A. You may not sell, transfer or otherwise convey an interest in or pledge any of your Restricted Stock Units.

As soon as practicable following the date on which the Restricted Stock Units vest, the Company will make a cash payment to you in your local currency using the spot rate on the vesting date, less applicable withholding, equal to the product obtained by multiplying the Fair Market Value of a share of Common Stock of HDI on the vesting date by the number of Restricted Stock Units that have become vested on such date.

The Restricted Stock Units are granted under and governed by the terms and conditions of the Plan and this Restricted Stock Unit Agreement including Exhibit A. Additional provisions regarding your Restricted Stock Units and definitions of capitalized terms used and not defined in this Restricted Stock Unit Agreement can be found in the Plan. Without limitation, "Committee" means the Human Resources Committee of the Board or its delegate in accordance with the Plan.

HARLEY-DAVIDSON, INC. and Subsidiaries
Vice President and Treasurer
Date
Time:

Exhibit A to Restricted Stock Unit Agreement

Termination of Employment: If your employment with the Company and its Affiliates is terminated for any reason other than death, Disability or Qualified Retirement (as defined below), then you will forfeit any Restricted Stock Units that are not vested as of the date your employment is terminated. If you cease to be employed by the Company and its Affiliates by reason of death, Disability or Qualified Retirement, then, effective immediately prior to the time of cessation of employment, a portion of the unvested Restricted Stock Units will vest such that the total number of Restricted Stock Units that are vested after giving effect to such vesting will be equal to the original number of Restricted Stock Units subject to this Restricted Stock Unit Agreement multiplied by a fraction the numerator of which is the number of Months (counting a partial Month as a full Month) from the Grant Date until the date your employment is terminated by reason of death, Disability or Qualified Retirement, and the denominator of which is 48 months, and you will forfeit the remaining Restricted Stock Units that are not vested. For purposes of this Agreement, a "Month" shall mean the period that begins on the first calendar day after the Grant Date, or the anniversary of the Grant Date that occurs in each calendar month, and ends on the anniversary of the Grant Date that occurs in the following calendar month.

"Qualified Retirement" shall mean termination of employment from the Company and its Affiliates, for reasons other than death, Disability, Cause (determined as described below) or accepting other full-time employment, (a) on or after age sixty-two (62), (b) on or after age fifty-five (55) if you have completed five (5) years of service with the Company and its Affiliates at the time of such termination or (c) with the consent of the Committee, under other circumstances. "Cause" shall be determined by the Company in its discretion though you will have the right to appeal the Company's decision to the

Committee if you do so in writing within sixty (60) days after receiving notice of termination for Cause from the Company. If you fail to appeal such decision within sixty (60) days, the Company's determination shall be final. If you timely file a written appeal with the Committee, the Committee's decisions shall be final and binding.

Accelerated Vesting: If the average of the percentage payouts under the Reference STIPs for the two full calendar years prior to the second anniversary of the Grant Date (including the calendar year in which the Grant Date occurs) is equal to or greater than 100%, then 50% of the Restricted Stock Units (excluding any forfeited Shares) will vest on the second anniversary of the Grant Date. "Reference STIPs" means the terms of the Short-Term Incentive Plan of the Company or any of its Affiliates applicable to the class or classes of employees of which you were a part during the two full calendar years prior to the second anniversary of the Grant Date, and the average of the percentage payouts will be calculated by weighting each percentage payout that relates to the period during which you were a part of a class of employees based on the time in each year that you were a part of that class of employees.

(over)

Voting Rights and Dividends: You are not entitled to exercise any voting rights with respect to the Common Stock of HDI underlying your Restricted Stock Units. You will receive a cash payment equivalent to any dividends and other distributions paid with respect to the Common Stock of HDI underlying your Restricted Stock Units (reduced for any tax withholding due), so long as the applicable record date occurs before you forfeit such Restricted Stock Units, which will be paid in your local currency using the spot rate on the date the dividend or other distribution is paid to shareholders. If, however, any dividends or distributions with respect to the Common Stock of HDI underlying your Restricted Stock Units are paid in Shares rather than cash, you will be credited with additional Restricted Stock Units equal to the number of shares that you would have received had your Restricted Stock Units been actual Shares, and such Restricted Stock Units will be subject to the same risk of forfeiture and other terms of this Restricted Stock Unit Agreement as are the Restricted Stock Units that are granted contemporaneously with this Restricted Stock Unit Agreement. Any amounts due to you under this provision shall be paid to you, in cash, no later than the end of the calendar year in which the dividend or other distribution is paid to shareholders or, if later, the 15th day of the third month following the date the dividends are paid to shareholders; provided that in the case of any distribution with respect to which you are credited with additional Restricted Stock Units that are subject to a risk of forfeiture, distribution shall be made at the same time as payment is made in respect of the Restricted Stock Units that are granted contemporaneously with this Restricted Stock Unit Agreement.

Tax Withholding: To the extent that your receipt of Restricted Stock Units, the vesting of Restricted Stock Units or your receipt of payments in respect of Restricted Stock Units results in income to you for federal or local taxes, the Company has the right and authority to deduct or withhold from any compensation it would pay to you (including payments in respect of Restricted Stock Units) an amount, and/or to treat you as having surrendered vested Restricted Stock Units having a value, sufficient to satisfy its withholding obligations. In its discretion, the Company may require you to deliver to the Company or to such other person as the Company may designate at the time the Company is obligated to withhold taxes that arise from such receipt or vesting, as the case may be, such amount as the Company requires to meet its withholding obligation under applicable tax laws or regulations.

Rejection/Acceptance: You may return this Restricted Stock Unit Agreement to the Company (in care of the Vice President and Treasurer of HDI) within thirty (30) days after the Grant Date, and by doing so you will forfeit any rights under this Restricted Stock Unit Agreement If you choose to retain this Restricted Stock Unit Agreement beyond that date, then you accept the terms of this Award, acknowledge these tax implications and agree and consent to all amendments to the Plan and the Harley-Davidson, Inc. 1995 Stock Option Plan through the Grant Date as they apply to this Award and any prior awards to you of any kind under such plans.

Exhibit 21

HARLEY-DAVIDSON, INC.

SUBSIDIARIES

Name	State/Country Of Incorporation
H-D Michigan, Inc.	Michigan
Harley-Davidson Motor Company Group, Inc.	Wisconsin
Harley-Davidson Motor Company Operations, Inc.	Wisconsin
H-D Franklin, LLC	Wisconsin
H-D Tomahawk Somo, LLC	Wisconsin
H-D Tomahawk Industrial Park, LLC	Wisconsin
H-D Tomahawk Kaphaem Road, LLC	Wisconsin
H-D Capitol Drive, LLC	Wisconsin
H-D Pilgrim Road, LLC	Wisconsin
Harley-Davidson Motor Company, Inc.	Wisconsin
H-D Milwaukee, LLC	Wisconsin
Buell Distribution Company, LLC	Wisconsin
H-D F&R, LLC	Wisconsin
HASC, LLC	Wisconsin
H-D Group LLC	Illinois
Revolution PowerTrain LLC	Delaware
Buell Motorcycle Company, LLC	Wisconsin
Harley-Davidson Transportation Co., Inc.	Delaware
HDWA, LLC	Wisconsin
HDMC, LLC	Illinois
Harley-Davidson Dealer Systems, Inc.	Ohio
Harley-Davidson International Holding Co., Inc.	Wisconsin
Harley-Davidson Holding Co., Inc.	Delaware
Harley-Davidson Benelux B.V.	Netherlands
Harley-Davidson France SAS	France
Harley-Davidson GmbH	Germany
Harley-Davidson Japan KK	Japan
Harley-Davidson Europe Limited	England
Harley-Davidson do Brazil Ltda.	Brazil
Harley-Davidson Italia S.r.l.	Italy
Harley-Davidson Singapore Inc.	Delaware
Harley-Davidson Australia Pty. Limited	Australia
Harley-Davidson Hong Kong Limited	Hong Kong
Lockglade Limited	England
Harley-Davidson Espana S.L.	Spain
Harley-Davidson Switzerland GmbH	Switzerland
Harley-Davidson Asia, Inc.	Wisconsin
New Castalloy Pty. Limited	Australia
Renovation Realty Investment Services, Inc.	Wisconsin
HR, LLC	Indiana
HR Holding Corp.	Wisconsin
Harley-Davidson Financial Services, Inc.	Delaware
Harley-Davidson Insurance Services, Inc.	Nevada
Harley-Davidson Credit Corp.	Nevada
Harley-Davidson Insurance Services of Illinois, Inc.	Illinois
Harley-Davidson Customer Funding Corp	Nevada
Harley-Davidson Funding Corp.	Nevada
Eaglemark Savings Bank	Nevada
Harley-Davidson Leasing, Inc.	Nevada
Eaglemark Customer Funding Corporation-IV	Nevada
Harley-Davidson Financial Services International, Inc.	Delaware
ODBH Limited	United Kingdom
Harley-Davidson Financial Services Europe Limited	England
Harley-Davidson Financial Services Canada, Inc.	Canada

Exhibit 23

Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 33-35311, No. 333-07551, No. 333-51741, No. 333-75347, Nos. 333-93879 and 333-123406, No. 333-60840 and No. 333-123405) pertaining (a) the Harley-Davidson Retirement Savings Plan for Salaried Employees, the Harley-Davidson Retirement Savings Plan for Milwaukee and Tomahawk Hourly Bargaining Unit Employees, and the Holiday Rambler LLC Employees Retirement Plan; (b) the Harley-Davidson, Inc. 1995 Stock Option Plan; (c) the Harley-Davidson, Inc. Director Stock Plan; (d) the Harley-Davidson, Inc. 1998 Non-Exempt Employee Stock Option Plan (e) the Harley-Davidson Retirement Savings Plan for Salaried Employees, the Harley-Davidson Retirement Savings Plan for Milwaukee and Tomahawk Hourly Bargaining Unit Employees, the Harley-Davidson Retirement Savings Plan for Kansas City Hourly Bargaining Unit Employees, the Harley-Davidson Retirement Savings Plan for York Hourly Bargaining Unit Employees and the Buell Motorcycle Company Retirement Savings Plan; (f) the Harley-Davidson, Inc. 2001 York Hourly-Paid Employees Stock Option Plan and (g) the Harley-Davidson, Inc. 2004 Incentive Stock Plan, of our report dated February 6, 2007, with respect to the consolidated financial statements and schedule of Harley-Davidson, Inc., Harley-Davidson, Inc.'s management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Harley-Davidson, Inc., included in this Annual Report (Form 10-K) for the year ended December 31, 2006.

ERNST & YOUNG LLP

Milwaukee, Wisconsin

February 27, 2007

Exhibit 31.1

Chief Executive Officer Certification

Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

I, James L. Ziemer, certify that:

1. I have reviewed this annual report on Form 10-K of Harley-Davidson, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects

the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2007 /s/James L. Ziemer
James L. Ziemer
President and Chief Executive Officer

Exhibit 31.2

Chief Financial Officer Certification

Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

I, Thomas E. Bergmann, certify that:

1. I have reviewed this annual report on Form 10-K of Harley-Davidson, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2007 /s/Thomas E. Bergmann
Thomas E. Bergmann
Vice President and Chief Financial Officer

Exhibit 32

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. (s)1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned President and Chief Executive Officer and the Vice President and Chief Financial Officer of Harley-Davidson, Inc. (the "Company"), hereby certify, based on our knowledge, that the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 27, 2007

/s/James L. Ziemer
James L. Ziemer
President and Chief Executive Officer
/s/Thomas E. Bergmann
Thomas E. Bergmann
Vice President and Chief Financial Officer

{graphic omitted}

{graphic omitted}

{graphic omitted}

{graphic omitted}

{graphic omitted}

U.S. Trademark Opposition No. 91177156
H-D Michigan, Inc. v. Bryan Broehm
Serial No. 78896325
Mark:

Exhibit 4

UNITED STATES OF AMERICA

SECURITIES AND EXCHANGE COMMISSION

ATTESTATION

I HEREBY ATTEST

that:

Attached is a copy of, annual report on Form 10-K, for the fiscal year ended December 31, 2007, received in this Commission February 22, 2008, under the name Harley-Davidson, Inc., File No. 1-9183, pursuant to the provisions of the Securities Exchange Act of 1934.

on file in this Commission

May 6, 2008
(Date)

Larry Mills
Records Officer

It is hereby certified that the Secretary of the U.S. Securities and Exchange Commission, Washington, D.C., which Commission was created by the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) is official custodian of the records and files of said Commission, and all records and files created or established by the Federal Trade Commission pursuant to the provisions of the Securities Act of 1933 and transferred to this Commission in accordance with Section 210 of the Securities Exchange Act of 1934, and was such official custodian at the time of executing the above attestation, and that he/she, and persons holding the positions of Deputy Secretary, Assistant Director, Records Officer, Branch Chief of Records Management, and the Program Analyst for the Records Officer, or any one of them, are authorized to execute the above attestation.

For the Commission

Nancy M. Morris
Secretary

SEC 334 (10/07)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-K

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

For the fiscal year ended: December 31, 2007

o 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	39-1382325
(State of organization)	(I.R.S. Employer Identification No.)
3700 West Juneau Avenue	
Milwaukee, Wisconsin	53208
(Address of principal executive offices)	(Zip code)

Registrants telephone number: (414) 342-4680

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

Title of each class	Name of each exchange on which registered
COMMON STOCK, $.01 PAR VALUE PER SHARE	NEW YORK STOCK EXCHANGE
PREFERRED STOCK PURCHASE RIGHTS	NEW YORK STOCK EXCHANGE

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

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes xNo o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes oNo x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such requirements for the past 90 days.
Yes xNo o.

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

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

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o	Smaller reporting compnay o

Indicate by check mark whether the registrant is a shell company, as defined in Rule 12b-2 of the Exchange Act. Yes oNo x

Aggregate market value of the voting stock held by non-affiliates of the registrant at June 29, 2007: $14,836,023,206

Number of shares of the registrant's common stock outstanding at February 18, 2008: 238,500,409 shares

Documents Incorporated by Reference

Part III of this report incorporates information by reference from registrant's Proxy Statement for the annual meeting of its shareholders to be held on April 26, 2008.

Harley-Davidson, Inc.

Form 10-K

For The Year Ended December 31, 2007

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PART I

Note regarding forward-looking statements

Certain matters discussed by the Company are "forward-looking statements" intended to qualify for the safe harbors 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 note 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 "Risk Factors" in Item 1A of this report and under "Cautionary Statements" in Item 7 of this report. Shareholders, potential investors, and other readers are urged to consider these factors in evaluating the forward-looking statements and cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included in this report are made only as of the date of the filing of this report (February 22, 2008), and the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Item 1. Business

Harley-Davidson, Inc. was incorporated in 1981, at which time it purchased the Harley-Davidson(R)motorcycle business from AMF Incorporated in a management buyout. In 1986, Harley-Davidson, Inc. became publicly held. Unless the context otherwise requires, all references to the "Company" include Harley-Davidson, Inc. and all of its subsidiaries. The Company operates in two segments: the Motorcycles & Related Products segment and the Financial Services segment. The Company's reportable segments are strategic business units that offer different products and services. They are managed separately based on the fundamental differences in their operations.

The Motorcycles & Related Products (Motorcycles) segment includes the group of companies doing business as Harley-Davidson Motor Company (Motor Company) and the group of companies doing business as Buell Motorcycle Company (Buell). The

Motorcycles segment designs, manufactures and sells at wholesale primarily heavyweight (engine displacement of 651+cc) touring, custom and performance motorcycles as well as a line of motorcycle parts, accessories, general merchandise and related services. The Company, which is the only major American motorcycle manufacturer, has had the largest share of the United States heavyweight (651+cc) motorcycle market since 1986. During 2007, the Company's market share, based on retail registrations of new Harley-Davidson motorcycles, was 48.7% in the United States (see page 9, U.S. Heavyweight Motorcycle Registration Data).

The Financial Services (Financial Services) segment includes the group of companies doing business as Harley-Davidson Financial Services (HDFS). HDFS provides wholesale and retail financing and insurance and insurance-related programs primarily to Harley-Davidson and Buell dealers and their retail customers. HDFS conducts business in the United States, Canada and Europe.

See Note 11 of Notes to the Consolidated Financial Statements for financial information related to the Company's business segments.

Motorcycles and Related Products

Motorcycles - The primary business of the Motorcycles segment is to design and manufacture premium motorcycles for the heavyweight market and sell them at wholesale. The Company is best known for its Harley-Davidson motorcycle products, but also offers a line of motorcycles and related products under the Buell brand name. The Company's worldwide motorcycle sales generated approximately 80% of the total net revenue in the Motorcycles segment during each of the years 2007, 2006 and 2005, respectively.

The Motor Company's Harley-Davidson branded motorcycle products emphasize traditional styling, design simplicity, durability and quality. The Motor Company manufactures five families of motorcycles: Touring, DynaTM, Softail(R), Sportster(R), and VRSCTM. The first four of these motorcycle families are powered by an air-cooled, twin-cylinder engine with a 45-degree "V" configuration. The VRSC family is powered by a liquid-cooled, twin-cylinder engine with a 60-degree "V" configuration. The Motor Company's Harley-Davidson engines range in size from 883cc's to 1803cc's.

The Motor Company's 2008 model year includes 31 domestic models of Harley-Davidson heavyweight motorcycles, with domestic manufacturer's suggested retail prices ranging from $6,695 to $23,270. The Motor Company also offers limited-edition, factory-custom motorcycles through its Custom Vehicle Operation (CVO) program. Motorcycles sold through the CVO program are available in limited quantities and offer unique features, paint schemes and accessories. The Motor Company currently has four motorcycle model offerings available through the CVO program with domestic manufacturer's suggested retail prices ranging from $24,995 to $35,490.

The average U.S. retail purchaser of a new Harley-Davidson motorcycle is a married male in his mid to late forties (nearly two-thirds of U.S. retail purchasers of new Harley-Davidson motorcycles are between the ages of 35 and 54) with a median household income of approximately $84,300. Nearly three-quarters of the U.S. retail sales of new Harley-Davidson motorcycles are to buyers with at least one year of education beyond high school and 30% of the buyers have college degrees. Approximately 12% of U.S. retail motorcycle sales of new Harley-Davidson motorcycles are to female buyers. (Source: 2007 Company studies)

The Company's Buell(R) motorcycle products emphasize innovative design, responsive handling and overall performance. Buell currently manufactures and sells ten models, including eight heavyweight models in its XB family, one liquid-cooled engine motorcycle known as the 1125R and the Blast(R). The Buell XB motorcycles focus on superior handling and are powered by either a 984cc (XB9) or a 1203cc (XB12) air-cooled, twin-cylinder engine with a 45-degree "V" configuration. The Buell XB motorcycle models have domestic manufacturer's suggested retail prices ranging from $8,895 to $12,995. The 1125R, introduced in 2007, is a high-performance sportbike featuring a liquid-cooled engine while retaining Buell styling and character. The 1125R has a manufacturer's suggested retail price of $11,995. The Buell Blast is smaller and less expensive than the Buell XB models and is powered by a 492cc single-cylinder engine. The Blast, which competes in the standard market segment, has a domestic manufacturer's suggested retail price of $4,695.

Buell attracts customers in the demographic age range of 25 to 55. The average U.S. retail purchaser of a new Buell XB motorcycle is a forty-year old male. The majority of new Buell owners have a median household income of approximately $80,900. Approximately 7% of all new Buell XB U.S. retail motorcycle sales are to females. (Source: 2007 Company studies)

The total motorcycle market, including the heavyweight portion of the market, is comprised of the following four segments:

- standard (emphasizes simplicity and cost)

- performance (emphasizes handling and acceleration)

- custom (emphasizes styling and individual owner customization)

- touring (emphasizes comfort and amenities for long-distance travel)

The touring segment of the heavyweight market was pioneered by the Company and includes the Harley-

Davidson Touring family of motorcycles which are equipped with fairings, windshields, saddlebags and/or Tour Pak(R) luggage carriers. The custom segment of the market includes motorcycles featuring the distinctive styling associated with classic Harley-Davidson motorcycles and includes the Company's Dyna, Softail and VRSC motorcycle families as well as a portion of the motorcycles in the Sportster family. The Company's Sportster family also serves the standard segment of the market along with the Buell Blast. The Buell XB family and the 1125R serve the performance segment of the market.

In the United States, suggested retail prices for the Company's Harley-Davidson motorcycles range from being comparable to moderately higher than suggested retail prices for comparable motorcycles available in the market. Although there are some differences in accessories between the Company's top-of-the-line touring motorcycles and those of its competitors, suggested retail prices for these motorcycles are generally comparable. The Company's larger-displacement custom motorcycles (Dyna, Softail and VRSC) represent its highest unit volumes. The Company believes its larger-displacement custom products continue to command a premium price because of the features, styling and strong resale value associated with Harley-Davidson custom products. The Company's smallest displacement custom motorcycle (the 883cc Sportster) is price competitive with comparable motorcycles available in the market.

The Company's 2007 surveys of retail purchasers in the United States indicate that three-quarters of the retail purchasers of its Sportster models either have previously owned competitive-brand motorcycles or are completely new to the sport of motorcycling. The Company expects to see sales of its Sportster models lead to future sales of its higher-priced models.

Since 1988, the Company's research has consistently shown that retail purchasers of new Harley-Davidson motorcycles in the United States have a repurchase intent at or in excess of 80%. Research completed by the Company in 2007 shows that approximately 52% of all retail purchasers of new Harley-Davidson motorcycles in the United States had previously owned a Harley-Davidson motorcycle.

Parts & Accessories - The major Parts and Accessories (P&A) products are replacement parts (Genuine Motor Parts) and mechanical and cosmetic accessories (Genuine Motor Accessories). Worldwide P&A net revenue comprised 15.2%, 14.9% and 15.3% of net revenue in the Motorcycles segment in 2007, 2006 and 2005, respectively.

General Merchandise - Worldwide General Merchandise net revenue, which includes MotorClothesTMapparel and collectibles, comprised 5.3%, 4.8% and 4.6% of net revenue in the Motorcycles segment in 2007, 2006 and 2005, respectively.

Licensing - The Company creates an awareness of the Harley-Davidson brand among its customers and the non-riding public through a wide range of products for enthusiasts by licensing the name "Harley-Davidson" and other trademarks owned by the Company. The Company's licensed products include t-shirts, vehicle and vehicle accessories, jewelry, small leather goods, toys and numerous other products. The Company also licenses the use of its name in connection with a cafe located in Las Vegas, Nevada. Although the majority of licensing activity occurs in the U.S., the Company continues to expand these activities in international markets. Royalty revenues from licensing, included in Motorcycles segment net revenue, were $46.0 million, $45.5 million and $43.0 million in 2007, 2006 and 2005, respectively.

Other Services - The Company also provides a variety of services to its independent dealers including service and business management training programs, customized dealer software packages and delivery of its motorcycles.

Motorcycle rental and tour programs and Riders Edge(R), the Company's rider training program, are available through the Company's independent dealers.

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

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

Trademarks are important to the Company's motorcycle business and licensing activities. The Company has a vigorous worldwide program of trademark registration and enforcement to maintain and strengthen the value of the trademarks and prevent the unauthorized use of those trademarks. The HARLEY-DAVIDSON trademark and the Bar and Shield trademark are each highly recognizable to the public and are very valuable assets. The BUELL trademark is well-known in performance motorcycle circles, as is the associated Pegasus logo. Additionally, the Company uses numerous other trademarks, trade names and logos which are registered worldwide. The following are among the Company's trademarks: HARLEY-DAVIDSON, H-D, HARLEY, the Bar & Shield Logo, MOTORCLOTHES, the MotorClothes Logo, RIDER'S EDGE, HARLEY OWNERS GROUP, H.O.G., the H.O.G. Logo, SOFTAIL, SPORTSTER, V-ROD, BUELL and the Pegasus Logo. The HARLEY-DAVIDSON trademark has been used since 1903 and the Bar and Shield trademark since at least 1910. The BUELL trademark has been used since 1984. All of the Company's trademarks are owned by H-D Michigan, Inc, a subsidiary of the Company, which also manages the Company's trademark strategy and portfolio.

Marketing - The Company's products are marketed to retail customers primarily through promotions, customer events and advertising through national television, print, radio and direct mailings, as well as internet advertising. Additionally, regional marketing efforts are accomplished through a cooperative program with its independent dealers. The Company also sponsors racing activities and special promotional events and participates in many major motorcycle consumer shows and rallies.

On an ongoing basis, the Company promotes its products and the related lifestyle through the Harley Owners Group(R), or H.O.G.(R) H.O.G. has over one million members worldwide and is the industry's largest company-sponsored motorcycle enthusiast organization. The Company formed the Harley Owners Group in 1983 in an effort to encourage Harley-Davidson owners to become more actively involved in the sport of motorcycling. This group also sponsors many motorcycle events, including rallies and rides for Harley-Davidson motorcycle

enthusiasts throughout the world.

In 2000, Rider's Edge(R) - the Harley-Davidson Academy of Motorcycling was formed. The Rider's Edgea New Rider Course is the first in the series of rider education experiences within the Academy. Developed to reach non-riders, it provides an entry point into the sport of motorcycling by teaching basic motorcycling skills and knowledge in a way that is fun and involving. The New Rider Course is conducted by a network of select Harley-Davidson dealerships nationwide enabling students to experience the Harley-Davidson lifestyle, environment, people, and products as they learn.

In 2008, the Company will open the Harley-Davidson Museum in Milwaukee, Wisconsin to deliver a unique experience that builds and strengthens bonds between riders and the Company, and enhances the brand among the public at large. The 130,000 square foot facility will house the Harley-Davidson Museum and Archives, a restaurant, cafe, retail store and special event space. The Museum gives the Company a new way to create memories for customers - through visiting, planning rides and hosting special events at the Museum.

The Company website (www.harley-davidson.com) is also utilized to market its products and services. The website features an online catalog which allows retail customers to create and share product wish lists, utilize a dealer locator and place catalog orders. Internet orders are sold and fulfilled by the participating authorized Harley-Davidson dealer selected by the retail customer. Dealers also handle any after-sale services that retail

customers may require.

International Sales - The Company's revenue from the sale of motorcycles and related products to independent dealers and distributors located outside of the United States was approximately $1.52 billion, $1.18 billion and $1.04 billion, or approximately 27%, 20% and 19% of net revenue of the Motorcycles segment, during 2007, 2006 and 2005, respectively.

Distribution-United States - In the United States, the Company distributes its

motorcycles and related products to a network of independently-owned full-service Harley-Davidson dealerships and the Overseas Military Sales Corporation, an entity that retails the Company's products to members of the U.S. military. The Company distributes its motorcycles to its dealers in the U.S. based on dealer orders but subject to an allocation system. During the second quarter of 2007, the Company introduced a new U.S. motorcycle allocation system that was designed to be more forward-looking and market-driven than the previous system. The Company believes the new allocation process will better align the distribution of motorcycles with the demand in individual dealer markets.

In the U.S., there are approximately 684 independently-owned full-service Harley-Davidson dealerships. The U.S. independent dealer network includes 307 combined Harley-Davidson and Buell dealerships. With respect to sales of new motorcycles, approximately 80% of the U.S. dealerships sell the Company's motorcycles exclusively. All independent dealerships stock and sell the Company's P&A, general merchandise and licensed products, and perform service for the Company's motorcycles. The Company's independent dealers also sell a smaller portion of P&A, general merchandise and licensed products through "non-traditional" retail outlets. The "non-traditional" outlets, which are extensions of the main dealership, consist of Secondary Retail Locations (SRLs), Alternate Retail Outlets (AROs), and Seasonal Retail Outlets (SROs). SRLs are satellites of the main dealership and are developed to meet additional retail and service needs of the Company's riding customers. SRLs also provide P&A, general merchandise and licensed products and are authorized to sell and service new motorcycles. AROs are located primarily in high traffic locations such as malls, airports or popular vacation destinations and focus on selling the Company's general merchandise and licensed products. SROs are located in similar high traffic areas, but operate on a seasonal basis out of temporary locations such as vendor kiosks. AROs and SROs are not authorized to sell new motorcycles. There are approximately 104 SRLs, 68 AROs and 12 SROs located in the United States.

Distribution-Europe - In the European region (consisting of Europe, the Middle East and Africa), the Company's sales, marketing and distribution of product is managed from its subsidiary located in Oxford, England and sales offices in the United Kingdom, France, Germany, Italy, Netherlands, Spain and Switzerland. In the European region, the Company sells its products at wholesale to a network of 7 independent distributors and 370 independent Harley-Davidson dealerships serving 32 country markets. The European dealer network includes 323 combined Harley-Davidson and Buell dealerships. Buell is further represented by 4 independent dealerships that do not sell Harley-Davidson motorcycles. In addition, the Company's dealer network includes 20 AROs across Europe. The opening of a new sales office in South Africa early in 2008 was announced shortly before the end of 2007.

Distribution-Asia/Pacific -In Japan, the Company's sales, marketing, and distribution of product is managed from its subsidiary in Tokyo, which sells motorcycles and related products at wholesale to a network of 130 independent Harley-Davidson dealers. This includes 57 combined Harley-Davidson and Buell dealerships. Buell is further represented by 3 dealerships that do not sell Harley-Davidson motorcycles.

The Company's sales, marketing and distribution of motorcycles and related products in Australia and New Zealand is managed from its subsidiary in Sydney, Australia. The subsidiary sells to a network of 49 independent Harley-Davidson dealers which includes 32 combined Harley-Davidson and Buell dealerships.

The Company distributes its product directly from its U.S. operations to the remaining 15 Asia/Pacific dealers and distributors located throughout East and Southeast Asia.

Distribution-Latin America - The Company distributes all products sold in the Latin America region to independent dealers either through Company-owned subsidiaries in Mexico and Brazil, or from its U.S.

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operations for the remaining Latin American markets in which its motorcycles are sold. Brazil is the Company's largest market in Latin America and is served by 10 dealerships. Mexico, the region's second largest market, has 11 dealerships and three SRLs. The remaining countries in the Latin America region are served by 25 dealerships.

Distribution-Canada - In Canada, the Company sells its motorcycles and related products at wholesale to a single independent distributor, Deeley Harley-Davidson Canada/Fred Deeley Imports Ltd. There are approximately 74 independent Harley-Davidson dealerships, two SRLs, eight AROs and one SRO. In addition, 45 of the 74 dealerships are combined Harley-Davidson and Buell dealerships.

Seasonality - The timing of retail purchases from the Company's independent dealers tracks closely with regional riding seasons, requiring the Company and its independent dealers to balance the economies of level production with a more seasonal retail sales pattern. In general, the Motor Company has not experienced the same degree of seasonal fluctuations in its wholesale sales that its independent dealers have experienced. The Company's domestic independent dealers typically build their inventory levels in the late fall and winter in anticipation of the spring and summer selling seasons. The availability of floor plan financing and, in the U.S., Company-sponsored financing assistance allows dealers to manage these seasonal increases in inventory.

Retail Customer and Dealer Financing - The Company believes that HDFS, as well as other financial services companies, provide adequate financing to the Company's independent distributors, dealers and their retail customers. HDFS provides financing to the Company's independent distributors, dealers and to the retail customers of those dealers in the U.S. and Canada. Through December 2007, HDFS also provided wholesale financing to many of the Company's independent dealers in Europe. The Company's independent distributors, dealers and their retail customers in the Asia/Pacific and Latin America regions are not serviced by HDFS, but have access to financing though other established financial services companies.

Competition - The heavyweight (651+cc) motorcycle market is highly competitive. The Company's major competitors are based outside the U.S. and generally have financial and marketing resources that are substantially greater than those of the Company. They also have larger worldwide revenue and are more diversified than the Company and compete in all four segments of the market. In addition to these larger, established competitors, the Company has competitors headquartered in the United States. These competitors generally offer heavyweight motorcycles with traditional styling that compete directly with many of the Company's products. These competitors currently have production and sales volumes that are lower than the Company's and have considerably lower domestic market share than the Company.

Competition in the heavyweight motorcycle market is based upon a number of factors, including price, quality, reliability, styling, product features, customer preference and warranties. The Company emphasizes quality, reliability and styling in its products and generally offers a two-year warranty for its motorcycles. The Company regards its support of the motorcycling lifestyle in the form of events, rides, rallies and H.O.G. and its financing through HDFS as competitive advantages. In recent years the Company has improved the availability of its motorcycles at its independent dealers with the objective of improving the customer experience and the Company's competitive position. The Company believes that the increased availability has resulted in independent dealers providing wider selections of motorcycles at or near manufacturer's suggested retail prices which have also put pressure on the Company's used motorcycle prices (measured as a percentage of the manufacturer's suggested retail price when new). In addition, the Company introduced a new engine on many of its motorcycles beginning with the 2007 model year which has impacted the Company's used motorcycle prices. (Source: 2007 Company data)

Domestically, the Company competes most heavily in the touring and custom segments of the heavyweight motorcycle market. According to the Motorcycle Industry Council, these segments accounted for approximately 80%, 79% and 80% of total heavyweight retail unit registrations in the United States during 2007, 2006 and 2005, respectively. The larger-displacement custom and touring motorcycles are generally the most expensive vehicles in the market and the most profitable for the Company. During 2007, the heavyweight portion of the market represented approximately 54% of the total U.S. motorcycle market (on- and off-highway motorcycles and scooters) in terms of new units registered.

For the last 20 years, the Company has led the industry in the United States for retail unit registrations of new heavyweight motorcycles. The Company's (Harley-Davidson motorcycles only) share of the heavyweight market was 48.7% and 49.3% in 2007 and 2006, respectively. This share is significantly greater than that of the Company's largest competitor in the domestic market which had a 14.2% market share in 2007.

The following chart includes U.S. retail registration data for the Company and its major competitors for the years 2003 through 2007:

U.S. Heavyweight Motorcycle Registration Data(a)

(Engine Displacement of 651+cc)

(Units in thousands)

	2007	2006	2005	2004	2003
Total market new registrations	516.1	543.0	517.6	494.0	461.2
Harley-Davidson new registrations	251.4	267.9	252.9	244.5	228.4
Buell new registrations	3.7	3.8	3.6	3.6	3.5
Total Company new registrations	255.1	271.7	256.5	248.1	231.9
Percentage Market Share:					
Harley-Davidson motorcycles	48.7 %	49.3 %	48.9 %	49.5 %	49.5 %
Buell motorcycles	0.7	0.7	0.7	0.7	0.8
Total Company	49.4	50.0	49.6	50.2	50.3
Honda	14.2	15.1	16.6	18.7	18.4
Suzuki	12.5	12.9	12.4	10.2	9.8
Yamaha	9.2	8.6	8.9	8.7	8.5
Kawasaki	7.2	6.8	6.5	6.4	6.7
Other	7.5	6.6	6.0	5.8	6.3
Total	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

(a) United States industry data includes 651+cc models derived from submission of motorcycle retail sales by each major manufacturer to an independent third party. The retail registration data for Harley-Davidson motorcycles presented in this table may differ slightly from the Harley-Davidson retail sales data presented in Item 7 of this report. The Company's source for retail sales data in Item 7 of this report is sales and warranty registrations provided by Harley-Davidson dealers as compiled by the Company. The differences are not significant and generally relate to the timing of data submissions to the independent sources.

The European heavyweight motorcycle market (as defined on the next page) is roughly two-thirds of the size of the U.S. market; but unlike the domestic market, it is comprised of the unique preferences of many individual countries. For example, traditional U.S. touring motorcycles represent less than 25% of the European heavyweight motorcycle market. The Company continues to expand its product offerings to compete in the standard and performance segments with motorcycles like the Nightster and the Buell 1125R. The Company's traditional Harley-Davidson products compete primarily in the custom and touring segments.

The following chart includes European retail registration data for the Company for the years 2005 through 2007:

European Heavyweight Motorcycle Registration Data(a)

(Engine Displacement of 651+cc)

(Units in thousands)

	2007	2006	2005
Total market new registrations	403.0	376.8	350.7
Harley-Davidson new registrations	38.7	34.3	29.7
Buell new registrations	4.6	4.1	4.6
Total Company new registrations	43.3	38.4	34.3
Percentage Market Share:			
Harley-Davidson motorcycles	9.6 %	9.1 %	8.5 %
Buell motorcycles	1.1	1.1	1.3
Total Company	10.7 %	10.2 %	9.8 %

(a) Europe data includes retail sales in Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. The Company derives its market registration data and market share calculations presented above from information provided by Giral S.A., an independent agency. The retail registration data for Harley-Davidson motorcycles presented in this table may differ slightly from the Harley-Davidson retail sales data presented in Item 7 of this report. The Company's source for retail sales data in Item 7 of this report is sales and warranty registrations provided by Harley-Davidson dealers as compiled by the Company. The differences are not significant and generally relate to the timing of data submissions to the independent sources.

The Company also competes in several other markets around the world. The most significant of these markets, based on Company data, are Canada, Japan and Australia. In Canada, the Company's market share based on registrations was 39.0%, 38.2% and 32.7% during 2007, 2006 and 2005, respectively (Source: Moped and Motorcycle Industry of Canada). Market share information for the remaining international markets has not been presented because the Company does not believe that definitive and reliable registration data is available at this time.

Motorcycle Manufacturing - The Motor Company's ongoing manufacturing strategy is designed to increase capacity, improve product quality, increase productivity, reduce costs and increase flexibility to respond to changes in the marketplace. The Motor Company incorporates manufacturing techniques focused on continuously pursuing process improvements and innovation. The Motor Company refers to these techniques as operational excellence and they include employee and supplier involvement, just-in-time inventory and lean manufacturing principles, partnering agreements with the local unions, high performance work organizations and statistical process control.

The Motor Company's use of lean manufacturing principles allows it to minimize its inventories of raw materials and work in process, and minimize scrap and rework costs. This system also allows quicker reaction to engineering design changes, quality improvements and market demands. The Motor Company continues to train its manufacturing employees in problem solving and statistical methods.

Raw Material and Purchased Components - The Company continues to establish and/or reinforce long-term, mutually beneficial relationships with its suppliers. Through these collaborative relationships, the Company gains access to technical and commercial resources for application directly to product design, development and manufacturing initiatives. This strategy has resulted in improved product quality, technical integrity, application of new features and innovations, reduced lead times for product development, and smoother/faster manufacturing ramp-up of new vehicle introductions. The Company's continuing initiative to improve supplier productivity and

component cost has been instrumental in delivering improvement in cost and in partially offsetting raw material commodity price pressures. The Company anticipates that its focus on collaboration and strong supplier relationships will be beneficial to achieving cost improvement over the long-term.

The Company purchases all of its raw materials, principally steel and aluminum castings, forgings, steel sheets and bars, and certain motorcycle components, including electronic fuel injection systems, batteries, tires, seats, electrical components and instruments. Given current economic conditions in certain raw material commodity markets, and pressure on certain suppliers due to difficulties in the automotive industry and U.S. manufacturing sector in general, the Company is closely monitoring supply, availability and pricing for both its suppliers and in-house operations. However, at this time, the Company does not anticipate any difficulties in obtaining raw materials or components.

Research and Development - The Company believes research and development are significant factors in its ability to lead the custom and touring motorcycling market and to develop products for the performance segment. The Company's Product Development Center (PDC) brings employees from styling, purchasing and manufacturing together with regulatory professionals and supplier representatives to create a concurrent product and process development team. The Company incurred research and development expenses of $185.5 million, $177.7 million and $178.5 million during 2007, 2006 and 2005, respectively.

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

The Company's motorcycles are subject to certification by the U.S. Environmental Protection Agency (EPA) for compliance with applicable emissions and noise standards and by the State of California Air Resources Board (CARB) with respect to CARB's more stringent emissions standards. Company motorcycles sold in California are also subject to evaporative emissions standards that are unique to California. The Company's motorcycle products have been certified to comply fully with all such applicable standards. The EPA has finalized new tail pipe emission standards for 2006 and 2010, respectively, which are harmonized with the California emissions standards. Harley-Davidson motorcycle products have been certified to the new EPA standards since 2006 and the Company believes it will comply with future requirements when they go into effect. Additionally, the Company's motorcycle products must and do in fact comply with the motorcycle emissions, noise and safety standards of the European Union, Japan and certain other foreign markets where they are sold. Because the Company expects that environmental standards will become even more stringent over time, the Company will continue to incur some level of research, development and production costs in this area for the foreseeable future. The Company does not anticipate that any of these standards will have a materially adverse impact on its capital expenditures, earnings or competitive position.

The Company, as a manufacturer of motorcycle products, is subject to the National Traffic and Motor Vehicle Safety Act, which is administered by the National Highway Traffic Safety Administration (NHTSA). The Company has

certified to NHTSA that its motorcycle products comply fully with all applicable federal motor vehicle safety standards and related regulations. The Company has from time to time initiated certain voluntary recalls. During the last three years, the Company has initiated 15 voluntary recalls at a total cost of $10.8 million. The Company reserves for all estimated costs associated with recalls in the period that the recalls are announced.

Employees - As of December 31, 2007, the Motorcycles segment had approximately 9,000 employees. Unionized employees at the motorcycle manufacturing facilities in Wauwatosa and Menomonee Falls, Wisconsin and Kansas City, Missouri are represented by the United Steelworkers of America (USW), as well as the International Association of Machinist and Aerospace Workers (IAM). Unionized employees at the distribution and manufacturing facilities in Franklin and Tomahawk, Wisconsin are represented by the USW. Production workers at the motorcycle manufacturing facility in York, Pennsylvania are represented by the IAM. The collective bargaining agreement with the Pennsylvania-IAM will expire on February 2, 2010, the collective bargaining agreement with the Kansas City-USW and IAM will expire on July 30, 2012, and the collective bargaining agreement with the Wisconsin-USW and IAM will expire on March 31, 2008.

Internet Access - The Company's internet website address is www.harley-davidson.com. The Company makes available free of charge (other than an investor's own internet access charges) through its internet website the Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after it electronically files such material with, or furnishes such material to, the United States Securities and Exchange Commission. In addition, the Company makes available, through its website, the following corporate governance materials: (a) the Harley-Davidson, Inc. Corporate Governance Policy; (b) Committee Charters approved by the Harley-Davidson, Inc. Board of Directors for the Audit Committee, Human Resources Committee and Nominating and Corporate Governance Committee; (c) the Company's Financial Code of Ethics; (d) the Company's Code of Business Conduct (the "Code of Conduct") in seven languages including English; (e) the Conflict of Interest Process for Directors, Executive Officers and other employees of Harley-Davidson, Inc. (the "Conflict Process"); (f) a list of the Company's Board of Directors; (g) the Company's By-laws; and (h) the Harley-Davidson Environmental Policy. This information is also available from the Company upon request. The Company satisfies the disclosure requirements under the Code of Conduct, the Conflict Process and applicable New York Stock Exchange listing requirements regarding waivers of the Code of Conduct or the Conflict Process by disclosing the information in the Company's proxy statement for its annual meeting of shareholders or on the Company's website. The Company is not including the information contained on or available through its website as a part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

Financial Services

HDFS is engaged in the business of financing and servicing wholesale inventory receivables and consumer retail loans (primarily for the purchase of the Company's motorcycles). Additionally, HDFS is an agent for certain unaffiliated insurance carriers providing property/casualty insurance and also sells extended service contracts, gap coverage and debt protection products to motorcycle owners. HDFS conducts business in the United States, Canada and Europe.

Harley-Davidson and Buell - Operating under the trade name Harley-Davidson Credit, HDFS provides wholesale financial services to Harley-Davidson and Buell dealers and retail financing to consumers. Operating under the trade name Harley-Davidson Insurance, HDFS is an agent for the sale of motorcycle insurance policies and also sells extended service contracts, gap coverage and debt protection products.

Wholesale financial services include floorplan and open account financing of motorcycles and motorcycle parts and accessories. HDFS offers wholesale financial services to Harley-Davidson dealers in the U.S., Canada and Europe and during 2007 approximately 96% of such dealers utilized those services. The wholesale finance operations of HDFS are located in Plano, Texas and, until January 1, 2008, Oxford, England. Effective January 1, 2008, the finance receivables and related assets of the wholesale operations located in Oxford, England were transferred at book value to Harley-Davidson Europe Ltd., a subsidiary of the Motor Company. Beginning in 2008, the Motor Company will assume responsibility for the collection of all wholesale receivables in Europe.

Retail motorcycle financial services include installment lending for new and used Harley-Davidson and Buell motorcycles. HDFS' retail financial services are available through most Harley-Davidson and Buell dealers in the United States and Canada. HDFS' retail finance operations are located in Carson City, Nevada and Plano, Texas.

Motorcycle insurance, extended service contracts, gap coverage and debt protection products that HDFS offers are available through most Harley-Davidson and Buell dealers in the United States and Canada. Motorcycle insurance that HDFS offers is also marketed on a direct basis to motorcycle riders. HDFS insurance operations are located in Carson City, Nevada and Plano, Texas.

Funding - HDFS is financed by operating cash flow, asset-backed securitizations, the issuance of commercial paper, revolving credit facilities, medium-term notes, and the availability of advances and loans from the Company. In asset-backed securitizations, HDFS sells retail motorcycle loans and records a gain or loss on the sale of those loans. HDFS also retains an interest in the excess cash flows from the receivable and recognizes income on this retained interest. After the sale, HDFS performs billing, customer service and portfolio management services for these loans and receives a servicing fee for providing these services.

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

During 2007, HDFS financed 55% of the new Harley-Davidson motorcycles retailed by independent dealers in the United States, as compared to 48% in 2006. Competitors for retail motorcycle finance business are primarily banks, credit unions and other financial institutions. In the motorcycle insurance business, competition primarily comes from national insurance companies and from insurance agencies serving local or regional markets. For insurance-related products such as extended service contracts, HDFS faces competition from certain regional and national industry participants as well as dealer in-house programs.

Competition for the wholesale motorcycle finance business is primarily banks and other financial institutions providing wholesale financing to Harley-Davidson and Buell dealers in their local markets.

Trademarks - HDFS uses various trademarks and trade names for its financial services and products which are licensed from H-D Michigan, Inc., including HARLEY-DAVIDSON, H-D and the Bar & Shield logo.

Seasonality - In the northern United States and Canada, motorcycles are primarily used during warmer months. Accordingly, HDFS experiences seasonal variations. From mid-March through August, retail financing volume increases and wholesale financing volume decreases as dealer inventories decline. From September through mid-March, there is a decrease in retail financing volume

while dealer inventories build and turn over more slowly, substantially increasing wholesale finance receivables.

Regulation - The operations of HDFS (both domestic and foreign) are subject, in certain instances, to supervision and regulation by state and federal administrative agencies and various foreign governmental authorities. Many of the statutory and regulatory requirements imposed by such entities are in place to provide consumer protection as it pertains to the selling of financial products and services. Therefore, operations may be subject to various regulations, laws and judicial and/or administrative decisions imposing requirements and restrictions, which among other things: (1) regulate credit granting activities, including establishing licensing requirements, in applicable jurisdictions; (2) establish maximum interest rates, finance charges and other charges; (3) regulate customers' insurance coverage; (4) require disclosure of credit and insurance terms to customers; (5) govern secured transactions; (6) set collection, foreclosure, repossession and claims handling procedures and other trade practices; (7) prohibit discrimination in the extension of credit and administration of loans; (8) regulate the use and reporting of information related to a borrower; (9) require certain periodic reporting; and/or (10) govern the use and protection of non-public personal information.

Depending on the provisions of the applicable laws and regulations and the specific facts and circumstances involved, violations of these laws may limit the ability of HDFS to collect all or part of the principal or interest on applicable loans, may entitle the borrower to rescind the loan or to obtain a refund of amounts previously paid and, in addition, could subject HDFS to the payment of damages or penalties and administrative sanctions, including "cease and desist" orders.

Such regulatory requirements and associated supervision could limit the discretion of HDFS in operating its business. Noncompliance with applicable statutes or regulations could result in the suspension or revocation of any charter, license or registration at issue, as well as the imposition of civil fines, criminal penalties and administrative sanctions. The Company cannot assure that the applicable laws or regulations will not be amended or construed differently, that new laws and regulations will not be adopted or that interest rates charged by HDFS will not rise to maximum levels permitted by law, the effect of any of which could be to adversely affect the business of HDFS or its results of operations.

A subsidiary of HDFS, Eaglemark Savings Bank (ESB), is a Nevada state thrift chartered as an Industrial Loan Company (ILC). As such, the activities of this subsidiary are governed by federal regulations and State of Nevada banking laws and are subject to examination by the Federal Deposit Insurance Corporation (FDIC) and Nevada state bank examiners. During 2002, ESB began to originate retail loans and to sell the loans to a non-banking subsidiary of HDFS. This process allows HDFS to offer retail products with common characteristics across

the United States and to uniformly service loans to domestic retail customers.

Employees - As of December 31, 2007, the Financial Services segment had approximately 755 employees. No employees of HDFS are represented by labor unions.

Item 1A. Risk Factors

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

. The Company sells its products at wholesale and must rely on a network of independent dealers and distributors to manage the retail distribution of its products. The Company depends on the capability of its independent dealers and distributors to develop and implement effective retail sales plans to create demand for the motorcycles and related products and services they purchase from the Company. If the Company's independent dealers and distributors are not successful in these endeavors, then the Company will be unable to maintain or grow its revenues and to meet its financial expectations.

. The Company and its independent dealers must balance the economies of level production with a more seasonal retail sales pattern. The Company generally records the sale of a motorcycle when it is shipped to the Company's independent dealers and distributors. In the past, the Company has not experienced seasonal fluctuations in its wholesale motorcycle sales, and as a result, the Company has been able to maintain production that is relatively level. Also, in more recent years, the Company increased the availability of its motorcycles at dealerships to help improve the customer experience. The increased availability of motorcycles has resulted in the timing of retail purchases tracking more closely with regional motorcycle riding seasons. This requires the Company to adapt its methods for allocating its products to its dealer network so that allocation methods are aligned with retail demand. In addition, the Company's independent dealers and distributors must manage seasonal increases in inventory. As a result, the Company and its independent dealers and distributors must balance the economies of level production with the inventory costs associated with a more seasonal retail sales pattern. Failure to balance the two, or the inability of the Company to adequately

adjust its allocation methods, may have a material adverse effect on the Company's business and results of operations.

. The Company's dealers may experience a decline in retail sales resulting from slowing economic growth, political events or other factors. The motorcycle industry can be affected by general economic and political conditions, among other factors, over which motorcycle manufacturers have little control. These factors may cause a weak retail environment for discretionary purchases and the decision to purchase a motorcycle may be affected by these factors. Should industry demand decline, our results of operations and financial condition may be substantially adversely affected.

. The Company has a number of competitors of varying sizes that are based both inside and outside the United States some of which have greater financial resources than the Company. Many of the Company's competitors are more diversified than the Company, and they may compete in the automotive market or all segments of the motorcycle market. Also, the Company's manufacturer's suggested retail price for its motorcycles is generally higher than its competitors, and if price becomes a more important competitive factor for consumers in the heavyweight motorcycle market, the Company may have a competitive disadvantage. In addition, the Company's financial services operations face significant competition from various banks, insurance companies and other financial institutions, some of which are larger and offer more financial products than the Company. Failure to adequately address and respond to these competitive pressures worldwide may have a material adverse effect on the Company's business and results of operations.

. The Company's marketing strategy of associating its motorcycle products with a motorcycling lifestyle may not be successful with future customers. The Company has been successful in marketing its products in large part by promoting the experience of motorcycling. This lifestyle is now more typically associated with a retail customer base comprised of individuals who are, on average, in their mid-forties. To sustain long-term growth, the Company must continue to be successful in promoting motorcycling to customers new to the sport of motorcycling including women, younger riders and more ethnically diverse riders.

. The Company's success depends upon the continued strength of the Harley-Davidson brand. The Company believes that the Harley-Davidson brand has significantly contributed to the success of its business and that maintaining and enhancing the brand is critical to expanding its customer base. Failure to protect the brand from infringers or to grow the value of the Harley-Davidson brand may have a material adverse effect on the Company's

business and results of operations.

. The Company's prospects for future growth are largely dependent upon its ability to develop and successfully introduce new, innovative and compliant products. The motorcycle market continues to advance in terms of cutting edge styling and new technology and, at the same time, be subject to increasing regulations related to safety and emissions. The Company must continue to distinguish its products from its competitors' products with unique styling and new technologies and to protect its intellectual property from imitators. In addition, these new products must comply with applicable regulations worldwide. The Company must make product advancements while maintaining the classic look, sound and feel associated with Harley-Davidson products. The Company must also be able to design and manufacture these products and deliver them to the marketplace in a timely manner. There can be no assurances that the Company will be successful in these endeavors or that existing and prospective customers will like or want the Company's new products.

. The Company's Motorcycles segment is dependent upon unionized labor. Substantially all of the hourly employees working in the Motorcycles segment are represented by unions and covered by collective bargaining agreements. Harley-Davidson Motor Company is currently a party to five collective bargaining agreements with local affiliates of the International Association of Machinists and Aerospace Workers and the United Steelworkers of America that expire during March 2008, February 2010 and July 2012. These collective bargaining agreements generally cover wages, healthcare benefits and retirement plans, seniority, job classes and work rules. There is no certainty that the Company will be successful in negotiating new agreements with these unions that extend beyond the current expiration dates or that these new agreements will be on terms as favorable to the Company as past labor agreements. Failure to renew these agreements when they expire or to establish new collective bargaining agreements on terms acceptable to the Company and the unions could result in work stoppages or other labor disruptions which may have a material adverse effect on customer relationships and the Company's business and results of operations.

. The Company's operations are dependent upon attracting and retaining skilled employees. The Company's future success depends on its continuing ability to identify, hire, develop, motivate and retain skilled personnel for all areas of its organization. The current and future total compensation arrangements, which include benefits and cash bonuses, may not be successful in attracting new employees and retaining and motivating the Company's existing employees. If the Company does not succeed in attracting personnel or retaining and motivating existing personnel, the Company may be unable to develop and distribute products and services and grow effectively.

. The Company incurs substantial costs with respect to pension benefits and providing healthcare for its employees. The Company's estimates of liabilities and expenses for pensions and other post-retirement healthcare

benefits require the use of assumptions. They include the rate used to discount the future estimated liability, the rate of return on plan assets and several assumptions relating to the employee workforce (salary increases, medical costs, retirement age and mortality). Actual results may differ which may have a material adverse effect on future results of operations, liquidity or shareholders' equity. In addition, rising healthcare and retirement benefit costs in the United States may put the Company under significant cost pressure as compared to our competitors.

. The Company manufactures products that create exposure to product liability claims and litigation. To the extent plaintiffs are successful in showing that personal injury or property damage result from defects in the design or manufacture of the Company's products, the Company may be subject to claims for damages that are not covered by insurance. The costs associated with defending product liability claims, including frivolous lawsuits, and payment of damages could be substantial. The Company's reputation may also be adversely affected by such claims, whether or not successful.

. The Company relies on third party suppliers to obtain raw materials and provide component parts for use in the manufacture of its motorcycles. The Company cannot be certain that it will not experience supply problems such as unfavorable pricing or untimely delivery of raw materials and components. In certain circumstances, the Company relies on a single supplier to provide the entire requirement of a specific part and a change in this established supply relationship may cause disruption in the Company's production schedule. In addition, the price and availability of raw materials and component parts from suppliers can be adversely affected by factors outside of the Company's control such as increased worldwide demand. Further, Company suppliers who also serve the automotive industry may be experiencing financial difficulties due to a downturn in that industry. These supplier risks may have a material adverse effect on the Company's business and results of operations.

. The Company must maintain its reputation of being a good corporate citizen and treating customers, employees, suppliers and other stakeholders fairly. The Company has a history of good corporate governance. Prior to the enactment of the Sarbanes-Oxley Act of 2002 (the "Act"), the Company had in place many of the corporate governance procedures and processes now mandated by the Act and related rules and regulations, such as Board Committee Charters and a Corporate Governance Policy. In 1992, the Company established a Code of Business Conduct that defines how employees interact with various Company stakeholders and addresses issues such as confidentiality, conflict of interest and fair dealing. Failure to maintain this reputation may have a material adverse effect on the Company's business and results of operations.

. The Company must invest in and successfully implement new information systems and technology. The Company is continually modifying and enhancing its systems and technology to increase productivity and efficiency. When implemented, the systems and technology may not provide the benefits anticipated and could add costs and complications to ongoing operations, which may have a material adverse effect on the Company's business and results of operations.

. The Company is and may in the future become subject to legal proceedings and commercial or contractual disputes. These are typically claims that arise in the normal course of business. The uncertainty associated with substantial unresolved claims and lawsuits may harm the Company's business, financial condition, reputation and brand. The defense of the lawsuits may result in the expenditures of significant financial resources and the diversion of management's time and attention away from business operations. In addition, although we are unable to determine the amount, if any, that we may be required to pay in connection with the resolution of the lawsuits by settlement or otherwise, any such payment may have a material adverse effect on the Company's business and results of operations. See Item 3. Legal Proceedings for additional detail regarding lawsuits and other claims against the Company.

. The Company must comply with governmental laws and regulations that are subject to change and involve significant costs. The Company's sales and operations in areas outside the U.S. may be subject to foreign laws, regulations and the legal systems of foreign courts or tribunals. These laws and policies governing operations of foreign-based companies may result in increased costs or restrictions on the ability of the Company to sell its products in certain countries. The Company's international sales operations may also be adversely affected by United States laws affecting foreign trade and taxation.

The Company is subject to income and non-income based taxes in the United States and in various foreign jurisdictions. Significant judgment is required in determining our worldwide income tax liabilities and other tax liabilities. The Company believes that it complies with applicable tax law. If the governing tax authorities have a different interpretation of the applicable law or if there is a change in tax law, our financial condition and/or results of operations may be adversely affected.

The Company's domestic sales and operations are subject to governmental policies and regulatory actions of agencies of the United States Government, including the Environmental Protection Agency, SEC, National Highway Traffic Safety Administration, Department of Labor and Federal Trade Commission. In addition, the Company's sales and operations are also subject to laws and actions of

state legislatures and other local regulators, including dealer statutes and licensing laws. Changes in regulations or the imposition of additional regulations may have a material adverse effect on the Company's business and results of operations.

Our motorcycle products use internal combustion engines. These motorcycle products are subject to statutory and regulatory requirements governing emissions and noise, including standards imposed by the EPA, state regulatory agencies, such as CARB, and other regulatory agencies around the world. We are also subject to statutory and regulatory requirements governing emissions and noise in the conduct of our manufacturing operations. Any significant change to the regulatory requirements governing emissions and noise may substantially increase the cost of manufacturing our products. Further, in response to concerns about global climate changes, we may face greater regulatory or customer pressure to develop products that generate less emissions. This may require us to spend additional funds on research, product development, implementation costs and subject us to the risk that our competitors may respond to these pressures in a manner that gives them a competitive advantage.

The Company's financial services operations are governed by various foreign, federal and state laws that more specifically affect general financial and lending institutions. The Company's financial services operations originate the majority of its consumer loans through its subsidiary, Eaglemark Savings Bank. Changes in regulations or the imposition of additional regulations may affect the earnings of the financial services operations and have a material adverse effect on the Company's business and results of operations. Any unauthorized release of consumer data may subject the Company to liability and adversely affect the Company's reputation.

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

. Breaches of security involving consumers' personal data may adversely affect the Company's reputation, revenue and earnings. The Company receives and stores personal information in connection with its financial services operations, the Harley Owners Group and other aspects of its business. Breach of the systems on which sensitive consumer information is stored or other unauthorized release of consumer information may adversely affect the Company's reputation and lead to claims against the Company.

. The Company's financial services operations are highly dependent on accessing capital markets to fund its operations at attractive interest rates. The Company's ability to access unsecured capital markets is influenced by its short term and long term credit ratings. The Company currently has strong credit ratings; however, in November 2007 Standard & Poor's Ratings Services lowered the Company's long term corporate credit ratings. If the Company's credit ratings are downgraded further, its cost of borrowing may be adversely affected resulting in reduced earnings and interest margins.

. The Company's financial services operations rely on external sources to finance a significant portion of its operations. Liquidity is essential to the Company's financial services business. The financial services business may be negatively affected by an inability to raise funding in the long-term or short-term debt capital markets or the equity capital markets. Factors that it cannot control, such as disruption of the financial markets or negative views about the financial services industry in general, may impair our ability to raise funding.

. The Company's financial services operations are exposed to credit risk on its retail and wholesale receivables. Credit risk is the risk of loss arising from a failure by a customer to meet the terms of any contract with the Company. Credit losses are influenced by general business and economic conditions, as well as contract terms, customer credit profiles and the new and used motorcycle market. Negative changes in general

business, economic or market factors may adversely impact the Company's credit losses and future earnings. Credit exposure is significantly sensitive to any decline in new and used motorcycle prices. In addition, the frequency of losses may be negatively influenced by adverse changes in macro-economic factors, such as unemployment rates and bankruptcy filings.

. The Company is exposed to market risk from changes in foreign exchange rates and interest rates. The Company sells its products internationally and in most markets those sales are made in the foreign country's local currency. Earnings from the Company's financial services business are affected by changes in interest rates. The Company uses derivative financial instruments to attempt to manage foreign currency exchange rates and interest rate risks. There can be no assurance that in the future the Company will successfully manage these risks.

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following is a summary of the principal operating properties of the Company as of December 31, 2007:

Motorcycles and Related Products Segment

Type of Facility	Location	Approximate Square Feet	Status
Corporate Office	Milwaukee, WI	515,000	Owned
Warehouse	Milwaukee, WI	24,000	Lease expiring 2009
Airplane hangar	Milwaukee, WI	14,600	Owned
Manufacturing	Wauwatosa, WI	430,000	Owned
Product Development Center	Wauwatosa, WI	409,000	Owned
Distribution Center	Franklin, WI	250,000	Owned
Manufacturing	Menomonee Falls, WI	868,000	Owned
Product Development and Office	East Troy, WI	58,990	Lease expiring 2011
Manufacturing	East Troy, WI	40,000	Lease expiring 2011
Manufacturing	Tomahawk, WI	211,000	Owned
Office	Ann Arbor, MI	3,400	Lease expiring 2009
Office	Cleveland, OH	23,000	Lease expiring 2013
Manufacturing and Materials Velocity Center	Kansas City, MO	450,000	Owned
Materials Velocity Center	Manchester, PA	212,000	Owned
Manufacturing	York, PA	1,321,000	Owned
Motorcycle Testing	Talladega, AL	35,000	Lease expiring 2009
Motorcycle Testing	Naples, FL	82,000	Owned
Motorcycle Testing	Mesa, AZ	29,000	Lease expiring 2009
Office and Training Facility	Monterrey, Mexico	1,100	Lease expiring 2008
Office	Morfelden-Waldorf, Germany	22,000	Lease expiring 2008
Office and Warehouse	Oxford, England	21,000	Lease expiring 2017
Office	Liederdorp, The Netherlands	9,000	Lease expiring 2010
Office	Creteil, France	8,450	Lease expiring 2016
Office and Warehouse	Arese, Italy	17,000	Lease expiring 2009
Office	Zurich, Switzerland	2,000	Lease expiring 2009
Office	Sant Cugat, Spain	3,400	Lease expiring 2017
Warehouse	Yokohama, Japan	15,000	Lease expiring 2008
Office	Tokyo, Japan	14,000	Lease expiring 2008
Manufacturing	Adelaide, Australia	485,000	Lease expiring 2011
Office	Sydney, Australia	1,100	Lease expiring 2011
Office	Shanghai, China	1,700	Lease expiring 2008
Manufacturing and Office	Manaus, Brazil	30,000	Lease expiring 2009

The Company has eight facilities that perform manufacturing operations: Wauwatosa and Menomonee Falls, Wisconsin (motorcycle powertrain production); Tomahawk, Wisconsin (fiberglass/plastic parts production and painting); York, Pennsylvania (motorcycle parts fabrication, painting and Softail(R) and touring model assembly); Kansas City, Missouri (motorcycle parts fabrication, painting and Dyna Glide, Sportster(R) and VRSCTM assembly); East Troy, Wisconsin (Buell(R) motorcycle assembly); Manaus, Brazil (assembly of select models for Brazilian market); and Adelaide, Australia (motorcycle wheel production).

Financial Services Segment

Type of Facility	Location	Approximate Square Feet	Status
Office	Chicago, IL	26,000	Lease expiring 2022
Office	Plano, TX	61,500	Lease expiring 2014
Office	Carson City, NV	100,000	Owned
Storage	Carson City, NV	1,600	Lease expiring 2008
Office	Oxford, England	6,000	Lease expiring 2017

The Financial Services segment has four office facilities: Chicago, Illinois (corporate headquarters); Plano, Texas (wholesale, insurance and retail operations); Carson City, Nevada (retail and insurance operations); and Oxford, England (European wholesale operations). Effective January 1, 2008, the European wholesale operations were transferred to Harley-Davidson Europe Ltd., a subsidiary of the Motor Company.

Item 3. Legal Proceedings

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining required reserves 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. The required reserves are monitored on an ongoing basis and are updated based on new developments or new information in each matter.

Shareholder Lawsuits:

A number of shareholder class action lawsuits were filed between May 18, 2005 and July 1, 2005 in the United States District Court for the Eastern District of Wisconsin. On February 14, 2006, the court consolidated all of the actions

into a single case, captioned In re Harley-Davidson, Inc. Securities Litigation, and appointed Lead Plaintiffs and Co-Lead Plaintiffs' Counsel. Pursuant to the schedule set by the court, on October 2, 2006, the Lead Plaintiffs filed a Consolidated Class Action Complaint, which names the Company and Jeffrey L. Bleustein, James L. Ziemer, and James M. Brostowitz, who are current or former Company officers, as defendants. The Consolidated Complaint alleges securities law violations and seeks unspecified damages relating generally to the Company's April 13, 2005 announcement that it was reducing short-term production growth and planned increases of motorcycle shipments from 317,000 units in 2004 to a new 2005 target of 329,000 units (compared to its original target of 339,000 units). On December 18, 2006, the defendants filed a motion to dismiss the Consolidated Complaint in its entirety. Briefing of the motion to dismiss was completed in April 2007.

Three shareholder derivative lawsuits were filed in the United States District Court for the Eastern District of Wisconsin on June 3, 2005, October 25, 2005 (this lawsuit was later voluntarily dismissed) and December 2, 2005 and two shareholder derivative lawsuits were filed in Milwaukee County Circuit Court on July 22, 2005 and November 16, 2005 against some or all of the following current or former directors and officers of the Company: Jeffrey L. Bleustein, James L. Ziemer, James M. Brostowitz, Barry K. Allen, Richard I. Beattie, George H. Conrades, Judson C. Green, Donald A. James, Sara L. Levinson, George L. Miles, Jr., James A. Norling, James A. McCaslin, Donna F. Zarcone, Jon R. Flickinger, Gail A. Lione, Ronald M. Hutchinson, W. Kenneth Sutton, Jr. and John A. Hevey. The lawsuits also name the Company as a nominal defendant. In general, the shareholder derivative complaints include factual allegations similar to those in the class action complaints and allegations that officers and directors breached their fiduciary duties to the Company. On February 14, 2006, the state court consolidated the two state court derivative actions and appointed Lead Plaintiffs and Lead Plaintiffs' counsel, and on April 24, 2006, the state court ordered that the consolidated state court derivative action be stayed until after motions to dismiss the federal securities class action are decided. On February 15, 2006, the federal court consolidated the federal derivative lawsuits with the securities and ERISA (see below) actions for administrative purposes. On February 1, 2007, the federal court appointed Lead Plaintiff and Co-Lead Plaintiffs' Counsel in the consolidated federal derivative action.

On August 25, 2005, a class action lawsuit alleging violations of the Employee Retirement Income Security Act (ERISA) was filed in the United States District Court for the Eastern District of Wisconsin. As noted above, on February 15, 2006, the court ordered the ERISA action consolidated with the federal derivative and securities actions for administrative purposes. Pursuant to the schedule set by the court, on October 2, 2006, the ERISA plaintiff filed an Amended Class Action Complaint, which named the Company, the Harley-Davidson Motor Company Retirement Plans Committee, the Company's Leadership and Strategy Council, Harold A. Scott, James L. Ziemer, James M. Brostowitz, Gail A. Lione, Joanne M. Bischmann, Karl M. Eberle, Jon R. Flickinger, Ronald M. Hutchinson, James A. McCaslin, W. Kenneth Sutton, Jr., and Donna F. Zarcone, who are current or former Company officers or employees, as defendants. In general, the ERISA complaint includes factual allegations similar to those in the shareholder class action lawsuits and alleges on behalf of participants in certain Harley-Davidson retirement savings plans that the plan fiduciaries breached their ERISA fiduciary duties. On December 18, 2006, the defendants filed a motion to dismiss the ERISA complaint in its entirety. Briefing of the motion to dismiss was completed in April 2007.

The Company believes the allegations against all of the defendants in the lawsuits against the Company are without merit and it intends to vigorously defend against them. Since all of these matters are in the preliminary stages, the Company is unable to predict the scope or outcome or quantify their eventual impact, if any, on the

Company. At this time, the Company is also unable to estimate associated expenses or possible losses. The Company maintains insurance that may limit its financial exposure for defense costs and liability for an unfavorable outcome, should it not prevail, for claims covered by the insurance coverage.

Security Breach Lawsuit:

On January 22, 2007, a purported class action lawsuit was filed in the Supreme Court of the State of New York against Harley-Davidson, Inc. and the Harley Owners Group. The complaint alleges that the Company was negligent in failing to properly safeguard, protect and keep confidential the personal "Customer Identifiable Information" that was stored on a Company laptop computer that was lost on or about August 14, 2006. The complaint also alleges that Harley-Davidson breached fiduciary duties and made false and fraudulent representations and warranties to its customers that it would keep confidential and safeguard and protect the personal customer information in its possession. The complaint seeks unspecified damages. On February 23, 2007, this matter was removed to the United States District Court Southern District of New York. On April 5, 2007, the Company filed a motion to dismiss the complaint. Briefing is completed on the motion to dismiss and the parties are awaiting a ruling. The Company believes the allegations in the lawsuit are without merit and it intends to vigorously defend against them.

Cam Bearing Lawsuit:

In January 2001, on its own initiative, the Company notified owners that it was extending the warranty on rear cam bearings to 5 years or 50,000 miles on certain 1999 and early-2000 Harley-Davidson motorcycles equipped with Twin Cam 88(R) and Twin Cam 88BTM engines. Subsequently, on June 28, 2001, a putative nationwide class action was filed against the Company in state court in Milwaukee County, Wisconsin, which was amended by a complaint filed September 28, 2001, alleging that this cam bearing was defective, asserting various legal theories, and seeking unspecified damages for affected owners. After the

Wisconsin court granted the Company's motion to dismiss those claims, the same attorneys filed a second putative nationwide class action against the Company in state court in Milwaukee County, Wisconsin related to the same issues. Again, the Wisconsin court granted the Company's motion and dismissed all claims in their entirety. On April 12, 2004, the same attorneys filed a third action in the state court in Milwaukee County, Wisconsin on behalf of the same plaintiffs. This third action was likewise dismissed by the court on July 26, 2004. After subsequent appeals to the Wisconsin Court of Appeals and the Wisconsin Supreme Court, on July 12, 2007, the Wisconsin Supreme Court issued a final decision in the Company's favor upholding the dismissal of all claims against the Company. Then, on September 11, 2007, the Company received a claim letter from one of the same attorneys involved in the Wisconsin actions. This letter relates to the same issues as the previously dismissed Wisconsin actions, but alleges claims under California law on behalf of California owners exclusively. The Company believes that these California claims lack merit as they are premised on the same legal theories that were presented in previously dismissed Wisconsin actions.

Environmental Matters:

The Company is involved with government agencies and groups of potentially responsible parties in various environmental matters, including 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 an ongoing site-wide remedial investigation/feasibility study (RI/FS). In January 1995, the Company entered into a settlement agreement (the Agreement) with the Navy. The Agreement calls for the Navy and the Company to contribute amounts into a trust equal to 53% and 47%, respectively, of future 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.

In February 2002, the Company was advised by the U.S. Environmental Protection Agency (EPA) that it considers some of the Company's remediation activities at the York facility to be subject to the EPA's corrective action program under the Resource Conservation and Recovery Act (RCRA) and offered the Company the option of addressing corrective action under a RCRA facility lead agreement. In July 2005, the York facility was

designated as the first site in Pennsylvania to be addressed under the "One Cleanup Program." The program provides a more streamlined and efficient oversight of voluntary remediation by both PADEP and EPA and will be carried out consistent with the Agreement with the Navy. As a result, the RCRA facility lead agreement has been superseded.

Although the RI/FS is still under way and substantial uncertainty exists concerning the nature and scope of the additional environmental investigation and remediation that will ultimately be required at the York facility, the Company estimates that its share of the future Response Costs at the York facility will be approximately $7.2 million. The Company has established reserves for this amount, which are included in Accrued Liabilities in the Consolidated Balance Sheets.

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. Response Costs related to the remediation of soil are expected to be incurred over a period of several years ending in 2012. Response Costs related to ground water remediation may continue for some time beyond 2012. However, these Response Costs are expected to be much lower than those related to the remediation of soil.

Under the terms of the sale of the Commercial Vehicles Division in 1996, the Company has agreed to indemnify Utilimaster Corporation, until December 2008, for certain claims related to environmental contamination present at the date of sale, up to $20.0 million. Based on the environmental studies performed, the Company does not expect to incur any material expenditures under this indemnification.

Product Liability Matters:

Additionally, 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 will not have a material adverse effect on the Company's consolidated financial statements.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of shareholders of the Company in the fourth quarter of 2007.

Pursuant to General Instruction G(3) of Form 10-K, the following list of executive officers of the Company as of December 31, 2007 is included as an unnumbered Item in Part I of this report in lieu of being included in the Company's Proxy Statement for the annual meeting of its shareholders to be held on April 26, 2008.

Executive Officers of the Registrant

The following sets forth, as of December 31, 2007, the name, age and business experience for the last five years for each of the executive officers of Harley-Davidson, Inc. Executive officers are defined by the Company as executives that are members of the Company's Leadership and Strategy Council (LSC). The LSC, which is comprised of selected members of senior management from various areas within the Company, makes high-level resource decisions, develops policies, and acts as an advisory group to the Chief Executive Officer. Effective January 1, 2008, the LSC is comprised of the President and Chief Executive Officer, Executive Vice Presidents, Senior Vice Presidents, the President and Chief Operating Officer of Harley-Davidson Motor Company, the President and Chief Operating Officer of Buell Motorcycle Company and the President of Harley-Davidson Financial Services.

Executive Officers

Name	Age
Thomas E. Bergmann Executive Vice President and Chief Financial Officer	41
Rodney J. Copes Vice President, Asia Pacific - Harley-Davidson Motor Company	41
William B. Dannehl Executive Vice President and Chief Organizational Transformation Officer	49
Karl M. Eberle Senior Vice President, Manufacturing - Harley-Davidson Motor Company	59
Jon R. Flickinger President and Chief Operating Officer - Buell Motorcycle Company	50
Ronald M. Hutchinson Senior Vice President, Product Development - Harley-Davidson Motor Company	60
Matthew S. Levatich Vice President, Parts & Accessories - Harley-Davidson Motor Company	42
Gail A. Lione Executive Vice President, General Counsel and Secretary and Chief Compliance Officer	58
James A. McCaslin President and Chief Operating Officer - Harley-Davidson Motor Company	59
Saiyid T. Naqvi President - Harley-Davidson Financial Services	58
Mark-Hans Richer Senior Vice President and Chief Marketing Officer - Harley-Davidson Motor Company	41

Harold A. Scott Vice President, Human Resources - Harley-Davidson Motor Company	59
W. Kenneth Sutton, Jr. Vice President, Engineering - Harley-Davidson Motor Company	59
James L. Ziemer President and Chief Executive Officer and Director	57

Except for the following persons, all such executive officers have been employed by the Company in an executive officer capacity, as defined above, for more than five years: Thomas E. Bergmann, Rodney J. Copes, William B. Dannehl, Karl M. Eberle, Matthew S. Levatich, Saiyid T. Naqvi, Mark-Hans Richer, Harold A. Scott and Kenneth Sutton. The following is additional biographical information for at least the last five years relating to these nine executive officers:

Mr. Bergmann has served as the Executive Vice President and Chief Financial Officer since November 2007 and joined the Company in March 2006 as Vice President and Chief Financial Officer. Prior to joining the Company, Mr. Bergmann most recently served as Interim Chief Executive Officer of USF Corporation ("USF"), a $2.5 billion transportation and logistics company, a position he held from November 2004 to June 2005. USF was publicly traded until

it was acquired by YRC Worldwide Inc. in May 2005. Prior to that, Mr. Bergmann served as Executive Vice President of USF from August 2004 to November 2004 and Senior Vice President and Chief Financial Officer of USF from February 2004 to August 2004. Prior to joining USF, Mr. Bergmann served as Vice President Finance - Services of Sears, Roebuck and Co., a retailer, from February 2003 to November 2003 and as Vice President and Controller of Sears, Roebuck and Co. from January 2002 to February 2003.

Mr. Copes has served as Vice President, Asia Pacific since November 2007. From September 2004 though October 2007, Mr. Copes served as the Vice President and General Manager, Powertrain Operations. Previously, Mr. Copes was the General Manager of the Motor Company's Tomahawk Operations from 2002 to 2004.

Mr. Dannehl has served as the Executive Vice President, Chief Organizational Transformation Officer since December 2007. From August 2004 through November 2007, Mr. Dannehl served as Vice President - North American Sales and Dealer Services. From August 2002 through July 2004, Mr. Dannehl served as Vice President of Strategic Planning and New Business Development.

Mr. Eberle has served as the Senior Vice President, Manufacturing of the Motor Company since November 2007. From 1997 through October 2007, Mr. Eberle served as Vice President and General Manager of the Motor Company's Kansas City Vehicle and Powertrain Operations.

Mr. Levatich has served as Vice President and General Manager of Parts & Accessories and Custom Vehicle Operations of the Motor Company since November 2007. From October 2003 through October 2007, Mr. Levatich served as Vice President of Materials Management of the Motor Company. From April 2003 through September 2003, he served as Director of Development Purchasing. Mr. Levatich has worked in a series of other management roles since joining the Motor Company in 1994.

Mr. Naqvi has served as the President of HDFS since February 2007. From January 2005 to December 2006, he served as President and Chief Executive Officer of DeepGreen Financial, Inc., an online home equity lender. From November 2002 until January 2005 he served as Chairman and Chief Executive Officer of Setara Corporation, a consulting firm specializing in business process outsourcing for financial services companies.

Mr. Richer has served as the Company's Senior Vice President and Chief

Marketing Officer since November 2007. Prior thereto, Mr. Richer served as the Company's Vice President and Chief Marketing Officer since July 2007. Prior to joining the Company, Mr. Richer served as the Director of Marketing at General Motors Corp., an automobile manufacturer, from March 1998 though July 2007.

Mr. Scott has served as the Vice President, Human Resources of the Motor Company since 2000.

Mr. Sutton became the Vice President, Engineering for the Motor Company in 2002. From 2000 to 2002, Mr. Sutton served as Vice President, Continuous Improvement for the Motor Company.

PART II

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

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

2007	Low	High	2006	Low	High
First quarter	$ 57.91	$ 74.03	First quarter	$ 47.88	$ 54.92
Second quarter	58.72	66.00	Second quarter	47.86	53.98
Third quarter	45.92	63.38	Third quarter	50.74	62.33
Fourth quarter	44.37	51.75	Fourth quarter	61.52	75.87

The Company paid the following dividends per share:

	2007	2006	2005
First quarter	$ 0.21	$ 0.18	$ 0.125
Second quarter	0.25	0.21	0.160
Third quarter	0.30	0.21	0.160
Fourth quarter	0.30	0.21	0.180
	$ 1.06	$ 0.81	$ 0.625

As of February 18, 2008 there were 90,748 shareholders of record of Harley-Davidson, Inc. common stock.

The following table contains detail related to the repurchase of common stock based on the date of trade during the quarter ended December 31, 2007:

2007 Fiscal Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Be Purchased Under the Plans or Programs
October 1 to November 4	74	$ 45	0	10,547,933
November 5 to December 2	3,150,000	$ 49	3,150,000	7,398,133
December 3 to December 31	0	0	0	27,400,094
Total	3,150,074	$ 49	3,150,000	

The Company has an authorization (originally adopted in December 1997) by its Board of Directors to repurchase shares of its outstanding common stock under which the cumulative number of shares repurchased, at the time of any repurchase, shall not exceed the sum of (1) the number of shares issued in connection with the exercise of stock options occurring on or after January 1, 2004 plus (2) one percent of the issued and outstanding common stock of the Company on January 1 of the current year, adjusted for any stock split. The Company did not repurchase shares under this authorization during the fourth quarter ended December 31, 2007.

In April 2005, the Company's Board of Directors separately authorized the Company to buy back up to 20.0 million shares of its common stock with no dollar limit or expiration date. During 2007, 2.8 million shares were repurchased under this authorization. No shares remain under this authorization as of December 31, 2007.

In October 2006, the Company's Board of Directors separately authorized the Company to buy back up to 20.0 million shares of its common stock with no dollar limit or expiration date. During 2007, 16.9 million shares were repurchased under this authorization, of which 3.2 million were repurchased during the fourth quarter of 2007. As of December 31, 2007, 3.1 million shares remained under this authorization.

In December 2007, the Company's Board of Directors separately authorized the Company to buy back up to 20.0 million shares of its common stock with no dollar limit or expiration date. No shares had been repurchased under this authorization as of December 31, 2007.

The Harley-Davidson, Inc. 2004 Incentive Stock Plan (exhibit 10.17) permits participants to satisfy all or a portion of the statutory federal, state and local withholding tax obligations arising in connection with plan awards by electing to (a) have the Company withhold Shares otherwise issuable under the award, (b) tender back shares received in connection with such award or (c) deliver other previously owned Shares, in each case having a value equal to the amount to be withheld. During the fourth quarter of 2007, the Company acquired 74 shares of common stock that employees presented to the Company to satisfy withholding taxes in connection with the vesting of restricted stock awards.

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

The following information in this Item 5 is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 or to the liabilities of Section 18

of the Securities Exchange Act of 1934, and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates it by reference into such a filing: the SEC requires the Company to include a line graph presentation comparing cumulative five year Common Stock returns with a broad-based stock index and either a nationally recognized industry index or an index of peer companies selected by the Company. The Company has chosen to use the Standard & Poor's 500 Index as the broad-based index and the Standard & Poor's MidCap 400 Index as a more specific comparison. The Standard & Poor's MidCap 400 Index was chosen because the Company does not believe that any other published industry or line-of-business index adequately represents the current operations of the Company. The graph assumes a beginning investment of $100 on December 31, 2002 and that all dividends are reinvested.

	2002 ($)	2003 ($)	2004 ($)	2005 ($)	2006 ($)	2007 ($)
Harley-Davidson, Inc.	100	103	133	114	158	107
Standard & Poor's MidCap 400 Index	100	136	158	178	196	213
Standard & Poor's 500 Index	100	129	143	150	173	183

Item 6. Selected Financial Data

(In thousands, except per share amounts)	2007(1), (2)	2006(1), (2)	2005(1)	2004	2003
Income statement data:					
Net revenue	$ 5,726,848	$ 5,800,686	$ 5,342,214	$ 5,015,190	$ 4,624,274
Cost of goods sold	3,612,748	3,567,839	3,301,715	3,115,655	2,958,708
Gross profit	2,114,100	2,232,847	2,040,499	1,899,535	1,665,566
Financial services income	416,196	384,891	331,618	305,262	279,459
Financial services expense	204,027	174,167	139,998	116,662	111,586
Operating income from financial services	212,169	210,724	191,620	188,600	167,873
Selling, administrative and engineering expense	900,708	846,418	767,157	731,750	690,492
Income from operations	1,425,561	1,597,153	1,464,962	1,356,385	1,142,947
Investment income, net	22,258	27,087	22,797	23,101	23,088
Income before provision for income taxes	1,447,819	1,624,240	1,487,759	1,379,486	1,166,035
Provision for income taxes	513,976	581,087	528,155	489,720	405,107
Net income	$ 933,843	$ 1,043,153	$ 959,604	$ 889,766	$ 760,928
Weighted-average common shares:					
Basic	249,205	264,453	280,303	295,008	302,271
Diluted	249,882	265,273	281,035	296,852	304,470
Earnings per common share:					
Basic	$ 3.75	$ 3.94	$ 3.42	$ 3.02	$ 2.52
Diluted	$ 3.74	$ 3.93	$ 3.41	$ 3.00	$ 2.50
Dividends paid per common share	$ 1.060	$ 0.810	$ 0.625	$ 0.405	$ 0.195
Balance sheet data:					
Working capital	$ 1,562,235	$ 1,954,956	$ 2,272,125	$ 2,510,490	$ 2,087,056
Finance receivables held for sale	781,280	547,106	299,373	456,516	347,112
Finance receivables held for investment, net	2,420,327	2,280,217	1,943,224	1,655,784	1,390,737
Total assets	5,656,606	5,532,150	5,255,209	5,483,293	4,923,088
Current finance debt	1,119,955	832,491	204,973	495,441	324,305
Long-term finance debt	980,000	870,000	1,000,000	800,000	670,000
Total finance debt	2,099,955	1,702,491	1,204,973	1,295,441	994,305
Shareholders' equity	2,375,491	2,756,737	3,083,605	3,218,471	2,957,692

(1) 2007, 2006 and 2005 results include the adoption of Statement of Financial Accounting Standards (SFAS) No. 123(R), "Share-Based Payment" effective January 1, 2005. See Note 8 of Notes to the Consolidated Financial Statements for further discussion.

(2) 2007 and 2006 results include the adoption of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" as of December 31, 2006. See Note 6 of Notes to the Consolidated Financial Statements for further discussion.

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

Harley-Davidson, Inc. is the parent company for the group of companies doing business as Harley-Davidson Motor Company (HDMC), Buell Motorcycle Company (Buell) and Harley-Davidson Financial Services (HDFS). Harley-Davidson Motor Company produces heavyweight motorcycles and offers a line of motorcycle parts, accessories, general merchandise and related services. HDMC manufactures five families of motorcycles: Touring, DynaTM, Softail(R), Sportster(R) and VRSCTM. Buell produces premium sport performance motorcycles and offers a line of motorcycle parts, accessories, and apparel. HDFS provides wholesale and retail financing and insurance programs primarily to Harley-Davidson/Buell dealers and customers.

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

Overview and Outlook(1)

The Company's net revenue for 2007 was $5.73 billion, a decrease of 1.3% compared to 2006 driven by a 5.3% decrease in wholesale shipments of Harley-Davidson(R)motorcycles from last year. Net income and diluted earnings per share for 2007 were down 10.5% and 4.8%, respectively, compared to 2006. The decrease in diluted earnings per share resulting from lower net income during 2007 was partially offset by the positive impact of fewer weighted-average shares outstanding when compared to last year. Diluted weighted-average shares outstanding were 15.4 million lower in 2007 compared to 2006 primarily due to the Company's repurchases of common stock occurring over 2007. During 2007, the Company repurchased 20.4 million shares of its common stock at a cost of $1.15 billion.

The Company's 2007 financial results were negatively impacted by a decrease in Harley-Davidson motorcycle shipments from 2006. During the first quarter of 2007, the Company lost four weeks of production as a result of a strike at its York, Pennsylvania assembly facility and related interruptions at its other manufacturing locations. Additionally, in early September 2007, the Company announced that it planned to reduce Harley-Davidson motorcycle shipments for the balance of 2007 due to a sharp decrease in U.S. retail sales of Harley-Davidson motorcycles during August and unfavorable economic conditions in the U.S. The Company believes that low consumer confidence and persistent housing and credit issues have resulted in a weak retail sales environment in the U.S. for major discretionary purchases, including Harley-Davidson motorcycles.

During the fourth quarter, worldwide retail sales of Harley-Davidson motorcycles finished down 6.1% from the fourth quarter of 2006. During the fourth quarter, U.S. retail sales of Harley-Davidson motorcycles continued to decrease, finishing the quarter down 14.2% compared to the fourth quarter of 2006. The decrease in U.S. retail sales was partially offset by increases in the Company's international markets where retail sales of Harley-Davidson motorcycles increased 17.4% during the fourth quarter of 2007 compared to the fourth quarter of 2006.

On an annual basis, 2007 worldwide retail sales of Harley-Davidson motorcycles decreased 1.8% compared to 2006. The worldwide decrease in retail sales was driven primarily by a 6.2% decrease in Harley-Davidson dealer retail sales in the U.S. International retail sales of Harley-Davidson motorcycles finished 2007 up 13.7% over 2006.

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(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 "Risk Factors" in Item 1A and under "Cautionary Statements" in Item 7 of this report. Shareholders, potential investors, and other readers are urged to consider these factors in evaluating the forward-looking statements and cautioned not to place undue reliance on such forward-looking statements. The forward- looking statements included in this report are made only as of the date of the filing of this report (February 22, 2008), and the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

For 2008, the Company plans to ship fewer Harley-Davidson motorcycles to its dealers than it expects its worldwide dealer network to sell. The Company also expects moderate revenue growth, lower operating margin, and diluted earnings per share growth rate of 4% to 7% compared to 2007. For the first quarter of 2008, the Company expects wholesale shipments of Harley-Davidson motorcycles to be between 68,000 and 72,000 units, which compares to 67,761 units in the first quarter of 2007.

Going forward, the Company will continue to manage the business to generate long-term sustainable shareholder value while protecting the brand. The Company expects the U.S. economy to continue to be very challenging in 2008. The Company will closely monitor the worldwide retail environment and regularly assess its wholesale shipment plans throughout the year.

As the Company executes its plans, the Company believes its business model will continue to generate cash, permitting it to invest in the business, fund future growth opportunities and return value to shareholders. The Company's expected annual capital expenditures are provided under "Liquidity and Capital Resources."

Results of Operations 2007 Compared to 2006

Overall

Net revenue for 2007 totaled $5.73 billion, a $73.8 million or 1.3% decrease from the prior year. Net income was $933.8 million, a decrease of $109.3 million, or 10.5%. Diluted earnings per share were $3.74, a decrease of $0.19, or 4.8%. Diluted earnings per share during 2007 were positively impacted by a decrease in the weighted-average shares outstanding, which were 249.9 million in 2007 compared to 265.3 million in 2006. The decrease in weighted-average shares outstanding was driven by the Company's repurchases of 20.4 million shares of common stock during 2007. The Company's share repurchases are discussed in further detail under "Liquidity and Capital Resources."

The Company paid dividends in 2007 of $.21 per share in March, $.25 per share in June and $.30 in September and December. The aggregate annual dividend paid in 2007 was $1.06 per share, a 30.9% increase over the aggregate annual dividend of $0.81 per share in 2006.

Motorcycle Unit Shipments and Net Revenue

The following table includes wholesale motorcycle unit shipments and net revenue for the Motorcycles segment (dollars in millions):

	2007	2006	(Decrease) Increase	% Change
Motorcycle Unit Shipments				
United States	241,539	273,212	(31,673)	(11.6)%
International	89,080	75,984	13,096	17.2
Harley-Davidson motorcycle units	330,619	349,196	(18,577)	(5.3)
Touring motorcycle units	114,076	123,444	(9,368)	(7.6)
Custom motorcycle units*	144,507	161,195	(16,688)	(10.4)
Sportster motorcycle units	72,036	64,557	7,479	11.6
Harley-Davidson motorcycle units	330,619	349,196	(18,577)	(5.3)
Buell motorcycle units	11,513	12,460	(947)	(7.6)%
Net Revenue				
Harley-Davidson motorcycles	$ 4,446.6	$ 4,553.6	$ (107.0)	(2.3)%
Buell motorcycles	100.5	102.2	(1.7)	(1.7)
Total motorcycles	4,547.1	4,655.8	(108.7)	(2.3)
Parts & Accessories	868.3	862.3	6.0	0.7
General Merchandise	305.4	277.5	27.9	10.1
Other	6.0	5.1	0.9	N/M
Net revenue	$ 5,726.8	$ 5,800.7	$ (73.9)	(1.3)%

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* Custom motorcycle units, as used in this table, include Dyna, Softail, VRSC and CVO models.

During 2007, the financial results of the Motorcycle segment were negatively impacted by a decline in wholesale shipments of Harley-Davidson motorcycle units. This decrease was driven by a 31,673 unit reduction in shipments to U.S. dealers that were partially offset by a 13,096 unit increase in shipments outside the U.S. International shipments represented 26.9% of total Harley-Davidson wholesale shipments for 2007, compared to 21.8% for 2006. The increase in international shipments is consistent with the Company's expectation that the

international shipment growth rate will outpace the domestic shipment growth rate.(1)

Motorcycles segment net revenue declined $73.9 million, or 1.3%. Net revenue was approximately $221 million lower due to an overall decrease in sales volumes from the prior year. The lower volumes were primarily driven by the 5.3% decrease in Harley-Davidson motorcycle unit shipments partially offset by higher sales volumes for General Merchandise. Net revenue was also negatively impacted during 2007 by higher sales incentive costs.

These decreases were partially offset by higher revenue from wholesale price increases on Harley-Davidson motorcycles of approximately $60 million, favorability resulting from changes in foreign currency exchange rates of approximately $87 million (driven primarily by the strengthening of the Euro against the U.S. dollar during 2007) and changes to product mix which resulted in higher revenue of approximately $16 million.

During 2007, the higher revenue resulting from changes in product mix was due primarily to mix changes that occurred within the motorcycle families and by the sale of higher priced 105th Anniversary models beginning in the second half of 2007. The positive revenue impact that resulted from mix changes within motorcycle families was partially offset by lower revenue resulting from changes in mix between motorcycle families.

During 2007, shipments of Touring models made up 34.5% of total shipments compared to 35.4% for 2006. Additionally, 2007 shipments of Custom motorcycles made up 43.7% of total shipments compared to 46.2% for 2006, while Sportster model shipments increased to 21.8% of total shipments from 18.5% in 2006.

Harley-Davidson Motorcycle Retail Sales

The Company sells its motorcycles at wholesale to an independent network of distributors and dealers who in turn sell the Company's products at retail. Worldwide retail sales of Harley-Davidson motorcycles decreased 1.8% during 2007 relative to the same period last year. Retail sales of Harley-Davidson

motorcycles decreased 6.2% in the United States while growing 13.7% internationally including a 15.0% increase in Europe. On an industry-wide basis in 2007, the heavyweight (651+cc) portion of the market was down 5.0% in the United States while growing 5.4% in Europe when compared to 2006.

The following table includes retail unit sales of Harley-Davidson motorcycles (units in thousands):

Harley-Davidson Motorcycle Retail Sales(a)

Heavyweight (651+cc)

	2007	2006	% Change
United States	251.8	268.4	(6.2)%
Europe(b)	38.9	33.8	15.0
Japan	13.8	13.3	3.6
Canada	14.8	13.5	9.4
All other markets	18.5	15.0	23.7
Total Retail Sales	337.8	344.0	(1.8)%

(a) Data source for retail sales figures shown above is 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 retail sales and this information is subject to revision. Only Harley-Davidson motorcycles are included in the Harley-Davidson Motorcycle Retail Sales data.

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

The following table includes industry retail motorcycle registration data (units in thousands):

	2007	2006	% Change
United States(a)	516.1	543.0	(5.0)%
Europe(b)	403.0	376.8	7.0 %

(a) U.S. industry data includes 651+cc models derived from submission of motorcycle retail sales by each major manufacturer to an independent third party.

(b) Europe data includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. Industry retail motorcycle registration data includes 651+cc models derived from information provided by Giral S.A., an independent agency.

Industry retail registration data for the remaining international markets has not been presented because the Company does not believe definitive and reliable registration data is available to the Company at this time.

Cost of Goods Sold

Cost of goods sold was $3.61 billion for the Motorcycles segment during 2007, an increase of $44.9 million, or 1.3% versus 2006. During 2007, cost of goods sold was higher due to an increased manufacturing cost per unit, foreign currency losses and changes in product mix. These increases in cost were partially offset by a decrease in cost resulting from the lower shipment volumes in 2007.

Cost of goods sold increased by approximately $123 million due to a higher average manufacturing cost per unit driven by increases in both material and conversion costs. The higher average material cost per unit was driven by higher raw material surcharges of approximately $31 million and increased product content. The increase in conversion cost per unit was driven by higher fixed costs per unit resulting from the allocation of these costs to fewer units in 2007 and other manufacturing inefficiencies experienced during 2007 including those associated with the 2008 new model year launch and the York, Pennsylvania assembly plant strike during February 2007. During 2007, cost of goods sold was also higher by approximately $44 million resulting from changes in foreign currency exchange rates and approximately $4 million related to

changes in product mix.

The decrease in cost of goods sold during 2007 resulting from lower shipments, partially offsetting the increased costs described above, was approximately $126 million.

Gross Profit

Gross profit was $2.11 billion for the Motorcycles segment during 2007, a decrease of $118.7 million or 5.3% compared to 2006. Gross profit margin for 2007 was 36.9% compared to 38.5% during 2006. The Company's gross margin was negatively impacted during 2007 by a higher manufacturing cost per unit and higher sales incentive costs partially offset by the favorable impact of higher wholesale prices, changes resulting from foreign currency exchange rates and changes to product mix. The factors impacting the change in gross margin are detailed under "Motorcycle Unit Shipments and Net Revenue" and "Cost of Goods Sold" above.

Financial Services

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

	2007	2006	Increase (Decrease)	% Change
Interest income	$ 196.8	$ 167.5	$ 29.3	17.5 %
Income from securitizations	97.6	111.2	(13.6)	(12.2)
Other income	121.8	106.2	15.6	14.7
Financial services income	416.2	384.9	31.3	8.1
Interest expense	81.5	59.8	21.7	36.3
Operating expenses	122.5	114.4	8.1	7.1
Financial services expense	204.0	174.2	29.8	17.1
Operating income from financial services	$ 212.2	$ 210.7	$ 1.5	0.7 %

Interest income increased due to higher average retail and wholesale outstanding receivables. The increase in other income was primarily due to higher credit card licensing income, securitization servicing income and insurance commission revenue. Interest expense was higher due to increased borrowings to support growth in outstanding receivables and higher borrowing rates.

Income from securitizations decreased as higher securitization gains were offset by a reduction in income from retained securitization interests. During 2007, HDFS sold $2.53 billion in retail motorcycle loans through securitization transactions resulting in gains of $36.0 million. This compares with gains of $32.3 million on $2.33 billion of loans securitized during 2006. The 2007 gain as a percentage of loans sold was 1.42% as compared to 1.39% for 2006. Income on the investment in retained securitization interests decreased to $61.6 million from $78.9 million. The reduction in income was due to higher than projected credit losses used in the valuation of retained securitization interests as well as $9.9 million in write downs of certain retained securitization interests. The write downs, which occurred in March and December of 2007 and are considered permanent impairments, result from a decline in the fair value of certain retained securitization interest due to higher actual and anticipated credit losses on those securitization portfolios, partially offset by a slowing in actual and expected prepayment speeds.

The capital markets, which HDFS relies on to fund its portfolio growth, experienced significant volatility over the later half of 2007. Currently HDFS plans to securitize its retail motorcycle portfolio in 2008, but will continue to evaluate various funding alternatives, and will adjust as necessary, based on market conditions. Until the current capital market conditions normalize, gains on securitization transactions in 2008, if any, are expected to be lower than historical results.(1) During February 2008, HDFS completed the sale of $540.0 million in retail motorcycle loans through a securitization transaction resulting in an estimated loss of $4.1 million to $5.4 million.(1) As part of the transaction, HDFS retained $54.0 million of subordinated securities.

Annualized losses on HDFS' managed retail motorcycle loans totaled 1.91% in 2007 compared to 1.41% for 2006. Managed retail loans include loans held by HDFS as well as those sold through securitization transactions. The 30-day delinquency rate for managed retail motorcycle loans at December 31, 2007 increased to 6.15% from 5.18% at December 31, 2006. This increase in losses is primarily due to an increase in delinquent accounts resulting in a higher incidence of loss as well as continued pressure on values for repossessed motorcycles. As a result, it is expected that HDFS will experience higher credit losses as a percentage of managed retail motorcycle loans in 2008 as compared to 2007.(1)

Changes in the allowance for credit losses were as follows (in millions):

	2007	2006
Balance, beginning of period	$ 27.3	$ 26.2
Provision for finance credit losses	11.2	5.9
Charge-offs, net of recoveries	(8.2)	(4.8)
Balance, end of period	$ 30.3	$ 27.3

HDFS' periodic evaluation of the adequacy of the allowance for credit losses is generally based on HDFS' past loan loss experience, known and inherent risks in the portfolio and current economic conditions. HDFS believes the allowance is adequate to cover the losses of principal and accrued interest in the existing portfolio.

Operating Expenses

The following table includes operating expenses for the Motorcycles segment and Corporate (in millions):

	2007	2006	Increase (Decrease)	% Change
Motorcycles and Related Products				
Selling & Administrative	$ 692.8	$ 637.5	$ 55.3	8.7 %
Engineering	190.6	186.2	4.4	2.4
Corporate	17.3	22.7	(5.4)	(23.5)
Total operating expenses	$ 900.7	$ 846.4	$ 54.3	6.4 %

Total operating expenses were 15.7% and 14.6% of net revenue for 2007 and 2006, respectively.

Selling and administrative expenses were higher due primarily to increased marketing costs and higher international operating costs in connection with the Company's growth in those markets combined with unfavorable changes in foreign currency exchange rates. These cost increases were partially offset by a decrease in expense associated with the Company's short-term incentive compensation programs.

Investment Income, Net

Investment income, net in 2007 was $22.3 million, compared to $27.1 million in 2006. Net investment income decreased due primarily to lower average short-term investment balances in 2007 when compared to 2006.

Provision for Income Taxes

The Company's effective income tax rate was 35.5% during 2007 compared to 35.8% in 2006. The decrease is due primarily to a higher benefit from the domestic manufacturing deduction and slightly lower state income taxes in 2007.

Results of Operations 2006 Compared to 2005

Overall

Net revenue for 2006 totaled $5.80 billion, a $458.5 million or 8.6% increase over the prior year. Net income for 2006 was $1.04 billion, an increase of $83.5 million, or 8.7%. Diluted earnings per share were $3.93, representing an increase of $0.52, or 15.2%. Diluted earnings per share were positively impacted during 2006 by a decrease in the weighted-average shares outstanding, which were 265.3 million in 2006 compared to 281.0 million in 2005. The decrease in weighted-average shares outstanding was due primarily to the Company's share repurchases. The Company repurchased 19.3 million shares of common stock during 2006.

The Company paid dividends in 2006 of $.18 per share in March and $.21 per share in June, September and December. The aggregate annual dividend paid in 2006 was $.81 per share, representing a 29.6% increase over the aggregate annual dividend of $.625 per share in 2005.

Motorcycle Unit Shipments and Net Revenue

The following table includes wholesale motorcycle unit shipments and net revenue for the Motorcycles segment (dollars in millions):

	2006	2005	Increase (Decrease)	% Change
Motorcycle Unit Shipments				
United States	273,212	266,507	6,705	2.5 %
International	75,984	62,510	13,474	21.6
Harley-Davidson motorcycle units	349,196	329,017	20,179	6.1
Touring motorcycle units	123,444	110,193	13,251	12.0
Custom motorcycle units*	161,195	148,609	12,586	8.5
Sportster motorcycle units	64,557	70,215	(5,658)	(8.1)
Harley-Davidson motorcycle units	349,196	329,017	20,179	6.1
Buell motorcycle units	12,460	11,166	1,294	11.6 %
Net Revenue				
Harley-Davidson motorcycles	$ 4,553.6	$ 4,183.5	$ 370.1	8.8 %
Buell motorcycles	102.2	93.1	9.1	9.8
Total motorcycles	4,655.8	4,276.6	379.2	8.9
Parts & Accessories	862.3	815.7	46.6	5.7
General Merchandise	277.5	247.9	29.6	12.0
Other	5.1	2.0	3.1	N/M
Net revenue	$ 5,800.7	$ 5,342.2	$ 458.5	8.6 %

* Custom motorcycle units, as used in this table, include Dyna, Softail, VRSC and CVO models.

During 2006, the Company shipped 349,196 Harley-Davidson motorcycles, an increase of 20,179 or 6.1%, over 2005 shipments. International shipments grew faster than U.S. shipments with an increase of 21.6% in 2006, compared to a 2006 U.S. shipment increase of 2.5%. As a result, international shipments represented 21.8% of total Harley-Davidson wholesale shipments in 2006, compared to 19.0% in 2005.

During 2006, net revenue for the Motorcycles segment grew 8.6% or $458.5 million over 2005. Approximately $350 million of the increase in net revenue resulted from the higher shipment volumes of motorcycles and related

products. Net revenue also benefited from a favorable change in product mix and wholesale price increases. The changes to product mix resulted in approximately $70 million of higher revenue and related primarily to an increase in the percentage of shipments consisting of higher-priced touring motorcycles. Touring motorcycles made up 35.4% of shipments in 2006 compared to 33.5% in 2005. Wholesale price increases on Harley-Davidson motorcycles resulted in approximately $45 million of higher revenue. Changes in foreign currency exchange rates resulted in approximately $10 million of lower net revenue.

Harley-Davidson Motorcycle Retail Sales

Worldwide retail sales of Harley-Davidson motorcycles grew 8.5% during 2006 over the prior year. Retail sales of Harley-Davidson motorcycles increased 5.9% in the United States and 18.6% internationally. On an industry-wide basis, the heavyweight (651+cc) portion of the market was up 4.9% in the United States and up 7.5% in Europe. The following table includes retail unit sales of Harley-Davidson motorcycles (units in thousands):

Harley-Davidson Motorcycle Retail Sales(a)

Heavyweight (651+cc)

	2006	2005	Change
United States	268.4	253.4	5.9 %
Europe(b)	33.8	29.5	14.6
Japan	13.3	11.4	16.3
Canada	13.5	11.7	15.9
All other markets	15.0	11.2	34.3
Total Retail Sales	344.0	317.2	8.5 %

(a) Data source for retail sales figures shown above is 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 retail sales and this information is subject to revision. Only Harley-Davidson motorcycles are included in the Harley-Davidson Motorcycle Retail Sales data.

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

the United Kingdom.

The following table includes industry retail motorcycle registration data (units in thousands):

	2006	2005	Change
United States(a)	543.0	517.6	4.9 %
Europe(b)	376.8	350.7	7.4 %

(a) U.S. industry data includes 651+cc models derived from submission of motorcycle retail sales by each major manufacturer to an independent third party.

(b) Europe data includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom. Industry retail motorcycle registration data includes 651+cc models derived from information provided by Giral S.A., an independent agency.

Industry retail registration data for the remaining international markets has not been presented because the Company does not believe definitive and reliable registration data is available to the Company at this time.

Cost of Goods Sold

Cost of goods sold for the Motorcycles segment increased $266.1 million over 2005, due primarily to the increase in shipment volumes for motorcycles and related products. Higher volumes resulted in an increase in cost of goods sold of approximately $225 million. Cost of goods sold was also higher due to changes in product mix and

increases in material costs, partially offset by lower foreign currency losses. Changes in Harley-Davidson motorcycle product mix resulted in approximately $35 million of higher costs and increases in raw material costs, primarily for metals, were approximately $15 million. Finally, net foreign currency transaction and hedging gains resulted in approximately $35 million of lower cost during 2006.

Gross Profit

Gross profit was $2.23 billion for the Motorcycles segment during 2006, an increase of $192.3 million or 9.4% over gross profit in 2005. Gross profit margin for 2006 was 38.5% compared to 38.3% during 2005. The increase in gross margin was due primarily to wholesale price increases on Harley-Davidson motorcycles, favorable Harley-Davidson motorcycle product mix and favorable changes in foreign currency exchange rates, as detailed under "Revenue" and "Cost of Goods Sold" above.

Financial Services

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

	2006	2005	Increase (Decrease)	% Change
Interest income	$ 167.5	$ 129.9	$ 37.6	29.0 %
Income from securitizations	111.2	123.1	(11.9)	(9.7)
Other income	106.2	78.6	27.6	35.1
Financial services income	384.9	331.6	53.3	16.1
Interest expense	59.8	36.2	23.6	65.3
Operating expenses	114.4	103.8	10.6	10.2
Financial services expense	174.2	140.0	34.2	24.4
Operating income from financial services	$ 210.7	$ 191.6	$ 19.1	10.0 %

During 2006, interest income benefited from increased retail and wholesale average outstanding receivables and higher retail and wholesale lending rates as compared to 2005. The increase in other income was primarily due to higher revenues from insurance commissions and related products and an increase in securitization servicing fee income. Interest expense was higher due to increased borrowings, in support of higher average outstanding receivables, and higher borrowing costs.

Income from securitizations in 2006 was lower due to lower gains on 2006 securitization transactions, partially offset by an increase in income on the investment in retained securitization interests. During 2006, income on the investment in retained securitization interests was $78.9 million, an increase of $2.3 million over 2005.

During 2006, HDFS sold $2.33 billion in retail motorcycle loans through securitization transactions resulting in gains of $32.3 million. This compares with gains of $46.6 million on $2.48 billion of loans securitized during 2005. The 2006 gain as a percentage of loans sold was 1.4% as compared to 1.9% for 2005. The 2006 gain as a percentage of the amount of loans securitized was lower than the prior year due to rising market interest rates and the competitive environment for motorcycle lending.

In addition, during 2006, other comprehensive income includes unrealized losses of $20.9 million (pre-tax) related to a decrease in the unrealized gain on the investment in retained securitization interests due primarily to higher expected losses on prior year securitization transactions.

Annualized losses on HDFS' managed retail motorcycle loans totaled 1.41% in 2006 compared to 1.29% for the same period in 2005. This increase in losses reflected continued pressure on values for repossessed motorcycles. Managed retail loans include loans held by HDFS which are retained on the balance sheet as well as those sold through securitization. The 30-day delinquency rate for managed retail motorcycle loans at December 31, 2006

increased to 5.18% from 4.83% at December 31, 2005.

Changes in the allowance for credit losses were as follows (in millions):

	2006	2005
Balance, beginning of period	$ 26.2	$ 30.3
Provision for finance credit losses	5.9	3.3
Charge-offs, net of recoveries	(4.8)	(7.4)
Balance, end of period	$ 27.3	$ 26.2

Operating Expenses

The following table includes operating expenses for the Motorcycles segment and Corporate (in millions):

Motorcycles and Related Products	2006	2005	Increase	% Change
Selling & Administrative	$ 637.5	$ 559.5	$ 78.0	14.0 %
Engineering	186.2	186.2	0.0	0.0
Corporate	22.7	21.5	1.2	5.6
Total operating expenses	$ 846.4	$ 767.2	$ 79.2	10.3 %

Total operating expenses were 14.6% and 14.4% of net revenue for 2006 and 2005, respectively.

During 2006, selling expenses were higher than the prior year due primarily to higher marketing and advertising expenses combined with increased international operating costs in connection with the Company's growth in those markets.

The increase in administrative expenses during 2006 was driven primarily by a higher provision for future warranty costs which was approximately $44 million higher. The increase in warranty costs was due primarily to higher costs associated with the Company's second year warranty program and higher product program costs. Beginning with shipments of 2004 model year motorcycles, the Company extended its warranty coverage from one to two years. During 2006, additional claims data became available which indicated that the cost of the second year warranty was higher than originally estimated. Based on the higher actual claims, the Company adjusted warranty reserves for the motorcycles affected, which were primarily 2004, 2005 and 2006 models. In addition, the Company announced a number of product programs during 2006 to address customer concerns and promote customer satisfaction. Under a product program, the Company contacts retail customers directly and pays for non-safety related improvements that are covered by the Company's standard warranty.

Investment Income, Net

Investment income, net in 2006 was $27.1 million, compared to $22.8 million in 2005. Net investment income was higher primarily due to a higher average return.

Provision for Income Taxes

The Company's effective income tax rate was 35.8% during 2006 compared to 35.5% in 2005. This increase was due primarily to a relatively smaller benefit from the federal research and development tax credit and slightly higher state income taxes.

Other Matters

Accounting Changes

In June 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation No. (FIN) 48, "Accounting for Uncertainty in Income Taxes," which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company adopted the provisions of FIN 48 on January 1, 2007. See Note 4 of Notes to the Consolidated Financial Statements for further discussion of the effect of adopting FIN 48 on the Company's consolidated financial statements and notes thereto.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)." SFAS No. 158 requires employers that sponsor defined benefit pension and postretirement benefit plans to recognize previously unrecognized actuarial losses and prior service costs in the statement of financial position and to recognize future changes in these amounts in the year in which changes occur through comprehensive income. As a result, the statement of financial position will reflect the funded status (the

difference between the projected benefit obligation and the fair value of plan assets) of those plans as an asset or liability. Additionally, employers are required to measure the funded status of a plan as of the date of its year-end statement of financial position. The Company adopted SFAS No. 158, as it relates to recognizing the funded status of its defined benefit pension and postretirement benefit plans, and the related disclosure requirements, as of December 31, 2006. See Note 6 of Notes to the Consolidated Financial Statements for further discussion of the effect of adopting SFAS No. 158 on the Company's consolidated financial statements and notes thereto. The requirement to measure the funded status as of the date of the year-end statement of financial position is required by December 31, 2008. The Company is currently evaluating the impact the change in the measurement date will have on its consolidated financial statements and notes thereto.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS 157 establishes a framework for measuring fair value in generally accepted accounting principles, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. SFAS 157 applies to fair value measurements required by existing accounting pronouncements and does not require any new fair value measurements. The Company is required to adopt SFAS 157 beginning in fiscal year 2008 and the impact that the adoption of SFAS 157 will have on its consolidated financial statements is expected to be immaterial.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115." SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. The Company is required to adopt SFAS 159 beginning in fiscal year 2008. The Company does not expect to elect the fair value option permitted under SFAS 159 so adoption will have no impact on its consolidated financial statements.

Critical Accounting Estimates

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

Finance Receivable Securitizations - The Company sells retail motorcycle loans

through securitization transactions utilizing qualifying special purpose entities (QSPEs) as defined by SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Upon sale of retail loans in a securitization transaction, HDFS receives cash and retains an interest in excess cash flows, servicing rights and cash reserve account deposits, all of which are collectively referred to as retained interests in the securitized

receivables. Retained interests are carried at fair value and are periodically reviewed for impairment. Market value quotes are generally not available for retained interests; therefore, HDFS estimates fair value based on the present value of future expected cash flows using management's best estimates of the key assumptions for credit losses, prepayment speeds and discount rates. The impact of changes to key assumptions is shown in Note 3 of Notes to the Consolidated Financial Statements.

Gains or losses on current year securitizations from the sale of retail loans are recorded as a component of financial services income and are based in part on certain assumptions including expected credit losses, prepayment speed, and discount rates. Gains or losses on sales of retail loans also depend on the original carrying amount of the retail loans, which is allocated between the assets sold and the retained interests based on their relative fair value at the date of transfer.

Finance Receivable Credit Losses - The allowance for uncollectible accounts is maintained at a level management believes is adequate to cover the losses of principal in the existing finance receivables portfolio. Management's periodic evaluation of the adequacy of the allowance is generally based on HDFS' past loan loss experience, known and inherent risks in the portfolio, current economic conditions, specific borrower's ability to repay and the estimated value of any underlying collateral.

Product Warranty - Estimated warranty costs are reserved for each motorcycle at the time of sale. The warranty reserve is an estimated cost per unit sold based upon historical Company claim data used in combination with other known factors that may affect future warranty claims. The Company updates its warranty estimates quarterly to ensure that the warranty reserves are based on the most current information available.

The Company believes that past claim experience is indicative of future claims, however, the factors affecting actual claims can be volatile. As a result, actual claims experience may differ from estimated which could lead to material changes in the Company's warranty provision and related reserves. The Company's warranty liability is discussed further in Note 1 of Notes to the Consolidated Financial Statements.

Pensions and Other Postretirement Benefits- Retirement Plan (Pension, SERPA and Postretirement healthcare) obligations and costs are developed from actuarial valuations. The valuation of benefit obligations and net periodic benefit costs relies on key assumptions including discount rates, long-term expected return on plan assets, future compensation and healthcare cost trend rates. The Company evaluates and updates all of its assumptions annually on September 30, the actuarial measurement date.

The Company determines its discount rate assumptions by referencing high-quality long-term bond rates that are matched to the duration of its own benefit obligations. Based on this analysis, the discount rate was increased from 5.90% as of September 30, 2006 to 6.30% as of September 30, 2007. The Company determines its healthcare trend assumption by considering factors such as estimated healthcare inflation, the utilization of healthcare benefits and changes in the health of plan participants. Based on the Company's assessment of this data as of September 30, 2007, the Company lowered its healthcare cost trend rate to 9% from 10% as of September 30, 2006. The Company expects the healthcare cost trend rate to reach its ultimate rate of 5% beginning in 2011. These assumption changes were reflected immediately in the benefit obligation and will be amortized into net periodic benefit costs over future periods.

The following information is provided to illustrate the sensitivity of pension and postretirement healthcare obligations and costs to changes in these major assumptions (in thousands):

	Amounts based on current assumptions	Impact of a 1% decrease in the discount rate	Impact of a 1% increase in the healthcare cost trend rate
2007 Net periodic benefit costs			
Pension and SERPA	$ 48,940	$ 20,612	n/a
Postretirement healthcare	$ 28,290	$ 2,722	$ 1,485
2007 Benefit obligations			
Pension and SERPA	$ 1,033,635	$ 151,904	n/a
Postretirement healthcare	$ 332,139	$ 34,792	$ 12,375

This information should not be viewed as predictive of future amounts. The calculation of Retirement Plan obligations and costs is based on many factors in addition to those discussed here. This information should be considered in combination with the information provided in Note 6 of Notes to the Consolidated Financial Statements.

Stock Compensation Costs - The total cost of the Company's share-based awards is equal to the grant date fair value per award multiplied by the number of awards granted (adjusted for forfeitures). This cost is recognized as expense on a straight-line basis over the service periods of the awards. Forfeitures are initially estimated based on historical Company information and subsequently updated over the life of the awards to ultimately reflect actual forfeitures. As a result, changes in forfeiture activity can influence the amount of stock compensation cost recognized from period to period.

The Company generally determines the number of share-based awards granted by first determining the total cost of the award, which is a function of employee salary, level and performance. On the date of grant, the number of awards granted is then computed by dividing the total cost of the award by the grant-date fair value of the award unit.

The Company estimates the fair value of option awards as of the grant date using a lattice-based option valuation model which utilizes ranges of assumptions over the expected term of the options, including stock price volatility, dividend yield and risk free interest rate.

- The valuation model uses historical data to estimate option exercise behavior and employee terminations. The expected term of options granted is derived from the output of the option valuation model and represents the average period of time that options granted are expected to be outstanding.

- The Company used implied volatility to determine the expected volatility of its stock in 2007. In 2006 and 2005, expected volatilities were based on the historical volatility of the Company's stock. The Company believes that implied volatilities provide a better estimate of expected volatilities because it takes into account both historical and future expectations of volatility. The implied volatility is derived from options that are actively traded and the market prices of both the traded options and underlying shares are measured at a similar point in time to each other and on a date reasonably close to the grant date of the employee share options. In addition, the traded options have exercise prices that are both (a) near-the-money and (b) close to the exercise price of the employee share options. Finally, the remaining maturities of the traded options on which the estimate is based are at least one year.

. Dividend yield was based on the Company's expected dividend policy and the risk-free rate was based on the U.S. Treasury yield curve in effect at the time of grant.

Changes in the valuation assumptions could result in a significant change to the cost of an individual option.

However, the total cost of an award is also a function of the number of awards granted, and as result, the Company has the ability to manage the cost and value of its equity awards by adjusting the number of awards granted.

Income Taxes - The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and other loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

In calculating the provision for income taxes on an interim basis, the Company uses an estimate of the annual effective tax rate based upon the facts and circumstances known at each interim period. On a quarterly basis, the actual effective tax rate is adjusted as appropriate based upon the actual results as compared to those forecasted at the beginning of the fiscal year.

The Company is subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgment is required in determining the Company's worldwide provision for income taxes and recording the related deferred tax assets and liabilities. In the ordinary course of the Company's business, there are many transactions and calculations where the ultimate tax determination is uncertain. Accruals for unrecognized tax benefits are provided for in accordance with the requirements of FIN 48, "Accounting for Uncertainty in Income Taxes." An unrecognized tax benefit represents the difference between the recognition of benefits related to exposure items for income tax reporting purposes and financial reporting purposes. The unrecognized tax benefit is classified as a component of the income taxes payable account, which is included within Other long-term liabilities in the Consolidated Balance Sheets. The Company has a reserve for interest and

penalties on exposure items, if applicable, which is recorded as component of the overall income tax provision. The Company is regularly under audit by tax authorities. Although the outcome of tax audits is always uncertain, management believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provision includes amounts sufficient to pay any assessments. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

Contractual Obligations

A summary of the Company's expected payments for significant contractual obligations as of December 31, 2007 is as follows (in thousands):

	2008	2009 - 2010	2011 - 2012	Thereafter	Total
Principal payments on finance debt	$ 1,119,955	$ 580,448	$ 399,552	--	$ 2,099,955
Interest payments on finance debt	73,844	74,781	41,923	--	190,548
Operating lease payments	10,026	12,728	9,229	$ 14,572	46,555
	$ 1,203,825	$ 667,957	$ 450,704	$ 14,572	$ 2,337,058

. As described in Note 3 of Notes to the Consolidated Financial Statements, as of December 31, 2007, long term finance debt issued by HDFS included outstanding commercial paper and advances under the Global Credit Facility totaling $376.7 million. The amount classified as long term is supported by the Global Credit Facility, due September 2009; accordingly, the Company has assumed that this amount will be repaid in 2009.

. Interest obligations include the impact of interest rate hedges outstanding as of December 31, 2007. Interest for floating rate instruments,

as calculated above, assumes December 31, 2007 rates remain constant.

- As of December 31, 2007, the Company had no material purchase obligations other than those created in the ordinary course of business related to inventory and property, plant and equipment which generally have terms of less than 90 days.

- The Company has long-term obligations related to its pension and postretirement plans at December 31, 2007. Due to the current funded status of the pension plans, the Company has no minimum funding requirements for 2008. The Company's expected future contributions to these plans are provided in Note 6 of Notes to the Consolidated Financial Statements.

- As described in Note 4 of Notes to the Consolidated Financial Statements, the Company has unrecognized tax benefits of $72.5 million and accrued interest and penalties of $17.1 million as of December 31, 2007. However, the Company cannot make a reasonably reliable estimate for the period of cash settlement for either the $72.5 million of liability of unrecognized tax benefits or accrued interest and penalties of $17.1 million.

Off-Balance Sheet Arrangements

As part of its securitization program, HDFS transfers retail motorcycle loans to a special purpose bankruptcy-remote wholly-owned subsidiary. The subsidiary sells the retail loans to a securitization trust in exchange for the proceeds from asset-backed securities issued by the securitization trust. The asset-backed securities, usually notes with various maturities and interest rates, are secured by future collections of the purchased retail installment loans. Activities of the securitization trust are limited to acquiring retail loans, issuing asset-backed securities and making payments on securities to investors. Due to the nature of the assets held by the securitization trust and the limited nature of its activities, the securitization trusts are considered QSPEs as defined by SFAS No. 140. In accordance with SFAS No. 140, assets and liabilities of the QSPEs are not consolidated in the financial statements of the Company.

HDFS does not guarantee payments on the securities issued by the securitization trusts or the projected cash flows from the related loans purchased from HDFS. The Company's retained securitization interests, excluding servicing rights, are subordinate to the interests of securitization trust investors. Such investors have priority interests in the cash collections on the retail loans sold to the securitization trust (after payment of servicing fees) and in the cash reserve account deposits. These priority interests ultimately could impact the value of the Company's investment in retained securitization interests. Investors also do not have recourse to assets of HDFS for failure of the obligors on the retail loans to pay when due. Total investment in retained securitization interests at December 31, 2007 was $407.7 million. The securitization trusts have a limited life and generally terminate upon final distribution of amounts owed to the investors in the asset-backed securities. See Note 3 of Notes to the Consolidated Financial Statements for further discussion of HDFS' securitization program.

Commitments and Contingencies

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining required reserves 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. The required reserves are monitored on an ongoing basis and are updated based on new developments or new information in each matter.

Shareholder Lawsuits:

A number of shareholder class action lawsuits were filed between May 18, 2005 and July 1, 2005 in the United States District Court for the Eastern District of Wisconsin. On February 14, 2006, the court consolidated all of the actions into a single case, captioned In re Harley-Davidson, Inc. Securities Litigation, and appointed Lead Plaintiffs and Co-Lead Plaintiffs' Counsel. Pursuant to the schedule set by the court, on October 2, 2006, the Lead Plaintiffs filed a Consolidated Class Action Complaint, which names the Company and Jeffrey L. Bleustein, James L. Ziemer, and James M. Brostowitz, who are current or former Company officers, as defendants. The Consolidated Complaint alleges securities law violations and seeks unspecified damages relating generally to the Company's April 13, 2005 announcement that it was reducing short-term production growth and planned increases of motorcycle shipments from 317,000 units in 2004 to a new 2005 target of 329,000 units (compared to its original target of 339,000 units). On December 18, 2006, the defendants filed a motion to dismiss the Consolidated Complaint in its entirety. Briefing of the motion to dismiss was completed in April 2007.

Three shareholder derivative lawsuits were filed in the United States District Court for the Eastern District of Wisconsin on June 3, 2005, October 25, 2005 (this lawsuit was later voluntarily dismissed) and December 2, 2005 and two shareholder derivative lawsuits were filed in Milwaukee County Circuit Court on July 22, 2005 and November 16, 2005 against some or all of the following current or former directors and officers of the Company: Jeffrey L. Bleustein, James L. Ziemer, James M. Brostowitz, Barry K. Allen, Richard I. Beattie, George H. Conrades, Judson C. Green, Donald A. James, Sara L. Levinson, George L. Miles, Jr., James A. Norling, James A. McCaslin, Donna F. Zarcone, Jon R. Flickinger, Gail A. Lione, Ronald M. Hutchinson, W. Kenneth Sutton, Jr. and John A. Hevey. The lawsuits also name the Company as a nominal defendant. In general, the shareholder derivative complaints include factual allegations similar to those in the class action complaints and allegations that officers and directors breached their fiduciary duties to the Company. On February 14, 2006, the state court consolidated the two state court derivative actions and appointed Lead Plaintiffs and Lead Plaintiffs' counsel, and on April 24, 2006, the state court ordered that the consolidated state court derivative action be stayed until after motions to dismiss the federal securities class action are decided. On February 15, 2006, the federal court

consolidated the federal derivative lawsuits with the securities and ERISA (see below) actions for administrative purposes. On February 1, 2007, the federal court appointed Lead Plaintiff and Co-Lead Plaintiffs' Counsel in the consolidated federal derivative action.

On August 25, 2005, a class action lawsuit alleging violations of the Employee Retirement Income Security Act (ERISA) was filed in the United States District Court for the Eastern District of Wisconsin. As noted above, on February 15, 2006, the court ordered the ERISA action consolidated with the federal derivative and securities actions for administrative purposes. Pursuant to the schedule set by the court, on October 2, 2006, the ERISA plaintiff filed an Amended Class Action Complaint, which named the Company, the Harley-Davidson Motor Company Retirement Plans Committee, the Company's Leadership and Strategy Council, Harold A. Scott, James L. Ziemer, James M. Brostowitz, Gail A. Lione, Joanne M. Bischmann, Karl M. Eberle, Jon R. Flickinger, Ronald M. Hutchinson, James A. McCaslin, W. Kenneth Sutton, Jr., and Donna F. Zarcone, who are current or former Company officers or employees, as defendants. In general, the ERISA complaint includes factual allegations similar to those in the shareholder class action lawsuits and alleges on behalf of participants in certain Harley-Davidson retirement savings plans that the plan fiduciaries breached their ERISA fiduciary duties. On December 18, 2006, the defendants filed a motion to dismiss the ERISA complaint in its entirety. Briefing of the motion to dismiss was completed in April 2007.

The Company believes the allegations against all of the defendants in the lawsuits against the Company are without merit and it intends to vigorously defend against them. Since all of these matters are in the preliminary stages,

the Company is unable to predict the scope or outcome or quantify their eventual impact, if any, on the Company. At this time, the Company is also unable to estimate associated expenses or possible losses. The Company maintains insurance that may limit its financial exposure for defense costs and liability for an unfavorable outcome, should it not prevail, for claims covered by the insurance coverage.

Security Breach Lawsuit:

On January 22, 2007, a purported class action lawsuit was filed in the Supreme Court of the State of New York against Harley-Davidson, Inc. and the Harley Owners Group. The complaint alleges that the Company was negligent in failing to properly safeguard, protect and keep confidential the personal "Customer Identifiable Information" that was stored on a Company laptop computer that was lost on or about August 14, 2006. The complaint also alleges that Harley-Davidson breached fiduciary duties and made false and fraudulent representations and warranties to its customers that it would keep confidential and safeguard and protect the personal customer information in its possession. The complaint seeks unspecified damages. On February 23, 2007, this matter was removed to the United States District Court Southern District of New York. On April 5, 2007, the Company filed a motion to dismiss the complaint. Briefing is completed on the motion to dismiss and the parties are awaiting a ruling. The Company believes the allegations in the lawsuit are without merit and it intends to vigorously defend against them.

Cam Bearing Lawsuit:

In January 2001, on its own initiative, the Company notified owners that it was extending the warranty on rear cam bearings to 5 years or 50,000 miles on certain 1999 and early-2000 Harley-Davidson motorcycles equipped with Twin Cam 88(R) and Twin Cam 88BTM engines. Subsequently, on June 28, 2001, a putative nationwide class action was filed against the Company in state court in Milwaukee County, Wisconsin, which was amended by a complaint filed September 28, 2001, alleging that this cam bearing was defective, asserting various legal theories, and seeking unspecified damages for affected owners. After the Wisconsin court granted the Company's motion to dismiss those claims, the same attorneys filed a second putative nationwide class action against the Company in state court in Milwaukee County, Wisconsin related to the same issues. Again, the Wisconsin court granted the Company's motion and dismissed all claims in their entirety. On April 12, 2004, the same attorneys filed a third action in the state court in Milwaukee County, Wisconsin on behalf of the same plaintiffs. This third action was likewise dismissed by the court on July 26, 2004. After subsequent appeals to the Wisconsin Court of Appeals and the Wisconsin Supreme Court, on July 12, 2007, the Wisconsin Supreme Court issued a final decision in the Company's favor upholding the dismissal of all claims against the Company. Then, on September 11, 2007, the Company received a claim letter from one of the same attorneys involved in the Wisconsin actions. This letter relates to the same issues as the previously dismissed Wisconsin

actions, but alleges claims under California law on behalf of California owners exclusively. The Company believes that these California claims

lack merit as they are premised on the same legal theories that were presented in previously dismissed Wisconsin actions.

Environmental Matters:

The Company is involved with government agencies and groups of potentially responsible parties in various environmental matters, including 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 an ongoing site-wide remedial investigation/feasibility study (RI/FS). In January 1995, the Company entered into a settlement agreement (the Agreement) with the Navy. The Agreement calls for the Navy and the Company to contribute amounts into a trust equal to 53% and 47%, respectively, of future 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.

In February 2002, the Company was advised by the U.S. Environmental Protection Agency (EPA) that it considers some of the Company's remediation activities at the York facility to be subject to the EPA's corrective action program under the Resource Conservation and Recovery Act (RCRA) and offered the Company the option of addressing corrective action under a RCRA facility lead agreement. In July 2005, the York facility was designated as the first site in Pennsylvania to be addressed under the "One Cleanup Program." The program provides a more streamlined and efficient oversight of voluntary remediation by both PADEP and EPA and will be carried out consistent with the Agreement with the Navy. As a result, the RCRA facility lead agreement has been superseded.

Although the RI/FS is still under way and substantial uncertainty exists concerning the nature and scope of the additional environmental investigation and remediation that will ultimately be required at the York facility, the

Company estimates that its share of the future Response Costs at the York facility will be approximately $7.2 million. The Company has established reserves for this amount, which are included in Accrued Liabilities in the Consolidated Balance Sheets.

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. Response Costs related to the remediation of soil are expected to be incurred over a period of several years ending in 2012. Response Costs related to ground water remediation may continue for some time beyond 2012. However, these Response Costs are expected to be much lower than those related to the remediation of soil.

Under the terms of the sale of the Commercial Vehicles Division in 1996, the Company has agreed to indemnify Utilimaster Corporation, until December 2008, for certain claims related to environmental contamination present at the date of sale, up to $20.0 million. Based on the environmental studies performed, the Company does not expect to incur any material expenditures under this indemnification.

Product Liability Matters:

Additionally, 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 will not have a material adverse effect on the Company's consolidated financial statements.

Liquidity and Capital Resources as of December 31, 2007

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 also has a securitization program, a commercial paper program, credit facilities and debt instruments in place to support the ongoing cash requirements of its Financial Services business. The Company regularly assesses its long-term capital market strategy, which includes diversifying funding sources in the capital markets to provide the Company with the appropriate level of flexibility to fund the business and to adjust to market conditions as necessary.

Cash and marketable securities totaled $405.3 million as of December 31, 2007 compared to $896.5 million as of December 31, 2006 and $1.05 billion as of December 31, 2005. The decline is primarily attributable to common stock repurchases and higher dividend payments, which are discussed in more detail below.

Cash Flow Activity

The following table summarizes the operating, investing and financing cash flow activity for the three years ended December 31, 2007, 2006 and 2005 (in thousands):

	2007	2006	2005
Net cash provided by operating activities	$ 798,146	$ 761,780	$ 962,614
Net cash provided by (used by) investing activities	391,205	(35,259)	193,840
Net cash used by financing activities	(1,037,803)	(637,023)	(1,271,791)
Total	$ 151,548	$ 89,498	$ (115,337)

Operating Activities

The increase in operating cash flow from 2006 to 2007 is primarily attributable to favorable changes in wholesale receivable balances in 2007 as compared to 2006. This favorability was partially offset by lower net income in 2007. Cash flow from operating activities is also impacted by the Company's retail lending and securitization activity. The Company completed four securitization transactions during 2005 compared to three securitization transactions in both 2006 and 2007, and as a result, cash from operating activities in 2005 was higher than in 2006 and 2007.

Investing Activities

The Company's investing activities consist primarily of capital expenditures, net changes in finance receivables held for investment and short-term investment activity. Sales and redemptions of marketable securities net of purchases provided $657.7 million, $253.5 million and $431.1 million of cash to investing activities during 2007, 2006 and 2005, respectively. Marketable securities balances were reduced during each of these three years primarily for the purpose of funding the Company's repurchase of common stock during the year.

Capital expenditures were $242.1 million, $219.6 million and $198.4 million during 2007, 2006 and 2005, respectively. In 2008, capital expenditures are expected to be between $240.0 and $260.0 million. The increase will be primarily driven by higher investments in manufacturing capabilities and product program activities.(1) The Company anticipates it will have the ability to fund all capital expenditures in 2008 with internally generated funds.(1)

Financing Activities

The Company's financing activities consist primarily of share repurchases, stock issuances, dividend payments and finance debt activity. During 2007, the Company repurchased 20.4 million share of its common stock at a total cost of $1.15 billion. The Company repurchased 2.8 million shares under a general authorization received from the Company's Board of Directors in 2005, and 16.9 million shares under a general authorization received from the Company's Board of Directors in 2006. The remaining 0.7 million shares were repurchased under an authorization from the Company's Board of Directors that is designed to provide the Company with continuing authority to repurchase shares to offset dilution caused by the exercise of stock options. In December 2007, the Company's Board of Directors separately authorized the Company to buy back up to 20.0 million additional shares of its common stock with no dollar limit or expiration date. No repurchases had been made under this

authorization as of the end of 2007. Please see Part II, Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities for additional detail regarding the Company's share repurchase activity and authorizations. During 2006 and 2005, the Company repurchased 19.3 million and 21.4 million shares, respectively, of its common

stock at a total cost of $1.06 billion and $1.05 billion, respectively.

The Company paid total dividends of $1.06, $0.81 and $0.625 per share during 2007, 2006 and 2005, respectively, at a total cost of $260.8 million, $212.9 million and $173.8 million, respectively.

In addition to operating cash flow and asset-backed securitizations, HDFS is financed by the issuance of commercial paper, borrowings under the revolving credit facility, medium-term notes and borrowings from the Company. HDFS' outstanding debt consisted of the following as of December 31 (in thousands):

	2007	2006	2005
Commercial paper	$ 842,618	$ 894,250	$ 416,797
Credit facilities	256,531	191,866	172,965
	1,099,149	1,086,116	589,762
Medium-term notes	1,000,806	586,375	585,211
Senior subordinated notes	--	30,000	30,000
Total finance debt	$ 2,099,955	$ 1,702,491	$ 1,204,973

Credit Facilities - The Company has a $1.40 billion revolving credit facility (Global Credit Facility), which increased from $1.10 billion in 2006. Subject to certain limitations, HDFS has the option to borrow in various currencies. Interest is based on London interbank offered rates (LIBOR), European interbank offered rates or other short-term indices, depending on the type of advance. The Global Credit Facility is a committed facility due in 2009 and HDFS pays a fee for its availability.

On February 20, 2008, HDFS entered into an additonal $300.0 million credit facility. The primary use of the new facility is to provide additional liquidity to HDFS' unsecured commerical paper program and to fund operations. Interest is based on LIBOR or other short-term indices, depending on the type of advance. The facility is a committed facility due on the earlier of December 15, 2008 or the date HDFS refinances its existing $1.40 billion Global Credit Facility, and the Company pays a fee for its availability. The operating covenants under the new facility are similar to those that apply under HDFS' existing $1.40 billion Global Credit Facility. As a result of the new facilty, HDFS may issue commerical paper of up to $1.70 billion in the aggregate. Maturities may range up to 365 days from the issuance date.

Commercial Paper - Subject to limitations, HDFS could issue commercial paper of

up to $1.40 billion as of December 31, 2007 and $1.70 billion beginning on February 20, 2008. Maturities may range up to 365 days from the issuance date. Outstanding commercial paper may not exceed the unused portion of the Global Credit Facility. As a result, the combined total of commercial paper and borrowings under the Global Credit Facility was limited to $1.70 billion subsequent to the issuance of the new $300.0 million credit facility in February 2008, and $1.40 billion as of December 31, 2007 and December 31, 2006. As of December 31, 2005, the combined total of commercial paper and borrowings under the Global Credit Facility was limited to $1.10 billion.

Medium-Term Notes - In December 2007, HDFS issued $400.0 million of 5.25% medium-term notes due in December 2012. HDFS also has $400.0 million of 3.63% medium-term notes outstanding which are due in December 2008 and $200.0 million of 5.00% medium-term notes due in December 2010 (all three issuances are collectively referred to as "Notes"). The Notes provide for semi-annual interest payments and principal due at maturity. At December 31, 2007, 2006 and 2005, the Notes included a fair value adjustment increasing the balance by $1.3 million, and reducing the balance by $13.6 million and $14.7 million, respectively, due to interest rate swap agreements designated as fair value hedges. The effect of the interest rate swap agreements is to convert the interest rate on the Notes from a fixed to a floating rate, which is based on 3-month LIBOR.

Senior Subordinated Debt - At December 31, 2006 and 2005, HDFS had $30.0 million of 6.79% senior subordinated notes outstanding which were due in December 2007. In December 2007, the notes matured and the principal and accrued interest was paid in full.

Intercompany Borrowing - HDFS has a revolving credit line with the Company whereby HDFS may borrow up to $210.0 million from the Company at a market interest rate. As of December 31, 2007, 2006 and 2005, HDFS had no outstanding borrowings owed to the Company under this agreement.

The Company has a support agreement with HDFS whereby, if required, the Company agrees to provide HDFS with financial support in order to maintain certain financial covenants. 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 is subject to various operating and financial covenants related to the Global Credit Facilities and Notes. The more significant covenants are described below.

The operating covenants limit HDFS' ability to

- incur certain additional indebtedness;
- assume or incur certain liens
- participate in a merger, consolidation, liquidation or dissolution; and
- purchase or hold margin stock.

Under the Global Credit Facility financial covenants, the debt to equity ratio of HDFS and its consolidated subsidiaries cannot exceed 9.0 to 1.0 and HDFS must maintain a minimum consolidated tangible net worth of $300.0 million. No financial covenants are required under the Notes.

At December 31, 2007, 2006 and 2005, HDFS remained in compliance with all of these covenants.

The Company expects that future activities of HDFS will be financed from funds internally generated by HDFS, the sale of loans through securitization programs, issuance of commercial paper and medium-term notes, borrowings under revolving credit facilities and advances or loans from the Company.(1) The Company will continue to evaluate various funding alternatives, and will adjust as necessary, based on market conditions.(1)

Cautionary Statements

The Company's ability to meet the targets and expectations noted in this Form 10-K depends upon, among other factors, the Company's ability to (i) continue to realize production efficiencies at its production facilities and effectively manage operating costs including materials, labor and overhead; (ii) manage production capacity and production changes; (iii) manage supply chain issues; (iv) provide products, services and experiences that are successful in the marketplace; (v) develop and implement sales and marketing plans that retain existing retail customers in an increasingly competitive marketplace; (vi) sell all of its motorcycles and related products and services to its independent dealers; (vii) continue to develop the capabilities of its distributor and dealer network; (viii) manage changes and prepare for requirements in legislative and regulatory environments for its products, services and operations; (ix) adjust to fluctuations in foreign currency exchange rates, interest rates and commodity prices; (x) manage access to reliable sources of capital and adjust to fluctuations in the cost of capital; (xi) manage regional and worldwide demographic trends and economic and political conditions, including healthcare inflation, pension reform and tax changes; (xii) anticipate consumer confidence in the economy; (xiii) manage the credit quality, the loan servicing and collection activities and the recovery rates of HDFS' loan portfolio; (xiv) retain and attract talented employees; (xv) detect any issues with our motorcycles or manufacturing processes to avoid delays in new model launches, recall campaigns, increased warranty costs or litigation; and (xvi) implement and manage enterprise-wide information technology solutions and secure data contained in those systems. 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. These risks, potential delays and uncertainties regarding the costs could also adversely impact the Company's capital expenditure estimates (see "Liquidity and Capital Resources" section).

In addition, see "Risk Factors" under Item 1A. which includes a discussion of additional risk factors and a more complete discussion of some of the cautionary statements noted above.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

A discussion of the Company's accounting policies for derivative financial instruments is included in the Summary of Significant Accounting Policies in Note 1 of Notes to the Consolidated Financial Statements and further disclosure relating to the fair value of derivative financial instruments is included in Note 10 of Notes to the Consolidated Financial Statements.

The Company sells its products internationally and in most markets those sales are made in the foreign country's local currency. As a result, the Company's earnings can be affected by fluctuations in the value of the U.S. dollar relative to foreign currency. The Company utilizes foreign currency contracts to mitigate the effect of these fluctuations on earnings. The foreign currency contracts are entered into with banks and allow the Company to exchange a specified amount of foreign currency for U.S. dollars at a future date, based on a fixed exchange rate. At December 31, 2007, these contracts represented a combined U.S. dollar equivalent of $227.8 million. The Company estimates that a uniform 10% weakening in the value of the dollar relative to the currency underlying these contracts would result in a decrease in the fair value of the contracts of approximately $24.8 million as of December 31, 2007.

The Company's exposure to the Japanese yen is substantially offset by the existence of a natural hedge, which is sustained through offsetting yen cash inflows from sales with yen cash outflows for motorcycle component purchases and other operating expenses.

HDFS' earnings are affected by changes in interest rates. HDFS utilizes interest rate swaps to reduce the impact of fluctuations in interest rates on its securitization transactions and debt. HDFS also entered into derivative contracts to facilitate its third quarter securitization transaction. These derivatives, which hedge assets by an off-balance sheet QSPE, do not qualify for hedge accounting treatment. Changes in the fair value of these derivatives are recognized in current period earnings within other operating expenses. As of December 31, 2007, HDFS had interest rate swaps outstanding with a notional value of $2.00 billion. HDFS estimates that a 10% decrease in interest rates would result in a $1.2 million decrease in the fair value of the agreements.

Item 8. Consolidated Financial Statements and Supplementary Data

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of management, including the principal executive officer and principal financial officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on management's evaluation under the framework in Internal Control - Integrated Framework, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2007. Ernst & Young LLP, an independent registered public accounting firm, has audited the Consolidated Financial Statements included in this Annual Report on Form 10-K and, as part of its audit, has issued an attestation report, included herein, on the effectiveness of the Company's internal control over financial reporting.

February 11, 2008

James L. Ziemer	Thomas E. Bergmann
President and Chief Executive Officer	Executive Vice President and Chief Financial Officer

MANAGEMENT CERTIFICATIONS

The Company has filed as exhibits to its Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed with the Securities and Exchange Commission, the certifications of the chief executive officer and the chief financial officer of the Company required by Section 302 of the Sarbanes-Oxley Act.

The Company has submitted to the New York Stock Exchange the Annual Chief Executive Officer Certification required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board of Directors reviews the Company's financial reporting process, the audit process and the process for monitoring compliance with laws and regulations. All of the Audit Committee members are independent in accordance with the Audit Committee requirements of the New York Stock Exchange, Inc.

The Audit Committee of the Board of Directors has reviewed and discussed with management its assessment of the effectiveness of the Company's internal control system over financial reporting as of December 31, 2007. Management has concluded that the internal control system was effective. This assessment was also audited by Ernst & Young LLP, the Company's independent registered public accounting firm for the 2007 fiscal year. The audited financial statements of the Company for the 2007 fiscal year were also reviewed and discussed with management as well as with representatives of Ernst & Young LLP. The Audit Committee has also discussed with Ernst & Young LLP, the matters required to be discussed by Statement of Auditing Standards No. 61, other professional standards and regulatory requirements currently in effect. The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1, as currently in effect, and has discussed with representatives of Ernst & Young LLP the independence of Ernst & Young LLP. Based on the review and discussions referred to above, the Audit Committee has recommended to the Board of Directors that the audited financial statements for the 2007 fiscal year be included in the Company's Annual Report.

February 13, 2008
Audit Committee of the Board of Directors
Richard I. Beattie
George L. Miles, Jr.
Judson C. Green
James A. Norling, Chairman

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

We have audited Harley-Davidson, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Harley-Davidson, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, Harley-Davidson, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Harley-Davidson, Inc. as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2007 of Harley-Davidson, Inc. and our report dated February 11, 2008 expressed an unqualified opinion thereon.

Ernst & Young LLP

Milwaukee, Wisconsin

February 11, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Harley-Davidson, Inc. as of December 31, 2007 and 2006, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2007. Our audits also included the financial statement schedule listed in the index at item 15(a).

These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Harley-Davidson, Inc. at December 31, 2007 and 2006, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, on January 1, 2007 the Company changed its method of accounting for uncertain tax positions and on December 31, 2006, the Company changed its method of accounting for defined benefit pension and postretirement healthcare plans.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Harley-Davidson, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 11, 2008 expressed an unqualified opinion thereon.

Ernst & Young LLP

Milwaukee, Wisconsin

February 11, 2008

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2007, 2006 and 2005
(In thousands, except per share amounts)

	2007	2006	2005
Net revenue	$ 5,726,848	$ 5,800,686	$ 5,342,214
Cost of goods sold	3,612,748	3,567,839	3,301,715
Gross profit	2,114,100	2,232,847	2,040,499
Financial services income	416,196	384,891	331,618
Financial services expense	204,027	174,167	139,998
Operating income from financial services	212,169	210,724	191,620
Selling, administrative and engineering expense	900,708	846,418	767,157
Income from operations	1,425,561	1,597,153	1,464,962
Investment income, net	22,258	27,087	22,797
Income before provision for income taxes	1,447,819	1,624,240	1,487,759
Provision for income taxes	513,976	581,087	528,155
Net income	$ 933,843	$ 1,043,153	$ 959,604
Earnings per common share:			
Basic	$ 3.75	$ 3.94	$ 3.42
Diluted	$ 3.74	$ 3.93	$ 3.41
Cash dividends per common share	$ 1.06	$ 0.81	$ 0.625

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

HARLEY-DAVIDSON, INC. CONSOLIDATED BALANCE SHEETS

HARLEY-DAVIDSON, INC.
CONSOLIDATED BALANCE SHEETS

December 31, 2007 and 2006
(In thousands, except share amounts)

	2007	2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 402,854	$ 238,397
Marketable securities	2,475	658,133
Accounts receivable, net	181,217	143,049
Finance receivables held for sale	781,280	547,106
Finance receivables held for investment, net	1,575,283	1,554,260
Inventories	349,697	287,798

Deferred income taxes	103,278	73,389
Prepaid expenses and other current assets	71,230	48,501
Total current assets	3,467,314	3,550,633
Finance receivables held for investment, net	845,044	725,957
Property, plant and equipment, net	1,060,590	1,024,469
Prepaid pension costs	89,881	55,351
Goodwill	61,401	58,800
Deferred income taxes	54,376	42,986
Other long-term assets	78,000	73,954
	$ 5,656,606	$ 5,532,150
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 300,188	$ 283,477
Accrued liabilities	484,936	479,709
Current portion of finance debt	1,119,955	832,491
Total current liabilities	1,905,079	1,595,677
Finance debt	980,000	870,000
Pension liability	51,551	47,916
Postretirement healthcare benefits	192,531	201,126
Other long-term liabilities	151,954	60,694
Commitments and contingencies (Note 5)		
Shareholders' equity:		
Series A Junior participating preferred stock, none issued	--	--
Common stock, 335,211,201 and 334,328,193 shares issued in 2007 and 2006, respectively	3,352	3,343
Additional paid-in-capital	812,224	766,382
Retained earnings	6,117,567	5,460,629
Accumulated other comprehensive loss	(137,258)	(206,662)
	6,795,885	6,023,692
Less:		
Treasury stock (96,725,399 and 76,275,837 shares in 2007 and 2006, respectively), at cost	(4,420,394)	(3,266,955)
Total shareholders' equity	2,375,491	2,756,737
	$ 5,656,606	$ 5,532,150

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

HARLEY-DAVIDSON, INC. CONSOLIDATED BALANCE SHEETS .

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2007, 2006 and 2005
(In thousands)

	2007	2006	2005
Net cash provided by operating activities (Note 2)	$ 798,146	$ 761,780	$ 962,614
Cash flows from investing activities:			
Capital expenditures	(242,113)	(219,602)	(198,389)
Origination of finance receivables held for investment	(514,359)	(411,757)	(336,412)
Collections on finance receivables held for investment	368,978	260,133	179,974
Collection of retained securitization interests	118,175	101,641	115,346
Purchase of marketable securities	(467,609)	(970,935)	(1,352,428)
Sales and redemptions of marketable securities	1,125,344	1,224,447	1,783,503
Other, net	2,789	(19,186)	2,246
Net cash provided by (used by) investing activities	391,205	(35,259)	193,840
Cash flows from financing activities:			
Proceeds from issuance of medium term notes	398,144	--	199,974
Net (decrease) increase in finance-credit facilities and commercial paper	(16,247)	493,125	(280,694)
Repayment of senior subordinated debt	(30,000)	--	--
Dividends	(260,805)	(212,914)	(173,785)
Purchase of common	(1,153,439)	(1,061,968)	(1,054,615)

stock for treasury			
Excess tax benefits from share-based payments	3,066	18,933	6,065
Issuance of common stock under employee stock option plans	21,478	125,801	31,264
Net cash used by financing activities	(1,037,803)	(637,023)	(1,271,791)
Effect of exchange rate changes on cash and cash equivalents	12,909	7,924	(18,847)
Net increase (decrease) in cash and cash equivalents	164,457	97,422	(134,184)
Cash and cash equivalents:			
At beginning of period	238,397	140,975	275,159
At end of period	$ 402,854	$ 238,397	$ 140,975

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

HARLEY-DAVIDSON, INC. CONSOLIDATED BALANCE SHEETS .

HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years ended December 31, 2007, 2006 and 2005
(In thousands, except share amounts)

	Common Stock Issued Shares	Balance	Additional paid-in capital	Retained Earnings	Other comprehensive income (loss)	Treasury Stock	Total
Balance December 31, 2004	329,908,165	$ 3,300	$ 533,068	$ 3,844,571	$ (12,096)	$ (1,150,372)	$ 3,218,471
Comprehensive income:							
Net income	--	--	--	959,604	--	--	959,604
Other comprehensive income (loss):							
Foreign currency translation adjustment	--	--	--	--	(18,005)	--	(18,005)
Minimum pension liability adjustment, net of taxes of ($37,025)	--	--	--	--	60,155	--	60,155
Change in net unrealized gains (losses):							
Investment in retained securitization interests, net of taxes of ($2,179)	--	--	--	--	4,001	--	4,001
Derivative financial instruments, net of taxes of ($15,353)	--	--	--	--	24,992	--	24,992
Marketable securities, net of tax benefit of $243	--	--	--	--	(394)	--	(394)
Comprehensive income							1,030,353
Dividends	--	--	--	(173,785)	--	--	(173,785)

Repurchase of common stock	--	--	--	--	--	(1,054,615) (1,054,615)
Share-based compensation	--	--	24,117	--	--	-- 24,117
Issuance of nonvested stock	115,801	1	(1)	--	--	-- --
Exercise of stock options	937,903	9	31,255	--	--	-- 31,264
Tax benefit of stock options	--	--	7,800	--	--	-- 7,800

Balance December 31, 2005	330,961,869	$ 3,310	$ 596,239	$ 4,630,390	$ 58,653	$ (2,204,987)	$ 3,083,605
Comprehensive income:							
Net income	--	--	--	1,043,153	--	--	1,043,153
Other comprehensive income (loss):							
Foreign currency translation adjustment	--	--	--	--	12,898	--	12,898
Minimum pension liability adjustment, net of taxes of ($165)	--	--	--	--	267	--	267
Change in net unrealized gains (losses):							
Investment in retained securitization interests, net of tax benefit of $7,360	--	--	--	--	(13,522)	--	(13,522)
Derivative financial instruments, net of tax benefit of $9,111	--	--	--	--	(15,048)	--	(15,048)
Marketable securities, net of taxes of ($2,456)	--	--	--	--	3,991	--	3,991
Comprehensive income							1,031,739
Adjustment to initially apply SFAS No. 158, net of taxes of ($156,278)	--	--	--	--	(253,901)	--	(253,901)
Dividends	--	--	--	(212,914)	--	--	(212,914)
Repurchase of common stock	--	--	--	--	--	(1,061,968)	(1,061,968)
Share-based compensation	--	--	21,446	--	--	--	21,446
Issuance of nonvested stock	253,319	3	(3)	--	--	--	--
Exercise of stock options	3,113,005	30	125,771	--	--	--	125,801

Tax benefit of stock options	--	--	22,929	--	--	--	22,929
Balance December 31, 2006	334,328,193	$ 3,343	$ 766,382	$ 5,460,629	$ (206,662)	$ (3,266,955)	$ 2,756,737
Comprehensive income:							
Net income	--	--	--	933,843	--	--	933,843
Other comprehensive income (loss):							
Foreign currency translation adjustment	--	--	--	--	30,753	--	30,753
Amortization of net prior service cost, net of taxes of ($2,121)	--	--	--	--	3,447	--	3,447
Amortization of actuarial loss, net of taxes of ($7,092)	--	--	--	--	11,521	--	11,521
Pension and post-retirement plan funded status adjustment, net of taxes of ($29,142)	--	--	--	--	47,346	--	47,346
Change in net unrealized gains (losses):							
Investment in retained securitization interests, net of tax benefit of $6,488	--	--	--	--	(11,945)	--	(11,945)
Derivative financial instruments, net of tax benefit of	--	--	--	--	(12,970)	--	(12,970)

$7,229						
Marketable securities, net of taxes of ($825)	--	--	--	--	1,252	--
1,252						
Comprehensive income	1,003,247					
Adjustment to initially apply FIN 48	--	--	--	(16,100)	--	--
(16,100)						
Dividends	--	--	--	(260,805)	--	--
(260,805)						
Repurchase of common stock	--	--	--	--	--	--
(1,153,439)	(1,153,439)					
Share-based compensation	--	--	20,974	--	--	--
20,974						
Issuance of nonvested stock	385,078	4	(4)	--	--	--
--						
Exercise of stock options	497,930	5	21,473	--	--	--
21,478						
Tax benefit of stock options	--	--	3,399	--	--	--
3,399						
Balance December 31, 2007	335,211,201	$ 3,352	$ 812,224	$ 6,117,567	$ (137,258)	$ (4,420,394)
$ 2,375,491						

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

HARLEY-DAVIDSON, INC. CONSOLIDATED BALANCE SHEETS ..

HARLEY-DAVIDSON, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation - The consolidated financial statements include the accounts of Harley-Davidson, Inc. and its subsidiaries (the Company), including the accounts of the groups of companies doing business as Harley-Davidson Motor Company (HDMC), Buell Motorcycle Company (BMC) and Harley-Davidson Financial Services (HDFS).

All of the Company's subsidiaries are wholly owned and are included in the consolidated financial statements. Substantially all of the Company's international subsidiaries use the respective local currency as their functional currency. Assets and liabilities of international subsidiaries have been translated at period-end exchange rates, and income and expenses have been translated using average exchange rates for the period.

In connection with securitization transactions, HDFS utilizes Qualifying Special Purpose Entities (QSPEs) as defined by Statement of Financial

Accounting Standards (SFAS) No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Assets and liabilities of the QSPEs are not consolidated in the financial statements of the Company. For further discussion of QSPEs and securitization transactions see "Finance Receivable Securitizations," which follows.

The Company operates in two principal business segments: Motorcycles and Related Products (Motorcycles) and Financial Services (Financial Services). All intercompany accounts and material transactions are eliminated.

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

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

Marketable Securities - The Company has investments in marketable securities consisting primarily of investment-grade debt instruments such as corporate bonds and government backed securities of $2.5 million and $337.4 million at December 31, 2007 and 2006, respectively, with contractual maturities of approximately 1 year. Marketable securities also include auction rate securities of $320.7 million at December 31, 2006 with contractual maturities of up to 30 years. The Company did not hold auction rate securities as of December 31, 2007. The Company classifies its investments in marketable securities as available for sale, thus requiring the Company to carry them at their fair value with any unrealized gains or losses reported in other comprehensive income. Net unrealized losses, net of taxes, included in other comprehensive income as of December 31, 2007 and 2006 were $0.1 million and $1.3 million, respectively. Gains and losses realized on sales of marketable securities are included in investment income and were not material.

Accounts Receivable - The Company's foreign sales of motorcycles and related products are sold on open account, letter of credit, draft and payment in advance or financed by the purchasing dealers and are included in Accounts Receivable in the Company's consolidated balance sheets. The allowance for doubtful accounts deducted from total accounts receivable was $9.0 million and $9.5 million as of December 31, 2007 and 2006, respectively. The Company's sales of motorcycles and related products in the United States and Canada and a portion of its sales in Europe are financed by the purchasing dealers or distributors through HDFS, and the related receivables are included in finance receivables held for investment in the consolidated balance sheets.

1. Summary of Significant Accounting Policies (continued)

Finance Receivables Credit Losses - The provision for credit losses on finance receivables is charged to earnings in amounts sufficient to maintain the allowance for uncollectible accounts at a level HDFS believes is adequate to cover the losses of principal in the existing portfolio. HDFS' periodic evaluation of the adequacy of the allowance is generally based on HDFS' past loan loss experience, known and inherent risks in the portfolio, the value of the underlying collateral and current economic conditions. HDFS' wholesale and other large loan charge-off policy is based on a loan-by-loan review which considers the specific borrower's ability to repay and the estimated value of any collateral.

Retail loans are generally charged-off at 120 days contractually past due. All finance receivables accrue interest until either collected or charged-off. Accordingly, as of December 31, 2007 and 2006, all finance receivables are accounted for as interest-earning receivables.

Finance Receivables Held for Sale - U.S. retail motorcycle loans intended for securitization at origination are classified as finance receivables held for sale. These finance receivables held for sale in the aggregate are carried at the lower of cost or estimated fair value. Finance receivables held for sale are held for a short period of time prior to being securitized, and have a cost basis that approximates fair value. Cash flows related to finance receivables held for sale are included in cash flows from operating activities.

Finance Receivables Securitizations - HDFS sells retail motorcycle loans through securitization transactions. Under the terms of securitization transactions, HDFS sells retail loans to a securitization trust utilizing the two-step process described below. The securitization trust issues notes to investors, with various maturities and interest rates, secured by future collections of purchased retail loans. The proceeds from the issuance of the asset-backed securities are utilized by the securitization trust to purchase retail loans from HDFS.

Upon sale of the retail loans to the securitization trust, HDFS receives cash and also retains an interest in excess cash flows, servicing rights, and the right to receive cash reserve account deposits in the future, collectively referred to as "investment in retained securitization interests." The

investment in retained securitization interests is included with finance receivables held for investment in the consolidated balance sheets.

The interest in excess cash flows equals the cash flows arising from retail loans sold to the securitization trust less servicing fees, credit losses and contracted payment obligations owed to securitization trust investors. Key assumptions in determining the present value of projected excess cash flows are prepayments, credit losses and discount rate. HDFS retains servicing rights under retail loans that it has sold to the securitization trust and receives a servicing fee. The servicing fee paid to HDFS is considered adequate compensation for the services provided and is included in financial services income as earned.

Reserve account deposits represent interest-earning cash deposits which collateralize the trust securities. The funds are not available for use by HDFS until the reserve account balances exceed thresholds specified in the securitization agreements.

Gains or losses on current year securitizations from the sale of the retail loans are recognized in the period in which the sale occurs. The amount of the gain or loss depends on the proceeds received and the original carrying amount of the transferred retail loans, allocated between the assets sold and the retained interests based on their relative fair values at the date of transfer.

Investments in retained securitization interests are recorded at fair value and are periodically reviewed for impairment. As discussed in Note 3, during 2007, the Company recorded a permanent impairment charge of $9.9 million on its investment in retained securitization interests. Market quotes of fair value are generally not available for retained interests; therefore, HDFS estimates fair value based on the present value of future expected cash flows using HDFS' best estimates of key assumptions for credit losses, prepayments and discount rate commensurate with the risks involved.

1. Summary of Significant Accounting Policies (continued)

Finance Receivables Securitizations (continued):

Unrealized gains and losses on investments in retained securitization interests are recorded in other comprehensive income. As of December 31, 2007 and 2006, net unrealized gains were $25.0 million and $43.4 million before income taxes, or $16.2 million and $28.1 million net of taxes, respectively.

HDFS does not guarantee payments on the securities issued by the securitization trusts or the projected cash flows from the retail loans purchased from HDFS. The Company's retained securitization interests, excluding servicing rights, are subordinate to the interests of securitization trust investors. Such investors have priority interests in the cash collections on the retail loans sold to the securitization trust (after payment of servicing fees) and in the cash reserve account deposits. These priority interests ultimately could impact the value of the Company's investment in retained securitization interests. Investors also do not have recourse to the assets of HDFS for failure of the obligors on the retail loans to pay when due.

HDFS utilizes a two-step process to transfer retail loans to a securitization trust. Loans are initially transferred to a special purpose, bankruptcy remote, wholly owned subsidiary which in turn sells the retail loans to the securitization trust. HDFS has surrendered control of retail loans sold to the securitization trust. Securitization transactions have been structured such that: (1) transferred assets have been isolated from HDFS by being put presumptively beyond the reach of HDFS and its creditors, even in bankruptcy or other receivership; (2) each holder of a beneficial interest in the securitization trust has the right to pledge or exchange their interest; and (3) HDFS does not maintain effective control over the transferred assets through either (a) an agreement that both entitles and obligates HDFS to repurchase or redeem the transferred assets before their maturity other than for breaches of certain representations, warranties and covenants relating to the transferred assets, or (b) the ability to unilaterally cause the holder to return specific assets, other than through a customary cleanup call.

Activities of the securitization trust are limited to acquiring retail loans, issuing asset-backed securities, making payments on securities to investors and other activities permissible under SFAS 140. Securitization trusts have a limited life and generally terminate upon final distribution of amounts owed to the investors in the asset-backed securities. Historically, the life of securitization trusts purchasing retail loans from HDFS has approximated four years.

Due to the overall structure of the securitization transaction, the nature of the assets held by the securitization trust and the limited nature of its

activities, the securitization trusts are considered QSPEs. Accordingly, gain or loss on sale is recognized upon transfer of retail loans to a QSPE and the assets and liabilities of the QSPEs are not consolidated in the financial statements of HDFS. See Note 3 for further discussion of HDFS' securitization program.

Inventories - Inventories are valued at the lower of cost or market. Substantially all inventories located in the United States are valued using the last-in, first-out (LIFO) method. Other inventories totaling $112.7 million at December 31, 2007 and $103.5 million at December 31, 2006 are valued at the lower of cost or market using the first-in, first-out (FIFO) method.

Property, Plant and Equipment - Property, plant and equipment is recorded at cost. Depreciation is determined on the straight-line basis over the estimated useful lives of the assets. The following useful lives are used to depreciate the various classes of property, plant and equipment: buildings - 30 to 40 years; building equipment and land improvements - 7 to 10 years; and machinery and equipment - 3 to 10 years. Accelerated methods of depreciation are used for income tax purposes.

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1. Summary of Significant Accounting Policies (continued)

Internal-use Software - The Company's policy is to capitalize costs incurred in connection with developing or obtaining software for internal use. The Company's policy explicitly excludes certain types of costs from capitalization, such as costs incurred for enhancements, maintenance, project definition, data conversion, research and development, business process re-engineering and training. Costs capitalized by the Company include amounts paid to outside consulting firms for materials or services used in developing or obtaining computer software for internal use, wages and benefits paid to employees who are directly associated with and who devote time to developing or obtaining computer software for internal use, and interest costs incurred during the period of development of software for internal use. During 2007, 2006 and 2005, the Company capitalized $16.1 million, $38.1 million and $17.0 million, respectively, of costs incurred in connection with developing or obtaining software for internal use. The Company depreciates costs capitalized in connection with developing or obtaining software for internal use on a straight-line basis over the estimated useful life. Generally, internal-use software has a three to seven year useful life.

Goodwill - Goodwill represents the excess of acquisition cost over the fair value of the net assets purchased. Goodwill is tested for impairment at least annually based on financial data related to the reporting unit to which it has been assigned. The Company has assigned goodwill to reporting units based on specific review of each purchase transaction. During 2007 and 2006, the Company tested its goodwill balances for impairment and no adjustments were recorded to goodwill as a result of those reviews.

Long-lived Assets - The Company periodically evaluates the carrying value of long-lived assets to be held and used and long-lived assets held for sale, when events and circumstances warrant such review. If the carrying value of a long-lived asset is considered impaired, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset for assets to be held and used, or the amount by which the carrying value exceeds the fair market value less cost to sell for assets held for sale. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Product Warranty and Safety Recall Campaigns - The Company currently provides a standard two-year limited warranty on all new motorcycles sold worldwide, except for Japan, where the Company provides a standard three-year limited warranty on all new motorcycles sold. The warranty coverage for the retail customer includes parts and labor and begins when the motorcycle is sold to a retail customer. The Company maintains reserves for future warranty claims using an estimated cost per unit sold, which is based primarily on historical Company claim information. Additionally, the Company has from time to time initiated certain voluntary safety recall campaigns. The Company reserves for all estimated costs associated with safety recalls in the period that the safety recalls are announced. Changes in the Company's warranty and safety recall liability were as follows (in thousands):

	2007	2006	2005
Balance, beginning of period	$ 66,385	$ 43,073	$ 44,868
Warranties issued during the period	54,963	56,008	37,043
Settlements made during the period	(66,422)	(57,267)	(38,761)
Safety recalls and changes to pre-existing warranty liabilities	15,597	24,571	(77)
Balance, end of period	$ 70,523	$ 66,385	$ 43,073

The liability for safety recall campaigns was $3.7 million, $6.5 million and $8.8 million as December 31, 2007, 2006 and 2005, respectively.

1. Summary of Significant Accounting Policies (continued)

Derivative Financial Instruments - The Company uses derivative financial instruments to manage foreign currency exchange rate and interest rate risk. The Company's policy specifically prohibits the use of derivatives for speculative purposes. Refer to Note 10 for a detailed description of the Company's derivative instruments.

All derivative instruments are recognized on the balance sheet at fair value. 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 and subsequently reclassified into earnings when the hedged transaction affects income. 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 which do not qualify for hedge accounting are recorded at fair value and any changes in fair value are recorded in current period earnings.

Revenue Recognition - Sales are recorded when products are shipped to wholesale customers (independent dealers and distributors) and ownership is transferred. The Company offers sales incentive programs to both wholesale and retail customers designed to promote the sale of motorcycles and related products. The total costs of these programs are recognized as revenue reductions and are accrued at the later of the date the related sales are recorded or the date the incentive program is both approved and communicated.

Financial Services Income Recognition - Interest income on finance receivables is recorded as earned and is based on the average outstanding daily balance for wholesale and retail receivables. Accrued interest is classified with finance receivables. Loan origination payments made to dealers for certain retail loans are deferred and amortized over the estimated life of the contract.

Research and Development Expenses - Expenditures for research activities relating to product development and improvement are charged against income as incurred and included within operating expenses in the consolidated statement of income. Research and development expenses were $185.5 million, $177.7 million and $178.5 million for 2007, 2006 and 2005, respectively.

Advertising Costs - The Company expenses the production cost of advertising the first time the advertising takes place. Advertising costs relate to the Company's efforts to promote its products and brands through the use of media. During 2007, 2006 and 2005, the Company incurred $76.9 million, $69.7 million and $66.5 million in advertising costs, respectively.

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

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation.

Stock Compensation Costs - The Company recognizes the cost of its employee stock option awards in its income statement. The total cost of the Company's share-based awards is equal to their grant date fair value and is recognized as expense on a straight-line basis over the service periods of the awards. Total stock compensation expense recognized by the Company during 2007, 2006 and 2005, including stock option and nonvested stock awards, was $21.0 million, $21.4 million and $23.0 million, respectively, or $13.0 million, $13.3 million and $14.5 million net of taxes, respectively.

1. Summary of Significant Accounting Policies (continued)

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

New Accounting Standards

In June 2006, the Financial Accounting Standards Board (FASB) issued Financial Interpretation No. (FIN) 48, "Accounting for Uncertainty in Income Taxes," which clarifies the accounting for uncertainty in income taxes recognized in an

enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company adopted the provisions of FIN 48 on January 1, 2007. See Note 4 for further discussion of the effect of adopting FIN 48 on the Company's consolidated financial statements and notes thereto.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)." SFAS No. 158 requires employers that sponsor defined benefit pension and postretirement benefit plans to recognize previously unrecognized actuarial losses and prior service costs in the statement of financial position and to recognize future changes in these amounts in the year in which changes occur through comprehensive income. As a result, the statement of financial position will reflect the funded status (the difference between the projected benefit obligation and the fair value of plan assets) of those plans as an asset or liability. Additionally, employers are required to measure the funded status of a plan as of the date of its year-end statement of financial position. The Company adopted SFAS No. 158, as it relates to recognizing the funded status of its defined benefit pension and postretirement benefit plans, and the related disclosure requirements, as of December 31, 2006. See Note 6 for further discussion of the effect of adopting SFAS No. 158 on the Company's consolidated financial statements and notes thereto. The requirement to measure the funded status as of the date of the year-end statement of financial position is required by December 31, 2008. The Company is currently evaluating the impact the change in the measurement date will have on its consolidated financial statements and notes thereto.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS 157 establishes a framework for measuring fair value in generally accepted accounting principles, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. SFAS 157 applies to fair value measurements required by existing accounting pronouncements and does not require any new fair value measurements. The Company is required to adopt SFAS 157 beginning in fiscal year 2008 and the impact that the adoption of SFAS 157 will have on its consolidated financial statements is expected to be immaterial.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115." SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. The Company is required to adopt SFAS 159 beginning in fiscal year 2008. The Company does not expect to elect the fair value option permitted under SFAS 159 so adoption will have no impact on its consolidated financial statements.

2. Additional Balance Sheet and Cash Flow Information

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

Balance Sheet Information:

Inventories, net (in thousands):

	2007	2006
Components at the lower of FIFO cost or market		
Raw materials and work in process	$ 149,954	$ 123,376
Motorcycle finished goods	107,768	94,399
Part and accessories and general merchandise	124,109	98,749
Inventory at lower of FIFO cost or market	381,831	316,524
Excess of FIFO over LIFO cost	32,134	28,726
	$ 349,697	$ 287,798

Inventory obsolescence reserves deducted from FIFO cost were $16.3 million and $15.3 million as of December 31, 2007 and 2006, respectively.

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

	2007	2006
Land and related improvements	$ 49,923	$ 49,126
Buildings and related improvements	392,307	378,150
Machinery and equipment	2,040,476	1,956,935
Construction in progress	275,238	148,292
	2,757,944	2,532,503
Less: accumulated depreciation	1,697,354	1,508,034
	$ 1,060,590	$ 1,024,469

Accrued liabilities (in thousands):

	2007	2006
Payroll, performance incentives and related expenses	$ 151,524	$ 145,575
Warranty and recalls	70,523	66,385
Sales incentive programs	78,302	83,524
Income taxes	19,498	49,668
Fair value of derivative financial instruments	34,414	28,076
Other	130,675	106,481
	$ 484,936	$ 479,709

2. Additional Balance Sheet and Cash Flow Information (continued)

Components of accumulated other comprehensive loss, net of tax (in thousands):

	2007	2006
Cumulative foreign currency translation adjustment	$ 59,183	$ 28,430
Unrealized gain on investment in retained securitization interest	16,167	28,112
Unrealized net loss on derivative financial instruments	(19,257)	(6,287)
Unrealized net loss on marketable securities	(76)	(1,328)
Unrecognized pension and postretirement benefit plan liabilities	(193,275)	(255,589)
	$ (137,258)	$ (206,662)

Cash Flow Information:

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

	2007	2006	2005
Cash flows from operating activities:			
Net income	$ 933,843	$ 1,043,153	$ 959,604
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	204,172	213,769	205,705
Provision for employee long-term benefits	75,683	80,179	71,461
Stock compensation expense	20,974	21,446	22,974
Gain on current year securitizations	(36,033)	(32,316)	(46,581)
Net change in wholesale finance receivables	22,816	(159,886)	(161,342)
Origination of retail finance receivables held for sale	(2,919,937)	(2,772,733)	(2,447,320)
Collections on retail finance receivables held for sale	110,756	112,131	124,462
Proceeds from securitization of retail finance receivables	2,486,780	2,303,562	2,450,920
Contributions to pension and postretirement plans	(15,302)	(13,512)	(296,859)
Deferred income taxes	(60,529)	(39,768)	48,165
Foreign currency adjustments	(14,581)	(7,975)	18,688
Other, net	38,014	32,535	31,996
Changes in current assets and liabilities:			
Accounts receivable, net	(26,449)	(16,361)	(11,556)
Finance receivables - accrued interest and other	(19,680)	(23,442)	(16,252)
Inventories	(48,019)	(54,352)	(6,366)
Accounts payable and accrued liabilities	48,157	76,058	24,810
Other	(2,519)	(708)	(9,895)
Total adjustments	(135,697)	(281,373)	3,010
Net cash provided by operating activities	$ 798,146	$ 761,780	$ 962,614

2. Additional Balance Sheet and Cash Flow Information (continued)

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

	2007	2006	2005
Interest	$ 81,474	$ 57,990	$ 34,417
Income taxes	$ 568,815	$ 602,347	$ 471,613

Interest paid represents interest payments of HDFS which are included in financial services expense.

Non-cash investing activity during the period (in thousands):

	2007	2006	2005
Investment in retained securitization interests received in connection with securitizations during the year	$ 170,173	$ 156,955	$ 176,640

3. Financial Services

HDFS is engaged in the business of financing and servicing wholesale inventory receivables and retail loans, primarily for the purchase of motorcycles, and providing insurance and insurance related programs principally to Harley-Davidson and Buell dealers and their retail customers. HDFS conducts business in the United States, Canada and Europe and is responsible for all credit and collection activities for the Company's U.S. dealer receivables, its Canadian distributor receivables and the majority of its European dealer receivables.

The condensed statements of operations relating to the Financial Services segment, for the years ended December 31, were as follows (in thousands):

	2007	2006	2005
Interest income	$ 196,803	$ 167,504	$ 129,869
Income from securitizations	97,576	111,177	123,136
Other income	121,817	106,210	78,613
Financial services income	416,196	384,891	331,618
Interest expense	81,475	59,761	36,154
Operating expenses	122,552	114,406	103,844
Financial services expenses	204,027	174,167	139,998
Operating income from financial services	$ 212,169	$ 210,724	$ 191,620

Financial Services interest income includes approximately $27.7 million, $23.6 million and $16.0 million of interest on wholesale finance receivables paid by HDMC to HDFS in 2007, 2006 and 2005, respectively. This interest was paid on behalf of HDMC's independent dealers as a way to manage seasonal increases in inventory. The offsetting cost of these interest incentives was recorded as a reduction to net revenue.

Income from securitizations includes gains on current year securitization transactions of $36.0 million, $32.3 million and $46.6 million during 2007, 2006 and 2005, respectively, and income on investment in retained securitization interests of $61.6 million, $78.9 million and $76.6 million during 2007, 2006 and 2005, respectively.

3. Financial Services (continued)

Finance Receivables:

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

	2007	2006	2005	2004	2003
Wholesale					
United States	$ 1,132,748	$ 1,206,753	$ 1,040,220	$ 870,640	$ 690,662
Europe	86,947	66,421	59,960	73,231	91,987
Canada	108,756	65,538	50,097	51,945	59,171
Total wholesale	1,328,451	1,338,712	1,150,277	995,816	841,820
Retail					
United States	485,579	409,788	319,856	287,841	233,079
Canada	228,850	174,894	149,597	120,217	92,740
Total retail	714,429	584,682	469,453	408,058	325,819
	2,042,880	1,923,394	1,619,730	1,403,874	1,167,639
Allowance for credit losses	30,295	27,283	26,165	30,277	31,311
	2,012,585	1,896,111	1,593,565	1,373,597	1,136,328
Investment in retained securitization interests	407,742	384,106	349,659	282,187	254,409
	$ 2,420,327	$ 2,280,217	$ 1,943,224	$ 1,655,784	$ 1,390,737

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

	2007	2006	2005	2004	2003
Retail					
United States	$ 781,280	$ 547,106	$ 299,373	$ 456,516	$ 347,112

HDFS has cross-border outstandings to Canada as of December 31, 2007, 2006 and 2005 of $92.2 million, $61.1 million and $51.7 million, respectively.

HDFS provides 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., Canada and Europe.

HDFS 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 HDFS and the retail customer, unrelated to the Company's sale of product to its dealers. Retail loans consist of secured promissory notes and installment loans. HDFS either holds titles or liens on titles to vehicles financed by promissory notes and installment loans. As of December 31, 2007 approximately 12% of gross outstanding finance receivables were originated in Canada and as of December 31, 2006 approximately 10% were originated in California.

At December 31, 2007 and 2006, unused lines of credit extended to HDFS' wholesale finance customers totaled $994.3 million and $782.8 million, respectively. Approved but unfunded retail finance loans totaled $458.4 million and $593.5 million at December 31, 2007 and 2006, respectively.

3. Financial Services (continued)

Finance Receivables (continued):

Wholesale finance receivables are related primarily to motorcycles and related parts and accessories sales to independent dealers and are generally contractually due within one year. Retail finance receivables are primarily related to sales of motorcycles to the dealers' customers. On December 31, 2007, contractual maturities of finance receivables held for investment (excluding retained securitization interests) were as follows (in thousands):

	United States	Europe	Canada	Total
2008	$ 1,172,396	$ 86,947	$ 136,449	$ 1,395,792
2009	29,819	--	29,690	59,509
2010	32,922	--	33,199	66,121
2011	36,360	--	37,123	73,483
2012	40,174	--	41,511	81,685
Thereafter	306,639	--	59,651	366,290
Total	$ 1,618,310	$ 86,947	$ 337,623	$ 2,042,880

As of December 31, 2007, all finance receivables due after one year were at fixed interest rates.

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

	2007	2006	2005
Balance at beginning of year	$ 27,283	$ 26,165	$ 30,277
Provision for finance credit losses	11,252	5,962	3,263
Charge-offs, net of recoveries	(8,240)	(4,844)	(7,375)
Balance at end of year	$ 30,295	$ 27,283	$ 26,165

The carrying value of retail and wholesale finance receivables contractually past due 90 days or more at December 31 for the past five years were as follows (in thousands):

	2007	2006	2005	2004	2003
United States	$ 6,205	$ 4,476	$ 2,574	$ 1,906	$ 2,012
Canada	1,759	1,561	1,442	994	639
Europe	386	452	283	3,688	4,126
Total	$ 8,350	$ 6,489	$ 4,299	$ 6,588	$ 6,777

Securitization Transactions:

During 2007, 2006 and 2005, the Company sold $2.53 billion, $2.33 billion and $2.48 billion, respectively, of retail motorcycle loans through securitization transactions utilizing QSPEs (see Note 1). These sales resulted in cash proceeds of $2.49 billion, $2.30 billion and $2.45 billion during 2007, 2006 and 2005, respectively. The Company retains an interest in excess cash flows, servicing rights and cash reserve account deposits, collectively referred to as investment in retained securitization interests. The total securitization interests retained during the year for the last three years are disclosed under non-cash investing activities in Note 2. In conjunction with current and prior year sales, HDFS had investments in retained securitization interests of $407.7 million and $384.1 million at December 31, 2007 and 2006, respectively. The Company receives annual servicing fees approximating 1% of the outstanding securitized retail loans. HDFS serviced $4.67

3. Financial Services (continued)

Securitization Transactions (continued):

billion and $4.28 billion of securitized retail loans as of December 31, 2007 and 2006, respectively.

The Company's retained securitization interests, excluding servicing rights, are subordinate to the interests of securitization trust investors. Such investors have priority interests in the cash collections on the retail loans sold to the securitization trust (after payment of servicing fees) and in the cash reserve account deposits. These priority interests ultimately could impact the value of the Company's investment in retained securitization interests. Investors do not have recourse to the assets of HDFS for failure of the obligors on the retail loans to pay when due. Retained securitization interests are recorded at fair value. Key assumptions in the valuation of the investment in retained securitization interests and in calculating the gain or loss on current year securitizations are credit losses, prepayments and discount rate.

At the date of the transaction, the following weighted-average key assumptions were used to calculate the gain on securitizations completed in 2007, 2006 and 2005:

	2007	2006	2005
Prepayment speed (Single Monthly Mortality)	2.27 %	2.47 %	2.50 %
Weighted-average life (in years)	1.97	1.96	1.93
Expected cumulative net credit losses	3.73 %	2.84 %	2.60 %
Residual cash flows discount rate	12.00 %	12.00 %	12.00 %

As of December 31, 2007 and 2006, respectively, the following weighted-average key assumptions were used to value the investment in retained securitization interests:

	2007	2006
Prepayment speed (Single Monthly Mortality)	2.17 %	2.40 %
Weighted-average life (in years)	2.07	2.06
Expected cumulative net credit losses	3.89 %	2.99 %
Residual cash flows discount rate	12.00 %	12.00 %

3. Financial Services (continued)

Securitization Transactions (continued):

Expected cumulative net credit losses are a key assumption in the valuation of retained securitization interests. As of December 31, 2007, 2006 and 2005, respectively, weighted-average expected net credit losses for all active securitizations were 3.89%, 2.99% and 2.57%. The table below summarizes, as of December 31, 2007, 2006 and 2005, respectively, expected weighted-average cumulative net credit losses by year of securitization, expressed as a percentage of the original balance of loans securitized for all securitizations completed during the years noted.

Expected weighted-average cumulative net credit losses (%) as of :	Loans securitized in				
	2007	2006	2005	2004	2003
December 31, 2007	3.88 %	4.00 %	4.13 %	3.48 %	2.66 %
December 31, 2006	--	3.00 %	3.15 %	2.93 %	2.53 %
December 31, 2005	--	--	2.60 %	2.60 %	2.52 %

During 2007, the Company recorded an impairment charge of $9.9 million on its investment in retained securitization interests. During 2007, the fair value of certain retained securitization interests was lower than the amortized cost, which indicated impairment. This impairment was considered permanent and as a result the investment in retained securitization interests has been appropriately written down to fair value. The decline in fair value was due to higher actual and anticipated credit losses on certain securitization portfolios, partially offset by a slowing in actual and expected prepayment speeds. This charge was recorded as a reduction of financial services income.

Detailed below at December 31, 2007 and 2006, is the sensitivity of the fair value to immediate 10% and 20% adverse changes in the weighted-average key assumptions for all retained securitization interests (dollars in thousands):

	2007		2006	
Carrying amount/fair value of retained interests	$ 407,742		$ 384,106	
Weighted-average life (in years)	2.07		2.06	
Prepayment speed assumption (monthly rate)	2.17	%	2.40	%
Impact on fair value of 10% adverse change	$ (7,900)		$ (9,000)	
Impact on fair value of 20% adverse change	$ (15,400)		$ (17,500)	
Expected cumulative net credit losses	3.89	%	2.99	%
Impact on fair value of 10% adverse change	$ (36,400)		$ (24,400)	
Impact on fair value of 20% adverse change	$ (72,700)		$ (48,800)	
Residual cash flows discount rate (annual)	12.00	%	12.00	%
Impact on fair value of 10% adverse change	$ (7,500)		$ (7,000)	
Impact on fair value of 20% adverse change	$ (14,700)		$ (13,900)	

These sensitivities are hypothetical and should not be considered to be predictive of future performance. Changes in fair value generally cannot be extrapolated because the relationship of change in assumption to change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated independently from any change in another assumption.

3. Financial Services (continued)

Securitization Transactions (continued):

In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities. Furthermore, the estimated fair values as disclosed should not be considered indicative of future earnings on these assets.

The table below provides information regarding certain cash flows received from and paid to all motorcycle loan securitization trusts during the years ended December 31, 2007 and 2006 (in thousands):

	2007	2006
Proceeds from new securitizations	$ 2,486,780	$ 2,303,562
Servicing fees received	45,478	43,809
Other cash flows received on retained interests	162,556	166,760
10% clean-up call repurchase option	(90,506)	(104,023)

Managed retail motorcycle loans consist of all retail motorcycle installment loans serviced by HDFS including those held by securitization trusts and those held by HDFS. As of December 31, 2007 and 2006, managed retail motorcycle loans totaled $5.80 billion and $5.11 billion, respectively, of which $4.67 billion and $4.28 billion, respectively, were securitized. The principal amount of managed retail motorcycle loans 30 days or more past due was $324.9 million and $246.1 million at December 31, 2007 and 2006, respectively. Managed loans 30 days or more past due exclude loans reclassified as repossessed inventory. Credit losses, net of recoveries, of the managed retail motorcycle loans were $106.5 million, $68.1 million and $53.0 million during 2007, 2006 and 2005, respectively.

Finance Debt:

HDFS' debt as of December 31 consisted of the following (in thousands):

	2007	2006
Commercial paper	$ 842,618	$ 894,250
Credit facilities	256,531	191,866
	1,099,149	1,086,116
Medium-term notes	1,000,806	586,375
Senior subordinated notes	--	30,000
	$ 2,099,955	$ 1,702,491

Credit Facilities - HDFS has a $1.40 billion revolving credit facility (Global Credit Facility) that is primarily used to provide liquidity to the unsecured commercial paper program and to fund domestic and foreign operations. Subject to certain limitations, HDFS has the option to borrow in various currencies. Interest is based on London interbank offered rates (LIBOR), European interbank offered rates or other short-term indices, depending on the type of advance. The Global Credit Facility is a committed facility due in September 2009 and HDFS pays a fee for its availability.

Commercial Paper - Subject to limitations, HDFS may issue commercial paper of up to $1.40 billion. Maturities may range up to 365 days from the issuance date. Outstanding commercial paper may not exceed the unused portion of the Global Credit Facility. As a result, the combined total of commercial paper and borrowings under the Global Credit Facility was limited to $1.40 billion as of December 31, 2007 and 2006. The weighted-average interest rate of outstanding commercial paper balances was 4.61% and 5.20% at December 31, 2007 and 2006, respectively. The December 31, 2007 and 2006 weighted-average interest rates include the impact of interest rate swap agreements.

3. Financial Services (continued)

Finance Debt (continued):

Medium-Term Notes - In December 2007, HDFS issued $400.0 million of 5.25% medium-term notes due December 2012. HDFS also has $400.0 million of 3.63% medium-term notes outstanding which are due in December 2008 and $200.0 million of 5.00% medium-term notes which are due in December 2010 (all three issuances are collectively referred to as "Notes"). The Notes provide for semi-annual interest payments and principal due at maturity. HDFS entered into swap agreements, the effect of which is to convert the interest rates on $550.0 million of the Notes from fixed rates to floating rates, which are based on 3-month LIBOR. The weighted-average interest rates on the Notes for the years ended December 31, 2007 and 2006 were 5.60% and 5.28%, respectively, which include the impact of interest rate swap agreements. At December 31, 2007 and 2006, the Notes reflect a $1.3 million increase and a $13.6 million decrease, respectively, due to fair value adjustments related to the impact of the interest rate swap agreements.

Senior Subordinated Debt - At December 31, 2006, HDFS had $30.0 million of 6.79% senior subordinated notes outstanding which were due in December 2007. In December 2007, the notes matured and the principal and accrued interest was paid in full.

Intercompany Borrowings - HDFS has a revolving credit line with the Company whereby HDFS may borrow up to $210.0 million at market rates of interest. As of December 31, 2007 and 2006, HDFS had no borrowings owed to the Company under the revolving credit agreement.

The Company has classified the $603.3 million of medium-term notes as long-term finance debt at December 31, 2007. Additionally, the Company has classified $376.7 million related to its Commercial Paper and its Global Credit Facilities as long-term finance debt as of December 31, 2007. This amount has been excluded from current liabilities because it is supported by the Global Credit Facility and is expected to remain outstanding for an uninterrupted period extending beyond one year from the balance sheet date.

The Company and HDFS have entered into a support agreement wherein, if required, the Company agrees to provide HDFS certain financial support to maintain certain financial covenants. Support may be provided either as capital contributions or loans at the Company's option. No amount has ever been provided to HDFS under the support agreement.

Operating and Financial Covenants - HDFS is subject to various operating and financial covenants related to the Global Credit Facilities and Notes. The more significant covenants are further described below.

The operating covenants limit HDFS' ability to:

- incur certain additional indebtedness;
- assume or incur certain liens;
- participate in a merger, consolidation, liquidation or dissolution; and
- purchase or hold margin stock.

Under the Global Credit Facility financial covenants, the debt to equity ratio of HDFS and its consolidated subsidiaries cannot exceed 9.0 to 1.0 and HDFS must maintain a minimum consolidated tangible net worth of $300.0 million. No financial covenants are required under the Notes.

At December 31, 2007, HDFS remained in compliance with all of these covenants.

4. Income Taxes

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

	2007	2006	2005
Current:			
Federal	$ 510,299	$ 531,655	$ 421,760
State	27,076	74,942	47,605
Foreign	35,229	15,109	10,501
	572,604	621,706	479,866
Deferred:			
Federal	(51,903)	(22,451)	47,718
State	(5,089)	(20,594)	4,577
Foreign	(1,636)	2,426	(4,006)
	(58,628)	(40,619)	48,289
Total	$ 513,976	$ 581,087	$ 528,155

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

	2007	2006	2005
Provision at statutory rate	35.0 %	35.0 %	35.0 %
State taxes, net of federal benefit	1.5	2.4	2.3
Domestic manufacturing deduction	(1.3)	(0.7)	(0.4)
Research and development credit	(0.4)	(0.4)	(0.6)
Other	0.7	(0.5)	(0.8)
Provision for income taxes	35.5 %	35.8 %	35.5 %

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

	2007	2006
Deferred tax assets:		
Accruals not yet tax deductible	$ 71,056	$ 71,749
Pension and postretirement benefit plan obligations	64,575	77,639
Stock compensation	16,254	10,268
Other, net	91,733	70,894
	243,618	230,550
Deferred tax liabilities:		
Depreciation, tax in excess of book	(71,233)	(85,673)
Unrealized gain on investment in retained securitization interests	(8,782)	(15,271)
Other, net	(5,949)	(13,231)
	(85,964)	(114,175)
Total	$ 157,654	$ 116,375

4. Income Taxes (continued)

As discussed in Note 1, the Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a $16.1 million increase in the liability for unrecognized tax benefits, which was accounted for as a reduction to January 1, 2007 retained earnings. The Company recognizes interest and penalties related to unrecognized tax benefits in the provision for income taxes. Changes in the Company's gross liability for unrecognized tax benefits, excluding interest and penalties, were as follows:

	2007
Unrecognized tax benefits, beginning of period	$ 70,959
Increase in unrecognized tax benefits for tax positions taken in a prior period	1,745
Decrease in unrecognized tax benefits for tax positions taken in a prior period	(4,820)
Increase in unrecognized tax benefits for tax positions taken in the current period	6,529
Settlements with taxing authorities	(1,894)
Unrecognized tax benefits, end of period	$ 72,519

The amount of unrecognized tax benefits as of December 31, 2007 that, if recognized, would affect the effective tax rate was $51.6 million.

The total amount of interest and penalties recognized during 2007 in the

Company's Consolidated Statements of Income was $4.3 million.

The total amount of interest and penalties recognized at December 31, 2007 in the Company's Consolidated Balance Sheets was $17.1 million.

The Company does not expect a significant increase or decrease to the total amounts of unrecognized tax benefits during the fiscal year ended December 31, 2008. However, the Company is under regular audit by tax authorities. The Company believes that it has appropriate support for the positions taken on its tax returns and that its annual tax provision includes amounts sufficient to pay any assessments. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

The Company or one of its subsidiaries files income tax returns in the United States federal and Wisconsin state jurisdictions and various other state and foreign jurisdictions. The Company is no longer subject to income tax examinations for any significant tax jurisdiction for years before 1998.

5. Commitments and Contingencies

The Company is subject to lawsuits and other claims related to environmental, product and other matters. In determining required reserves 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. The required reserves are monitored on an ongoing basis and are updated based on new developments or new information in each matter.

Shareholder Lawsuits:

A number of shareholder class action lawsuits were filed between May 18, 2005 and July 1, 2005 in the United States District Court for the Eastern District of Wisconsin. On February 14, 2006, the court consolidated all of the actions into a single case, captioned In re Harley-Davidson, Inc. Securities Litigation, and appointed Lead Plaintiffs and Co-Lead Plaintiffs' Counsel.

5. Commitments and Contingencies (continued)

Shareholder Lawsuits (continued):

Pursuant to the schedule set by the court, on October 2, 2006, the Lead Plaintiffs filed a Consolidated Class Action Complaint, which names the Company and Jeffrey L. Bleustein, James L. Ziemer, and James M. Brostowitz, who are current or former Company officers, as defendants. The Consolidated Complaint alleges securities law violations and seeks unspecified damages relating generally to the Company's April 13, 2005 announcement that it was reducing short-term production growth and planned increases of motorcycle shipments from 317,000 units in 2004 to a new 2005 target of 329,000 units (compared to its original target of 339,000 units). On December 18, 2006, the defendants filed a motion to dismiss the Consolidated Complaint in its entirety. Briefing of the motion to dismiss was completed in April 2007.

Three shareholder derivative lawsuits were filed in the United States District Court for the Eastern District of Wisconsin on June 3, 2005, October 25, 2005 (this lawsuit was later voluntarily dismissed) and December 2, 2005 and two shareholder derivative lawsuits were filed in Milwaukee County Circuit Court on July 22, 2005 and November 16, 2005 against some or all of the following current or former directors and officers of the Company: Jeffrey L. Bleustein, James L. Ziemer, James M. Brostowitz, Barry K. Allen, Richard I. Beattie, George H. Conrades, Judson C. Green, Donald A. James, Sara L. Levinson, George L. Miles, Jr., James A. Norling, James A. McCaslin, Donna F. Zarcone, Jon R. Flickinger, Gail A. Lione, Ronald M. Hutchinson, W. Kenneth Sutton, Jr. and John A. Hevey. The lawsuits also name the Company as a nominal defendant. In general, the shareholder derivative complaints include factual allegations similar to those in the class action complaints and allegations that officers and directors breached their fiduciary duties to the Company. On February 14, 2006, the state court consolidated the two state court derivative actions and appointed Lead Plaintiffs and Lead Plaintiffs' counsel, and on April 24, 2006, the state court ordered that the consolidated state court derivative action be stayed until after motions to dismiss the federal securities class action are decided. On February 15, 2006, the federal court consolidated the federal derivative lawsuits with the securities and ERISA (see below) actions for administrative purposes. On February 1, 2007, the federal court appointed Lead Plaintiff and Co-Lead Plaintiffs' Counsel in the consolidated federal derivative action.

On August 25, 2005, a class action lawsuit alleging violations of the Employee Retirement Income Security Act (ERISA) was filed in the United States District Court for the Eastern District of Wisconsin. As noted above, on February 15,

2006, the court ordered the ERISA action consolidated with the federal derivative and securities actions for administrative purposes. Pursuant to the schedule set by the court, on October 2, 2006, the ERISA plaintiff filed an Amended Class Action Complaint, which named the Company, the Harley-Davidson Motor Company Retirement Plans Committee, the Company's Leadership and Strategy Council, Harold A. Scott, James L. Ziemer, James M. Brostowitz, Gail A. Lione, Joanne M. Bischmann, Karl M. Eberle, Jon R. Flickinger, Ronald M. Hutchinson, James A. McCaslin, W. Kenneth Sutton, Jr., and Donna F. Zarcone, who are current or former Company officers or employees, as defendants. In general, the ERISA complaint includes factual allegations similar to those in the shareholder class action lawsuits and alleges on behalf of participants in certain Harley-Davidson retirement savings plans that the plan fiduciaries breached their ERISA fiduciary duties. On December 18, 2006, the defendants filed a motion to dismiss the ERISA complaint in its entirety. Briefing of the motion to dismiss was completed in April 2007.

The Company believes the allegations against all of the defendants in the lawsuits against the Company are without merit and it intends to vigorously defend against them. Since all of these matters are in the preliminary stages, the Company is unable to predict the scope or outcome or quantify their eventual impact, if any, on the Company. At this time, the Company is also unable to estimate associated expenses or possible losses. The Company maintains insurance that may limit its financial exposure for defense costs and liability for an unfavorable outcome, should it not prevail, for claims covered by the insurance coverage.

5. Commitments and Contingencies (continued)

Security Breach Lawsuit:

On January 22, 2007, a purported class action lawsuit was filed in the Supreme Court of the State of New York against Harley-Davidson, Inc. and the Harley Owners Group. The complaint alleges that the Company was negligent in failing to properly safeguard, protect and keep confidential the personal "Customer Identifiable Information" that was stored on a Company laptop computer that was lost on or about August 14, 2006. The complaint also alleges that Harley-Davidson breached fiduciary duties and made false and fraudulent representations and warranties to its customers that it would keep confidential and safeguard and protect the personal customer information in its possession. The complaint seeks unspecified damages. On February 23, 2007, this matter was removed to the United States District Court Southern District of New York. On April 5, 2007, the Company filed a motion to dismiss the complaint. Briefing is completed on the motion to dismiss and the parties are awaiting a ruling.

The Company believes the allegations in the lawsuit are without merit and it intends to vigorously defend against them.

Cam Bearing Lawsuit:

In January 2001, on its own initiative, the Company notified owners that it was extending the warranty on rear cam bearings to 5 years or 50,000 miles on certain 1999 and early-2000 Harley-Davidson motorcycles equipped with Twin Cam 88(R) and Twin Cam 88BTM engines. Subsequently, on June 28, 2001, a putative nationwide class action was filed against the Company in state court in Milwaukee County, Wisconsin, which was amended by a complaint filed September 28, 2001, alleging that this cam bearing was defective, asserting various legal theories, and seeking unspecified damages for affected owners. After the Wisconsin court granted the Company's motion to dismiss those claims, the same attorneys filed a second putative nationwide class action against the Company in state court in Milwaukee County, Wisconsin related to the same issues. Again, the Wisconsin court granted the Company's motion and dismissed all claims in their entirety. On April 12, 2004, the same attorneys filed a third action in the state court in Milwaukee County, Wisconsin on behalf of the same plaintiffs. This third action was likewise dismissed by the court on July 26, 2004. After subsequent appeals to the Wisconsin Court of Appeals and the Wisconsin Supreme Court, on July 12, 2007, the Wisconsin Supreme Court issued a final decision in the Company's favor upholding the dismissal of all claims against the Company. Then, on September 11, 2007, the Company received a claim letter from one of the same attorneys involved in the Wisconsin actions. This letter relates to the same issues as the previously dismissed Wisconsin actions, but alleges claims under California law on behalf of California owners exclusively. The Company believes that these California claims lack merit as they are premised on the same legal theories that were presented in previously dismissed Wisconsin actions.

Environmental Matters:

The Company is involved with government agencies and groups of potentially responsible parties in various environmental matters, including 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 an ongoing site-wide remedial investigation/feasibility study (RI/FS). In January 1995, the Company entered into a settlement agreement (the Agreement) with the Navy. The Agreement calls for the Navy and the Company to contribute amounts into a trust equal to 53% and 47%, respectively, of future 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.

In February 2002, the Company was advised by the U.S. Environmental Protection Agency (EPA) that it considers some of the Company's remediation activities at the York facility to be subject to the EPA's corrective action program under the Resource Conservation and Recovery Act (RCRA) and offered the Company the option of addressing corrective action under a RCRA facility lead agreement.

5. Commitments and Contingencies (continued)

Environmental Matters (continued):

In July 2005, the York facility was designated as the first site in Pennsylvania to be addressed under the "One Cleanup Program." The program provides a more streamlined and efficient oversight of voluntary remediation by both PADEP and EPA and will be carried out consistent with the Agreement with the Navy. As a result, the RCRA facility lead agreement has been superseded.

Although the RI/FS is still under way and substantial uncertainty exists concerning the nature and scope of the additional environmental investigation and remediation that will ultimately be required at the York facility, the Company estimates that its share of the future Response Costs at the York facility will be approximately $7.2 million. The Company has established reserves for this amount, which are included in Accrued Liabilities in the Consolidated Balance Sheets.

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. Response Costs related to the remediation of soil are expected to be incurred over a period of several years ending in 2012. Response Costs related to ground water remediation may continue for some time beyond 2012. However, these Response Costs are expected to be much lower than those related to the remediation of soil.

Under the terms of the sale of the Commercial Vehicles Division in 1996, the Company has agreed to indemnify Utilimaster Corporation, until December 2008, for certain claims related to environmental contamination present at the date of sale, up to $20.0 million. Based on the environmental studies performed, the Company does not expect to incur any material expenditures under this indemnification.

Product Liability Matters:

Additionally, 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 will not have a material adverse effect on the Company's consolidated financial statements.

6. Employee Benefit Plans and Other Postretirement Benefits

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

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

As discussed in Note 1, the Company adopted SFAS No. 158, as it relates to recognizing the funded status of its defined benefit pension and postretirement benefit plans in its statement of financial position and related disclosure provisions, on December 31, 2006. Upon adoption, the Company recorded an adjustment to accumulated other comprehensive income representing the recognition of previously unrecorded pension and postretirement healthcare liabilities related to net unrecognized actuarial losses, unrecognized prior service costs and unrecognized prior service credits. These amounts will be

subsequently recognized as a component of net periodic pension cost pursuant to the Company's historical accounting policy for recognizing such amounts.

6. Employee Benefit Plans and Other Postretirement Benefits (continued)

Obligations and Funded Status:

The information following provides detail of changes in the benefit obligations, changes in the fair value of plan assets and funded status as of the Company's September 30 measurement date (in thousands):

	Pension and SERPA		Postretirement Healthcare Benefits	
	2007	2006	2007	2006
Change in benefit obligation				
Benefit obligation, October 1	$ 976,712	$ 963,824	$ 324,985	$ 298,340
Service cost	51,647	48,829	12,880	12,944
Interest cost	59,762	52,625	19,579	16,074
Plan amendments	3,604	--	--	--
Actuarial (gains) losses	(32,179)	(67,058)	(11,814)	9,230
Plan participant contributions	7,019	7,156	464	306
Benefits paid, net of Medicare Part D subsidy	(32,930)	(28,664)	(13,955)	(11,909)
Benefit obligation, September 30	1,033,635	976,712	332,139	324,985
Change in plan assets:				
Fair value of plan assets, October 1	982,102	922,238	119,829	109,261
Actual return on plan assets	110,670	80,358	16,251	10,568
Company contributions	1,004	1,014	13,467	12,108
Plan participant contributions	7,019	7,156	464	306
Benefits paid	(32,930)	(28,664)	(13,931)	(12,414)
Fair value of plan assets, September 30	1,067,865	982,102	136,080	119,829
Funded status of the plans:				
Benefit obligation under (over) plan assets	34,230	5,390	(196,059)	(205,156)
Prepaid (accrued) benefit cost, September 30	34,230	5,390	(196,059)	(205,156)
Fourth quarter contributions	1,207	--	3,094	3,536
Prepaid (accrued) benefit cost, December 31	$ 35,437	$ 5,390	$ (192,965)	$ (201,620)
Amounts recognized in the Consolidated Balance Sheets, December 31:				
Accrued benefit liability (other current liabilities)	$ (2,893)	$ (2,045)	$ (434)	$ (494)
Accrued benefit liability (other long-term liabilities)	(51,551)	(47,916)	(192,531)	(201,126)
Prepaid benefit cost (other long-term assets)	89,881	55,351	--	--
Net amount recognized	$ 35,437	$ 5,390	$ (192,965)	$ (201,620)

6. Employee Benefit Plans and Other Postretirement Benefits (continued)

Benefit Costs:

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

	Pension and SERPA			Postretirement Healthcare Benefits		
	2007	2006	2005	2007	2006	2005
Service cost	$ 51,647	$ 48,829	$ 40,371	$ 12,880	$ 12,944	$ 10,536
Interest cost	59,762	52,625	49,944	19,579	16,074	14,738
Expected return on plan assets	(80,835)	(76,415)	(62,566)	(9,984)	(9,112)	(4,430)
Amortization of unrecognized:						
Prior service cost (credit)	6,691	6,997	7,036	(1,123)	(1,123)	(1,317)
Net loss	11,675	17,640	13,060	6,938	6,515	4,994
Net periodic benefit cost	$ 48,940	$ 49,676	$ 47,845	$ 28,290	$ 25,298	$ 24,521

Amounts included in accumulated other comprehensive income, net of tax, at December 31, 2007 which have not yet been recognized in net periodic benefit cost are as follows (in thousands):

	Pension and SERPA	Postretirement Healthcare Benefits	Total
Prior service cost (credit)	$ 23,422	$ (5,124)	$ 18,298
Net actuarial loss	105,673	69,304	174,977
	$ 129,096	$ 64,180	$ 193,275

Amounts expected to be recognized in net periodic benefit cost, net of tax, during the year the ended December 31, 2008 are as follows (in thousands):

	Pension and SERPA	Postretirement Healthcare Benefits	Total
Prior service cost (credit)	$ 3,810	$ (695)	$ 3,115
Net actuarial loss	3,921	3,380	7,300
	$ 7,731	$ 2,685	$ 10,415

6. Employee Benefit Plans and Other Postretirement Benefits (continued)

Assumptions:

Weighted-average assumptions used to determine benefit obligations as of September 30 and weighted-average assumptions used to determine net periodic benefit cost for the years ended September 30 are as follows:

	Pension and SERPA			Postretirement Healthcare Benefits		
	2007	2006	2005	2007	2006	2005
Assumptions for benefit obligations:						
Discount rate	6.30 %	5.90 %	5.50 %	6.30 %	5.90 %	5.50 %
Rate of compensation	4.00 %	3.33 %	3.20 %	n/a	n/a	n/a
Assumptions for net periodic benefit cost:						
Discount rate	5.90 %	5.50 %	6.25 %	5.90 %	5.50 %	6.25 %
Expected return on plan assets	8.50 %	8.50 %	8.50 %	8.50 %	8.50 %	8.50 %
Rate of compensation increase	3.33 %	3.20 %	3.50 %	n/a	n/a	n/a

Pension and SERPA Accumulated Benefit Obligation:

Each of the Company's pension and SERPA plans has a separately determined accumulated benefit obligation (ABO) and plan asset value. The ABO is the actuarial present value of benefits based on service rendered and current and past compensation levels. This differs from the projected benefit obligation (PBO) in that it includes no assumption about future compensation levels. The total ABO for all the Company's pension and SERPA plans combined was $976.7

million and $925.8 million as of September 30, 2007 and 2006, respectively.

The following table summarizes information related to Company pension plans with a PBO in excess of the fair value of plan assets as of September 30 (in millions):

Pension plans with PBOs in excess of fair value of plan assets:	2007	2006
PBO	$ 299.3	$ 284.0
Fair value of plan assets	$ 287.3	$ 270.3
Number of plans	1	1

There were no pension plans with ABOs in excess of fair value of plan assets as of September 30, 2007 and 2006.

The Company's SERPA plans, which can only be funded as claims are paid, had projected and accumulated benefit obligations of $43.6 million and $37.5 million, respectively, as of September 30, 2007 and $36.2 million and $33.1 million, respectively, as of September 30, 2006.

6. Employee Benefit Plans and Other Postretirement Benefits (continued)

Plan Assets:

The Company's asset allocations at September 30, 2007 and 2006, by asset category are as follows (in thousands):

	Pension		Postretirement Healthcare Benefits	
	2007	2006	2007	2006
Equity securities (excluding Company stock)	75 %	66 %	80 %	76 %
Debt securities	13	15	10	17
Company common stock	6	11	--	--
Other	1	6	0	7
Cash	5	2	10	0
	100 %	100 %	100 %	100 %

The Company employs a total return investment approach whereby a mix of equities and fixed-income investments is used to maximize the long-term return of plan assets for a prudent level of risk. The investment portfolio contains a diversified blend of equity and fixed-income investments. Furthermore, equity investments are diversified across U.S and non-U.S. stocks as well as growth, value, and small and large capitalizations. The Company's targeted asset allocation ranges at September 30, 2007 as a percentage of total market value were as follows: equity securities, 60% to 80%; debt securities, 10% to 20%; other, 10% to 15%; and Company stock, not to exceed 25%. Additionally, cash balances are maintained at levels adequate to meet near term plan expenses and benefit payments. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews.

The fair value of pension plan assets was $1.05 billion and $1.03 billion as of December 31, 2007 and 2006, respectively. Included in the pension plan assets are 1,273,592 shares of the Company's common stock at December 31, 2007 and 2006. The market value of these shares at December 31, 2007 and 2006 was $59.5 million and $89.8 million, respectively.

The fair value of postretirement healthcare plan assets was $134.2 million and $125.5 million as of December 31, 2007 and December 31, 2006, respectively.

No plan assets are expected to be returned to the Company during the fiscal year-ended December 31, 2008.

The Company's overall expected long-term rate of return on assets is 8.5%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based on historical returns adjusted to reflect the current view of the long-term investment market.

Postretirement Healthcare Cost:

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

	2007	2006
Healthcare cost trend rate for next year	9.0 %	10.0 %
Rate to which the cost trend rate is assumed to decline (the ultimate rate)	5.0 %	5.0 %
Year that the rate reaches the ultimate trend rate	2011	2011

6. Employee Benefit Plans and Other Postretirement Benefits (continued)

Postretirement Healthcare Cost (continued):

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

	One Percent Increase	One Percent Decrease
Total of service and interest cost components in 2007	$ 711	$ (722)
Accumulated benefit obligation as of September 30, 2007	$ 12,375	$ (11,663)

Future Contributions and Benefit Payments:

The Company does not expect to make additional contributions to further fund its pension and postretirement healthcare plans during 2008 beyond the amount of current benefit payments for SERPA and postretirement healthcare plans. During 2008, the Company expects to continue its practice of funding the SERPA and postretirement healthcare plans in amounts equal to benefits paid during the year. The expected benefit payments and Medicare subsidy receipts for the next five years and thereafter are as follows (in thousands):

	Pension Benefits	SERPA Benefits	Postretirement Healthcare Benefits	Medicare Subsidy Receipts
2008	$ 37,907	$ 3,161	$ 18,293	$ 845
2009	40,262	3,422	22,312	987
2010	42,748	4,974	24,374	1,148
2011	45,223	4,584	26,542	1,310
2012	48,048	5,963	28,091	1,515
2013-2017	282,805	19,051	160,296	11,053

Defined Contribution Plans:

The Company has various defined contribution benefit plans that in total cover substantially all full-time employees. Employees can make voluntary contributions in accordance with the provisions of their respective plan, which includes a 401(k) tax deferral option. The Company expensed $11.7 million, $8.8 million and $7.5 million for matching contributions during 2007, 2006 and 2005, respectively.

7. Capital Stock

Common Stock:

The Company is authorized to issue 800,000,000 shares of common stock of $.01 par value. There were 238.5 million and 258.1 million common shares outstanding as of December 31, 2007 and 2006, respectively.

During 2007, 2006 and 2005, the Company repurchased 20.4 million, 19.3 million and 21.4 million shares of its common stock at weighted-average prices of $56, $55 and $49, respectively. These repurchases were made pursuant to the following authorizations (in millions of shares):

	Shares Repurchased			Authorization Remaining
Board of Directors' Authorization	2007	2006	2005	at December 31, 2007
1997 Authorization	0.7	2.1	1.4	4.3
2004 Authorization	--	--	20.0	--
2005 Authorization	2.8	17.2	--	--
2006 Authorization	16.9	--	--	3.1
2007 Authorization	--	--	--	20.0
Total	20.4	19.3	21.4	27.4

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

2004 Authorization - In April 2004, the Company received a separate authorization from its Board of Directors which provided for the repurchase of up to 20.0 million shares of its common stock and contained no dollar limit or expiration date. This authorization was exhausted during 2005.

2005 Authorization - In April 2005, the Company's Board of Directors separately authorized the Company to buy back up to 20.0 million shares of its common stock with no dollar limit or expiration date. This authorization was exhausted during 2007.

2006 Authorization - In October 2006, the Company's Board of Directors separately authorized the Company to buy back up to 20.0 million shares of its common stock with no dollar limit or expiration date. There are 3.1 million shares remaining under this authorization at December 31, 2007.

2007 Authorization - In December 2007, the Company's Board of Directors

separately authorized the Company to buy back up to 20.0 million shares of its common stock with no dollar limit or expiration date. No repurchases have been made under this authorization as of the end of 2007.

7. Capital Stock (continued)

Preferred Stock:

The Company is authorized to issue 2,000,000 shares of preferred stock of $1.00 par value. The Company has designated 500,000 of the 2,000,000 authorized shares of preferred stock as Series A Junior Participating preferred stock (Preferred Stock). Each share of Preferred Stock, none of which is outstanding, is entitled to 10,000 votes per share (subject to adjustment) and other rights such that the value of a one ten-thousandth interest in a share of Preferred Stock should approximate the value of one share of common stock.

Preferred Stock is reserved for issuance in connection with the Company's outstanding Preferred Stock purchase rights (Rights). On February 17, 2000, the Board of Directors of the Company declared a dividend of one Right for each outstanding share of common stock payable upon the close of business on August 20, 2000 to the shareholders of record on that date. Under certain conditions, each Right entitles the holder to purchase one ten-thousandth of a share of Preferred Stock at an exercise price of $175, subject to adjustment. The Rights are only exercisable if a person or group has: (1) acquired 15% or more of the outstanding common stock or (2) has announced an intention to acquire 25% or more of the outstanding common stock (either (1) or (2) are a "Triggering Event"). If there is a 15% acquiring party, then each holder of a Right, other than the acquiring party, will be entitled to purchase, at the exercise price, Preferred Stock having a market value of two times the exercise price.

In addition, prior to the acquisition of 50% or more of the outstanding common stock by an acquiring party, the Board of Directors of the Company may exchange the Rights (other than the Rights of an acquiring party which have become void), in whole or in part, at an exchange ratio of one share of common stock or one ten-thousandth of a share of Preferred Stock (or a share of the Company's preferred stock having equivalent rights, privileges, and preferences) per Right, subject to adjustment. The Rights expire upon the close of business on August 20, 2010, subject to extension.

8. Stock Compensation

The Company has a stock compensation plan which was approved by its Shareholders in April 2004 (Plan) under which the Board of Directors may grant to employees equity awards including nonqualified stock options and shares of nonvested stock. The options granted under the Plan have an exercise price equal to the fair market value of the underlying stock at the date of grant and vest ratably over a four-year period with the first 25% becoming exercisable one year after the date of grant. The options expire 10 years from the date of grant. Shares of nonvested stock that have been issued under the Plan generally vest over periods ranging from 3 to 5 years with certain of the shares subject to accelerated vesting should the Company meet certain performance conditions. Dividends are paid on shares of nonvested stock. At December 31, 2007, there were 10.2 million shares of common stock available for future awards under the Plan.

8. Stock Compensation (continued)

Stock Options:

The Company estimates the fair value of its option awards granted using a lattice-based option valuation model. The Company believes that the lattice-based option valuation model provides a more precise estimate of fair value than the Black-Scholes option pricing model. Lattice-based option valuation models utilize ranges of assumptions over the expected term of the options. The Company used implied volatility to determine the expected volatility of its stock in 2007. In 2006 and 2005, expected volatilities were based on the historical volatility of the Company's stock. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted is derived from the output of the option valuation model and represents the average period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Assumptions used in calculating the lattice-based fair value of options granted during 2007, 2006 and 2005 were as follows:

	2007	2006	2005
Expected average term (in years)	5.1	5.7	4.5
Expected volatility	21% - 24 %	23% - 34 %	16% - 36 %
Weighted average volatility	22 %	30 %	30 %
Expected dividend yield	1.4 %	1.2 %	0.8 %
Risk-free interest rate	4.7% - 5.1 %	4.4% - 4.7 %	2.4% - 4.1 %

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

	2007 Options	2007 Weighted-Average Price	2006 Options	2006 Weighted-Average Price	2005 Options	2005 Weighted-Average Price
Options outstanding at January 1	4,119	$ 49	6,785	$ 45	6,895	$ 41
Options granted	791	$ 69	689	$ 52	905	$ 60
Options exercised	(498)	$ 43	(3,113)	$ 40	(938)	$ 33
Options forfeited	(176)	$ 58	(242)	$ 52	(77)	$ 51
Options outstanding at December 31	4,236	$ 53	4,119	$ 49	6,785	$ 45
Exercisable at December 31	2,444	$ 47	2,046	$ 44	4,159	$ 40
Weighted-average fair value of options granted during the year	$ 15		$ 15		$ 16	

8. Stock Compensation (continued)

Stock Options (continued):

The following table summarizes the aggregate intrinsic value related to options

outstanding, exercisable and exercised as of and for the years ended December 31 (in thousands):

	2007	2006	2005
Exercised	$ 12,010	$ 77,415	$ 23,355
Outstanding	$ 9,613	$ 90,359	$ 46,564
Exercisable	$ 9,613	$ 53,292	$ 47,594

The Company's policy is to issue new shares of common stock upon the exercise of employee stock options. The Company has a continuing authorization from its Board of Directors to repurchase shares to offset dilution caused by the exercise of stock options which is discussed in Note 7.

Stock options outstanding at December 31, 2007 (options in thousands):

Price Range	Weighted-Average Contractual Life	Options	Weighted-Average Exercise Price
$ 10.01 to $20	0.2	37	$ 16
$ 20.01 to $30	1.1	92	$ 26
$ 30.01 to $40	2.3	221	$ 35
$ 40.01 to $50	4.8	883	$ 42
$ 50.01 to $60	6.5	1,643	$ 52
$ 60.01 to $70	8.2	1,360	$ 65
Options outstanding	6.3	4,236	$ 53
Options exercisable	5.0	2,444	$ 47

Nonvested Stock:

The fair value of nonvested shares is determined based on the market price of the Company's shares on the grant date. The following table summarizes the nonvested share transactions for the years ended December 31 (in thousands except for per share amounts):

	2007 Nonvested Shares	2007 Fair Value Per Share	2006 Nonvested Shares	2006 Fair Value Per Share	2005 Nonvested Shares	2005 Fair Value Per Share
Nonvested at January 1	347	$ 54	112	$ 60	--	--
Granted	385	$ 60	253	$ 52	115	$ 60
Vested	(16)	$ 64	--	--	--	--
Forfeited	(29)	$ 60	(18)	$ 52	(3)	$ 60
Nonvested at December 31	687	$ 57	347	$ 54	112	$ 60

As of December 31, 2007, there was $23.8 million of unrecognized compensation cost related to nonvested stock that is expected to be recognized over a weighted-average period of 2.3 years.

9. Earnings Per Share

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

	2007	2006	2005
Numerator:			
Net income used in computing basic and diluted earnings per share	$ 933,843	$ 1,043,153	$ 959,604
Denominator:			
Denominator for basic earnings per share-weighted-average common shares	249,205	264,453	280,303
Effect of dilutive securities - employee stock compensation plan	677	820	732
Denominator for diluted earnings per share-adjusted weighted-average shares outstanding	249,882	265,273	281,035

Options to purchase 1.4 million, 1.9 million and 2.6 million weighted-average shares of common stock outstanding during 2007, 2006 and 2005, 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.

10. Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, marketable securities, trade receivables, finance receivables, finance receivables held for sale, trade payables, finance debt, foreign currency contracts and interest rate swaps.

Cash and Cash Equivalents, Trade Receivables and Trade Payables - The book values for these amounts are estimated to approximate their respective fair values due to the short maturity of these instruments.

Marketable Securities - The carrying value of marketable securities approximates fair value. The fair value of marketable securities is based primarily on quoted market prices. Changes in fair value are recorded, net of tax, as other comprehensive income and included as a component of shareholder's equity.

Finance Receivables, Net - The carrying value of retail finance receivables approximates fair value. The carrying value of wholesale finance receivables approximates fair value because they are either short-term or have interest rates that adjust with changes in market interest rates.

The fair value of investment in retained securitization interests is estimated based on the present value of future expected cash flows using management's best estimates of the key assumptions. Changes in fair value are recorded, net of tax, as other comprehensive income and included as a component of shareholder's equity.

Finance Receivables Held for Sale - The carrying value of finance receivables held for sale approximates fair value as finance receivables held for sale are

held for only a short period of time prior to being securitized.

10. Fair Value of Financial Instruments (continued)

Finance Debt - The carrying value of debt provided under the credit facilities approximates fair value since the interest rates charged under this facility are tied directly to market rates and fluctuate as market rates change. The carrying value of commercial paper approximates fair value due to their short maturity.

The fair value of the Medium-Term Notes issued during 2007 is estimated based upon rates currently available for debt with similar terms and remaining maturities. The remaining Medium-Term Notes are carried at fair value and include a fair value adjustment due to the interest rate swap agreement, designated as a fair value hedge, which effectively converts a portion of the note from a fixed to a floating rate.

Foreign Currency Contracts - During 2007 and 2006, the Company utilized foreign currency contracts to hedge its sales transactions denominated in the Euro. The foreign currency contracts were designated as cash flow hedges and generally had lives less than one year. The Company bases the fair value of its foreign currency contracts on quoted market prices. Information related to the Company's foreign currency contracts as of December 31 is as follows (in millions):

	2007	2006
Euro value	€ 170.0	€ 280.0
Notional U.S. dollar value	$ 227.8	$ 360.3
Fair value of contracts recorded as current liabilities	$ (20.2)	$ (12.4)
Unrealized loss recorded in accumulated other comprehensive loss, net of tax	$ (11.4)	$ (7.5)

The effectiveness of these hedges is measured based on changes in fair value of the contract attributable to changes in the forward exchange rate. During 2007 and 2006, the hedges were highly effective and, as a result, the amount of

hedge ineffectiveness recognized during the year was not material. During 2007, net losses on foreign currency contracts reclassified from other comprehensive income and recognized in earnings totaled $21.5 million, or $13.3 million net of tax. The Company expects that the unrealized losses, net of taxes, as of December 31, 2007, of $11.4 million will be reclassified to earnings within one year. Realized gains and losses on foreign currency contracts are recorded in cost of goods sold and the related cash flows are included in cash flows from operations.

Interest Rate Swaps - Securitization Transactions - During 2007 and 2006, HDFS utilized interest rate swaps to reduce the impact of fluctuations in interest rates on its securitization transactions. These interest rate derivatives are designated as cash flow hedges and generally have a life of less than six months. Information related to these swap agreements as of December 31 is as follows (in millions):

	2007	2006
Notional value	$ 535.9	$ 501.5
Fair value of swaps recorded as current (liabilities) assets	$ (6.7)	$ 0.3
Unrealized (loss) gain recorded in accumulated other comprehensive loss, net of tax	$ (3.9)	$ 0.2

During 2007 and 2006, the hedges were highly effective and, as a result, the amount of hedge ineffectiveness recognized during the year was not material. During 2007, net losses on securitization related interest rate swaps reclassified from other comprehensive income and recognized in earnings totaled $4.5 million, or $2.9 million net of tax. HDFS expects to reclassify $3.9 million of the unrealized losses, net of taxes, as of December 31, 2007, to earnings within one year when HDFS completes a securitization of retail motorcycle loans.

10. Fair Value of Financial Instruments (continued)

Interest Rate Swaps - Securitization Transactions (continued):

During 2007, HDFS entered into derivative contracts to facilitate its third quarter securitization transaction. These derivatives do not qualify for hedge accounting treatment and have a life of one to five years. Changes in the fair value of these derivatives are recognized in current period earnings within other operating expenses. Information related to these derivative contracts as of December 31 is as follows (in millions):

	2007
Notional value	$ 700.0
Fair value of swaps recorded as current liabilities	$ (0.1)
Unrealized loss recorded in earnings, net of tax	$ (0.1)

Interest Rate Swaps - Commercial Paper - In June 2007, HDFS entered into an amortizing $175.0 million interest rate swap agreement that effectively converts a portion of its floating-rate debt to a fixed-rate basis for a period of five years, ending in 2012. This replaced a $150.0 million swap agreement, which expired in June 2007. HDFS entered into a $50.0 million interest rate swap agreement in 2004 which expires in March 2008 that also effectively converts a portion of its floating-rate debt to a fixed-rate basis. The differential paid or received on these swaps is recognized on an accrual basis as an adjustment to interest expense. As of December 31, 2007 and 2006, the agreements were designated as cash flow hedges. Information related to the swap agreements as of December 31 is as follows (in millions):

	2007	2006
Notional value	$ 204.2	$ 200.0
Fair value of swaps recorded as current (liabilities) assets	$ (6.2)	$ 3.7
Unrealized (loss) gain recorded in accumulated other comprehensive loss, net of tax	$ (4.0)	$ 2.3

During 2007 and 2006, the hedges were highly effective, and as a result, the amount of hedge ineffectiveness recognized during the year was not material. During 2007, net gains on commercial paper related interest rate swaps reclassified from other comprehensive income and recognized in earnings totaled $3.1 million, or $2.0 million net of tax. HDFS expects to reclassify $1.5 million of the unrealized loss, net of taxes, as of December 31, 2007, to earnings within one year. The unrealized gains will be offset by the payment of variable interest associated with the floating rate debt.

Interest Rate Swaps - Medium-Term Notes - During 2005 and 2003, HDFS entered into interest rate swap agreements that effectively convert a portion of its fixed-rate debt to a floating-rate basis for a period of five years. The differential paid or received on these swaps is recognized on an accrual basis as an adjustment to interest expense. As of December 31, 2007 and 2006, the

agreements were designated as fair value hedges. During 2007 and 2006, the hedges were highly effective and, as a result, there was no ineffectiveness recognized on these hedges during the year. Information related to these swap agreements as of December 31 is as follows (in millions):

	2007	2006
Notional value	$ 550.0	$ 550.0
Fair value of swaps recorded as current assets (liabilities)	$ 1.3	$ (13.6)

No ready market exists for swaps utilized by HDFS. Fair value is determined by an independent third party using established valuation methods.

11. Business Segments and Foreign Operations

Business Segments:

The Company operates in two business segments: Motorcycles and Financial Services. The Company's reportable segments are strategic business units that offer different products and services. They are managed separately based on the fundamental differences in their operations.

The Motorcycles segment consists primarily of the group of companies doing business as Harley-Davidson Motor Company and Buell Motorcycle Company. The Motorcycles segment designs, manufactures and sells primarily heavyweight (engine displacement of 651+cc) touring, custom, standard and sport motorcycles and a broad range of related products which include motorcycle parts and accessories and general merchandise.

The Financial Services segment consists of Harley-Davidson Financial Services. HDFS provides wholesale and retail financing and insurance programs primarily to Harley-Davidson and Buell dealers and customers. HDFS conducts business in

the United States, Canada and Europe.

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

	2007	2006	2005
Motorcycles net revenue and Financial Services income:			
Motorcycles net revenue	$ 5,726,848	$ 5,800,686	$ 5,342,214
Financial Services income	416,196	384,891	331,618
	$ 6,143,044	$ 6,185,577	$ 5,673,832
Income from operations:			
Motorcycles	$ 1,230,643	$ 1,408,990	$ 1,294,816
Financial Services	212,169	210,724	191,620
General corporate expenses	(17,251)	(22,561)	(21,474)
	$ 1,425,561	$ 1,597,153	$ 1,464,962

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

	Motorcycles	Financial Services	Corporate	Consolidated
2007				
Total assets	$ 1,804,202	$ 3,447,075	$ 405,329	$ 5,656,606
Depreciation	197,655	6,517	--	204,172
Net capital expenditures	232,139	9,974	--	242,113
2006				
Total assets	$ 1,683,724	$ 2,951,896	$ 896,530	$ 5,532,150
Depreciation	205,954	7,815	--	213,769
Net capital expenditures	209,055	10,547	--	219,602
2005				
Total assets	$ 1,845,802	$ 2,363,235	$ 1,046,172	$ 5,255,209
Depreciation	198,833	6,872	--	205,705
Net capital expenditures	188,078	10,311	--	198,389

11. Business Segments and Foreign Operations (continued)

Geographic Information:

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

	2007	2006	2005
Motorcycles net revenue(a):			
United States	$ 4,208,016	$ 4,618,997	$ 4,338,709
Europe	790,150	621,069	536,992
Japan	229,759	207,884	196,167
Canada	230,230	188,993	143,204
Australia	162,689	82,792	64,063
Other foreign countries	106,004	80,951	63,079
	$ 5,726,848	$ 5,800,686	$ 5,342,214
Financial Services income(a):			
United States	$ 381,001	$ 356,539	$ 308,341
Europe	13,638	11,034	9,135
Canada	21,557	17,318	14,142
	$ 416,196	$ 384,891	$ 331,618
Long-lived assets(b):			
United States	$ 1,173,169	$ 1,139,846	$ 1,450,278
Other foreign countries	66,988	56,214	38,002
	$ 1,240,157	$ 1,196,060	$ 1,488,280

(a) Net revenue and income is attributed to geographic regions based on location of customer.

(b) Long-lived assets include all long-term assets except those specifically excluded under SFAS No. 131, such as deferred income taxes and finance receivables.

12. Related Party Transactions

The Company has the following material related party transactions. A director of the Company is Chairman and Chief Executive Officer and an equity owner of Fred Deeley Imports Ltd. (Deeley Imports), the exclusive distributor of the Company's motorcycles in Canada. During 2007, 2006 and 2005, the Company recorded revenue and financial services income from Deeley Imports of $231.9 million, $187.7 million and $145.1 million, respectively, and had accounts receivables balances due from Deeley Imports of $42.6 million and $21.0 million at December 31, 2007 and 2006, respectively. All such products were provided in the ordinary course of business at prices and on terms and conditions that the Company believes are the same as those that would result from arm's-length negotiations between unrelated parties.

SUPPLEMENTARY DATA

Quarterly financial data (unaudited)

(In millions, except per share data)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	Apr 1, 2007	Mar 26, 2006	July 1, 2007	June 25, 2006	Sep 30, 2007	Sep 24, 2006	Dec 31, 2007	Dec 31, 2006
Net revenue	$ 1,178.9	$ 1,285.1	$ 1,620.2	$ 1,377.0	$ 1,541.4	$ 1,635.9	$ 1,386.3	$ 1,502.7
Gross profit	423.0	493.2	605.2	516.3	591.4	652.3	494.5	571.0
Income before taxes	298.2	366.5	450.4	380.4	410.8	488.6	288.4	388.7
Net income	192.3	234.6	290.5	243.4	265.0	312.7	186.0	252.5
Earnings per common share:								
Basic	$ 0.75	$ 0.86	$ 1.15	$ 0.91	$ 1.07	$ 1.20	$ 0.78	$ 0.98
Diluted	$ 0.74	$ 0.86	$ 1.14	$ 0.91	$ 1.07	$ 1.20	$ 0.78	$ 0.97

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

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Management's Report on Internal Control over Financial Reporting

The report of management required under this Item 9A is contained in Item 8 of Part II of this Annual Report on Form 10-K under the heading "Management's Report on Internal Control over Financial Reporting."

Attestation Report of Independent Registered Public Accounting Firm

The attestation report required under this Item 9A is contained in Item 8 of Part II of this Annual Report on Form 10-K under the heading "Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting."

Changes in Internal Controls

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information included or to be included in the Company's definitive proxy statement for the 2008 annual meeting of shareholders, which will be filed on or about March 20, 2008 (the Proxy Statement), under the captions "Corporate Governance Principles and Board Matters - Audit Committee," "Election of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," "Audit Committee Report," and "Independence of Directors" is incorporated by reference herein.

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

Item 11. Executive Compensation

The information included or to be included in the Proxy Statement under the captions "Executive Compensation" and "Human Resources Committee Report on

Executive Compensation" is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management

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

The following table provides information about the Company's equity compensation plans (including individual compensation arrangements) as of December 31, 2007:

Plan Category	Number of securities to be issued upon the exercise of Outstanding Options	Weighted-average exercise price of Outstanding Options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by shareholders:			
Management employees	4,159,050	$ 52.80	10,067,546
Equity compensation plans not submitted to shareholders:			
Union employees:			
Kansas City, MO	2,748	$ 21.19	24,468
York, PA	44,420	$ 38.88	53,475
Non employees:			
Board of Directors	29,300	$ 38.27	99,513
	76,468	$ 38.01	177,456
Total all plans	4,235,518	$ 52.54	10,245,002

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

The material features of the union employees' stock option awards are the same as those of the management employees' stock option awards. Under the Company's management and union plans, stock options have an exercise price equal to the fair market value of the underlying stock at the date of grant, expire ten years from the date of grant and vest ratably over a four-year period, with the first 25 percent becoming exercisable one year after the date of grant.

Effective December 31, 2002, non-employee directors of the Company's Board of Directors were no longer eligible to receive stock options. Prior to December 31, 2002, under the Board of Directors' plan, each non-employee director who served as a member of the Board immediately following the annual meeting of shareholders was automatically granted an immediately exercisable stock option for the purchase of such number of shares of Common Stock equal to three times the annual retainer fee for directors divided by the fair market value of a share of Common Stock on the day of grant (rounded up to the nearest multiple of 100). Board of Directors' stock options have an exercise price equal to the fair market value of the underlying stock at the date of grant and expire ten years from the date of grant.

In 2002, the Director Compensation Policy was changed to provide that a non-employee Director may elect to receive 50% or 100% of the annual fee to be paid in each calendar year in the form of Common Stock based upon the fair market value of the Common Stock at the time of the annual meeting of shareholders. Directors must receive a minimum of one-half of their annual retainer in Company Common Stock until the Director reaches the Director stock ownership guidelines defined below.

In 2006, the Director Compensation Policy was amended, based upon an independent market study of director compensation, to provide Directors with compensation that included an annual retainer as well as a grant of shares. The payment of share units is deferred until a director ceases to serve as a director and are payable at that time in actual Company stock.

In August 2002, the Board approved "Director and Senior Executive Stock Ownership Guidelines" (Ownership Guidelines) which were revised in August 2004 and more recently in February 2006. The Ownership Guidelines stipulate that all directors hold 5,000 shares of the Company's Common Stock and senior

executives hold from 5,000 to 30,000 shares of the Company's Common Stock depending on their level. The directors and senior executives have five years from January 2003 or the date they are elected a director or promoted to a senior executive to accumulate the appropriate number of shares of the Company's Common Stock.

Item 13. Certain Relationships and Related Transactions

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

Item 14. Principal Accountant Fees and Services

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

PART IV

Item 15. Exhibits and Financial Statement Schedules

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

(1) Financial Statements

Consolidated statements of income for each of the three years in the period ended December 31, 2007	59
Consolidated balance sheets at December 31, 2007 and December 31, 2006	60
Consolidated statements of cash flows for each of the three years in the period ended December 31, 2007	61
Consolidated statements of shareholders' equity for each of the three years in the period ended December 31, 2007	62
Notes to consolidated financial statements	63
(2) Financial Statement Schedule	
Schedule II - Valuation and qualifying accounts	102
(3) Exhibits	
Reference is made to the separate Index to Exhibits contained on pages 104 through 107 filed herewith	

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

Schedule II

HARLEY-DAVIDSON, INC.

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

Years ended December 31, 2007, 2006 and 2005

(In thousands)

	2007	2006	2005
Accounts receivable -			
Allowance for doubtful accounts			
Balance at beginning of period	$ 9,435	$ 8,492	$ 10,295
Provision charged to expense	365	863	304
Reserve adjustments	(1,028)	80	(1,634)
Write-offs, net of recoveries	244	--	(473)
Balance at end of period	$ 9,016	$ 9,435	$ 8,492
Finance receivables -			
Allowance for credit losses			
Balance at beginning of period	$ 27,283	$ 26,165	$ 30,277
Provision charged to expense	11,252	5,962	3,263
Write-offs, net of recoveries	(8,240)	(4,844)	(7,375)
Balance at end of period	$ 30,295	$ 27,283	$ 26,165
Inventories -			
Allowance for obsolescence(1)			
Balance at beginning of period	$ 15,282	$ 16,669	$ 14,451
Provision charged to expense	11,695	6,516	9,440
Reserve adjustments	1,116	(910)	(1,854)
Write-offs, net of recoveries	(11,786)	(6,993)	(5,368)
Balance at end of period	$ 16,307	$ 15,282	$ 16,669

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

SIGNATURES

Pursuant to the requirements of Section 13, or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 22, 2008.

HARLEY-DAVIDSON, INC.

By: /S/ James L. Ziemer
James L. Ziemer
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 22, 2008.

Name	Title
/S/ James L. Ziemer	President and Chief Executive Officer and Director
James L. Ziemer	(Principal executive officer)
/S/ Thomas E. Bergmann	Executive Vice President and Chief Financial Officer
Thomas E. Bergmann	(Principal financial and accounting officer)
/S/ Barry K. Allen	Director
Barry K. Allen	
/S/ Richard I. Beattie	Director
Richard I. Beattie	
/S/ Jeffrey L. Bleustein	Chairman and Director
Jeffrey L. Bleustein	
/S/ George H. Conrades	Director
George H. Conrades	
/S/ Judson C. Green	Director
Judson C. Green	
/S/ Donald A. James	Director
Donald A. James	
/S/ Sara L. Levinson	Director
Sara L. Levinson	
/S/ George L. Miles, Jr.	Director
George L. Miles, Jr.	
/S/ James A. Norling	Director
James A. Norling	
/S/ Jochen Zeitz	Director
Jochen Zeitz	

INDEX TO EXHIBITS

{Items 15(a)(3) and 15(c)}

Exhibit No Description

3.1 Restated Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 1-9183))

3.2 By-Laws, as amended February 14, 2007 (incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed February 21, 2007 (File No. 1-9183))

4.1 Form of Rights Agreement between the Registrant and Firstar Bank, N.A. dated February 17, 2000 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-A dated February 18, 2000 (File No. 1-9183))

4.2 Form of Rights Agent Agreement between the Registrant and Computershare Investor Services, LLC (incorporated herein by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-9183))

4.3 Harley-Davidson Financial Services Five-Year Revolving Credit Facility (incorporated herein by reference to Exhibit 4.3 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004 (File No. 1-9183))

4.4 Amendment No. 1 to Harley-Davidson Financial Services Five-Year Revolving Credit Facility (incorporated herein by reference to Exhibit 4.4 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 1-9183))

4.5 Indenture to provide for the issuance of indebtedness dated as of November 21, 2003 between Harley-Davidson Funding Corp., Issuer, Harley-Davidson Financial Services, Inc. and Harley-Davidson Credit Corp., Guarantors, to BNY Midwest Trust Company, Trustee (incorporated herein by reference to Exhibit 4.4 to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2005 (File No. 1-9183))

10.1* Harley-Davidson, Inc. 1995 Stock Option Plan as amended through April 28, 2007 (incorporated herein by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 1, 2007 (File No. 1-9183))

10.2* Harley-Davidson, Inc. Director Stock Plan as amended February 14, 2007 (incorporated herein by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 1-9183))

10.3* Form of Transition Agreement between the Registrant and Ms. Lione and each of Messrs. Eberle, Hutchinson, McCaslin, Sutton and Ziemer (incorporated herein by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-9183))

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

INDEX TO EXHIBITS

{Items 15(a)(3) and 15(c)}

Exhibit No. Description

10.4* Form of Transition Agreement dated March 6, 2006 between the Registrant and Mr. Bergmann (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 26, 2006 (File No. 1-9183))

10.5* Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-9183))

10.6* Form of Life Insurance Agreement between the Registrant and Ms. Lione and each of Messrs. Hutchinson, McCaslin and Ziemer (incorporated herein by reference from Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 1-9183))

10.7* Harley-Davidson, Inc. Corporate Short Term Incentive Plan as amended April 24, 2004 (incorporated herein by reference from Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended March 28, 2004 (File No. 1-9183))

10.8* Form of Severance Benefits Agreement between the Registrant and Ms. Bischmann and Ms. Lione and each of Messrs. Eberle, Flickinger, Hutchinson, McCaslin, Sutton and Ziemer (incorporated herein by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 1-9183))

10.9* Form of Severance Benefits Agreement dated March 6, 2006 between the Registrant and Mr. Bergmann (incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 26, 2006 (File No. 1-9183))

10.10* Form of Supplemental Executive Retirement Plan Agreement between the Registrant and each of Messrs. McCaslin and Ziemer (incorporated herein by reference from Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 1996 (File No. 1-9183))

10.11* Harley-Davidson Pension Benefit Restoration Plan (incorporated herein by reference from Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 1996 (File No. 1-9183))

10.12* Description of Post-Retirement Life Insurance Equivalent

10.13 Harley-Davidson, Inc. 1998 Non-Exempt Employee Stock Option Plan (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-8 (File No. 333-75347))

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

INDEX TO EXHIBITS

{Items 15(a)(3) and 15(c)}

Exhibit No.	Description
10.14	2001 York Hourly-Paid Employees Stock Option Plan (incorporated herein by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000 (File No. 1-9183))
10.15*	Director Compensation Policy effective April 29, 2006 (incorporated herein by reference from Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed May 4, 2006 (File No. 1-9183))
10.16*	Deferred Compensation Plan for Nonemployee Directors initially effective May 1, 1995 amended and restated May 1, 2001 and amended May 3, 2003 (incorporated herein by reference from Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 29, 2003 (File No. 1-9183))
10.17*	Harley-Davidson, Inc. 2004 Incentive Stock Plan as amended through April 28, ,2007 (incorporated herein by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 1, 2007 (File No. 1-9183))
10.18*	Form of Notice of Grant of Stock Options and Option Agreement of Harley-Davidson, Inc. under the Harley-Davidson Inc. 1995 Stock Option Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.21 to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2005 (File No. 1-9183))
10.19*	Form of Notice of Special Grant of Stock Options and Option Agreement of Harley-Davidson, Inc under the Harley-Davidson Inc. 1995 Stock Option Plan and the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.22 to the Registrant's Annual Report of Form 10-K for the year ended December 31, 2005 (File No. 1-9183))
10.20*	Form of Notice of Award of Restricted Stock and Restricted Stock Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.5 to the Registrant's Quarterly Report of Form 10-Q for the quarter ended April 1, 2007 (File No. 1-9183))
10.21*	Form of Notice of Special Award of Restricted Stock and Restricted Stock Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.6 to the Registrant's Quarterly Report of Form 10-Q for the quarter ended April 1, 2007 (File No. 1-9183))

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

INDEX TO EXHIBITS

{Items 15(a)(3) and 15(c)}

Exhibit No.	Description
10.22*	Form of Notice of Grant of Stock Appreciation Rights and Stock Appreciation Rights Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 1-9183))
10.23*	Form of Notice of Award of Restricted Stock Unit and Restricted Stock Unit Agreement of Harley-Davidson, Inc. under the Harley-Davidson, Inc. 2004 Incentive Stock Plan (incorporated herein by reference to Exhibit 10.7 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 1, 2007 (File No. 1-9183))
10.24*	Harley-Davidson, Inc. Employee Short-Term Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Registrant's Form 10-Q filed May 2, 2005 (File No. 1-9183))
10.25*	Form of Transition Agreement dated February 1, 2007 between the Registrant and Mr. Naqvi (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 1, 2007 (File No. 1-9183))
10.26*	Form of Severance Benefits Agreement dated February 1, 2007 between the Registrant and Mr. Naqvi (incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended April 1, 2007 (File No. 1-9183))
10.27*	Form of Severance Benefits Agreement dated July 31, 2007 between the Registrant and Mr. Richer (incorporated herein by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2007 (File No. 1-9183))
21	List of Subsidiaries
23	Consent of Independent Registered Public Accounting Firm
31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a)
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a)
32	Written Statement of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. (s)1350

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

Exhibit 10.12

Description of Post-Retirement Life Insurance Equivalent

Certain senior executives of the Registrant, including all executive officers, are entitled to receive a lump sum payment equal to one year's salary plus a gross up for applicable taxes upon retirement or at age 55. This benefit was adopted by the Registrant in 1996 in lieu of providing post-retirement life insurance.

Exhibit 21

HARLEY-DAVIDSON, INC.

SUBSIDIARIES

Name	State/Country Of Incorporation
H-D Michigan, Inc.	Michigan
Harley-Davidson Motor Company Group, Inc.	Wisconsin
Harley-Davidson Motor Company Operations, Inc.	Wisconsin
H-D Franklin, LLC	Wisconsin
H-D Tomahawk Somo, LLC	Wisconsin
H-D Tomahawk Industrial Park, LLC	Wisconsin
H-D Tomahawk Kaphaem Road, LLC	Wisconsin
H-D Capitol Drive, LLC	Wisconsin
H-D Pilgrim Road, LLC	Wisconsin
Harley-Davidson Motor Company, Inc.	Wisconsin
Harley-Davidson Museum, LLC	Wisconsin
Buell Distribution Company, LLC	Wisconsin
H-D F&R, LLC	Wisconsin
HASC, LLC	Wisconsin
H-D Group LLC	Illinois
Revolution PowerTrain LLC	Delaware
Buell Motorcycle Company, LLC	Wisconsin
Harley-Davidson Transportation Co., Inc.	Delaware
HDWA, LLC	Wisconsin
HDMC, LLC	Illinois
Harley-Davidson Dealer Systems, Inc.	Ohio
Harley-Davidson International Holding Co., Inc.	Wisconsin
Harley-Davidson Holding Co., Inc.	Delaware
Harley-Davidson Benelux B.V.	Netherlands
Harley-Davidson France SAS	France
Harley-Davidson GmbH	Germany
Harley-Davidson Japan KK	Japan
Harley-Davidson Europe Limited	England
Harley-Davidson do Brazil Ltda.	Brazil
Harley-Davidson Italia S.r.l.	Italy
Harley-Davidson Singapore Inc.	Delaware
Harley-Davidson Australia Pty. Limited	Australia
Harley-Davidson Hong Kong Limited	Hong Kong
Lockglade Limited	England
Harley-Davidson Espana S.L.	Spain
Harley-Davidson Switzerland GmbH	Switzerland
Harley-Davidson Asia, Inc.	Wisconsin
New Castalloy Pty. Limited	Australia
Harley-Davidson De Mexico, S. De R.L. De C.V.	Mexico
Harley-Davidson De Mexico Management, S. De R.L. De C.V.	Mexico
Renovation Realty Investment Services, Inc.	Wisconsin
HR, LLC	Indiana
HR Holding Corp.	Wisconsin

Harley-Davidson Financial Services, Inc.	Delaware
Harley-Davidson Insurance Services, Inc.	Nevada
Harley-Davidson Credit Corp.	Nevada
Harley-Davidson Insurance Services of Illinois, Inc.	Illinois
Harley-Davidson Customer Funding Corp	Nevada
Harley-Davidson Funding Corp.	Nevada
Eaglemark Savings Bank	Nevada
Harley-Davidson Leasing, Inc.	Nevada
Eaglemark Customer Funding Corporation-IV	Nevada
Harley-Davidson Financial Services International, Inc.	Delaware
ODBH Limited	United Kingdom
Harley-Davidson Financial Services Europe Limited	England
Harley-Davidson Financial Services Canada, Inc.	Canada

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 33-335311, No. 333-07551, No. 333-51741, No. 333-75347, Nos. 333-93879 and 333-123406, No. 333-60840 and No. 333-123405) pertaining (a) the Harley-Davidson Retirement Savings Plan for Salaried Employees, the Harley-Davidson Retirement Savings Plan for Milwaukee and Tomahawk Hourly Bargaining Unit Employees, and the Holiday Rambler LLC Employees Retirement Plan; (b) the Harley-Davidson, Inc. 1995 Stock Option Plan; (c) the Harley-Davidson, Inc. Director Stock Plan; (d) the Harley-Davidson, Inc. 1998 Non-Exempt Employee Stock Option Plan; (e) the Harley-Davidson Retirement Savings Plan for Salaried Employees, the Harley-Davidson Retirement Savings Plan for Milwaukee and Tomahawk Hourly Bargaining Unit Employees, the Harley-Davidson Retirement Savings plan for Kansas City Hourly Bargaining Unit Employees, the Harley-Davidson Retirement Savings Plan for York Hourly Bargaining Unit Employees and the Buell Motorcycle Company Retirements Savings Plan; (f) the Harley-Davidson, Inc. 2001 York Hourly-Paid Employees Stock Option Plan and (g) the Harley-Davidson, Inc. 2004 Incentive Stock Plan of Harley-Davidson, Inc. of our reports dated February 11, 2008 with respect to the consolidated financial statements and schedule of Harley-Davidson, Inc., and the effectiveness of internal control over financial reporting of Harley-Davidson, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2007.

Ernst & Young LLP
Milwaukee, Wisconsin
February 22, 2008

Exhibit 31.1

Chief Executive Officer Certification

Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

I, James L. Ziemer, certify that:

1. I have reviewed this annual report on Form 10-K of Harley-Davidson, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2008 /s/ James L. Ziemer
James L. Ziemer, President and
Chief Executive Officer

Exhibit 31.2

Chief Financial Officer Certification

Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934

I, Thomas E. Bergmann, certify that:

1. I have reviewed this annual report on Form 10-K of Harley-Davidson, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external

purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2008 /s/ Thomas E. Bergmann
Thomas E. Bergmann
Executive Vice President and Chief
Financial Officer

Exhibit 32

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. (s)1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of Harley-Davidson, Inc. (the "Company"), hereby certify, based on our knowledge, that the Annual Report on Form 10-K of the Company for the year ended December 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2008

/s/ James L. Ziemer
James L. Ziemer
President and Chief Executive Officer
/s/ Thomas E. Bergmann
Thomas E. Bergmann
Executive Vice President and Chief
Financial Officer

{graphic omitted}