

HARLEY DAVIDSON INC

FORM 10-K (Annual Report)

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

FORM 10-K

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

For the fiscal year ended: **December 31, 2008**

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

For the transition period from _____ to _____

Commission file number **1-9183**

Harley-Davidson, Inc.

(Exact name of registrant as specified in its charter)

Wisconsin
(State of organization)

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

3700 West Juneau Avenue
Milwaukee, Wisconsin
(Address of principal executive offices)

53208
(Zip code)

Registrants telephone number: (414) 342-4680

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
No

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company as defined in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Aggregate market value of the voting stock held by non-affiliates of the registrant at June 27, 2008: \$8,507,041,456

Number of shares of the registrant's common stock outstanding at February 10, 2009: 233,590,267 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 25, 2009.

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Form 10-K
For The Year Ended December 31, 2008

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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 17, 2009) 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[®] 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 (Motorcycles) segment and the Financial Services (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 segment includes the groups of companies doing business as Harley-Davidson Motor Company (HDMC), Buell Motorcycle Company (Buell) and MV Agusta (MV), which was acquired in 2008. 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, conducts business on a global basis, with sales primarily in North America, Europe, Asia/Pacific and Latin America.

The Financial Services segment includes the group of companies doing business as Harley-Davidson Financial Services (HDFS). HDFS provides wholesale and retail financing and, as an agent, provides insurance and insurance-related programs primarily to Harley-Davidson and Buell dealers and their retail customers. HDFS conducts business principally in the United States and Canada.

See Note 19 of Notes to 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[®], MV Agusta[®] and Cagiva[®] brand names. The Company’s worldwide motorcycle sales generated approximately 80% of the total net revenue in the Motorcycles segment during each of the years 2008, 2007 and 2006, respectively.

Harley-Davidson branded motorcycle products emphasize traditional styling, design simplicity, durability and quality. HDMC manufactures five families of motorcycles: Touring, Dyna[®], Softail[®], Sportster[®], and VRSC. 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. HDMC’s Harley-Davidson engines range in size from 883cc’s to 1803cc’s.

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Buell motorcycle products emphasize innovative design, responsive handling and overall performance. Buell manufactures four families of motorcycles: Sportbike, Street, Adventure and Blast[®]. The Sportbike family includes one model with a liquid-cooled, twin-cylinder engine with a 72-degree “V” configuration. All other models in the Sportbike, Street and Adventure families feature an air-cooled, twin-cylinder engine with a 45-degree “V” configuration ranging in size from 984cc’s to 1203cc’s. The Blast features a 492cc air-cooled single-cylinder engine.

MV motorcycle products emphasize exquisite design and high performance. MV manufactures two families of motorcycles: MV Agusta and Cagiva. The MV Agusta family is a line of exclusive, premium, high-performance sport motorcycles featuring a liquid-cooled, four-cylinder engine ranging in size from 750cc’s to 1078cc’s. The Cagiva family offers lightweight sport motorcycles powered by a 125cc air-cooled single-cylinder engine.

The total on-highway 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 generally equipped with fairings, windshields, saddlebags and/or Tour Pak[®] 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 Sportbike, Street and Adventure families, as well as both of the MV families, serve the performance segment of the market.

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 have considerably lower U.S. 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. In the U.S., suggested retail prices for the Company’s Harley-Davidson motorcycles range from being comparable to to moderately higher than suggested retail prices for comparable motorcycles available in the market. The Company believes that its larger-displacement products continue to command a premium price. 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 Harley Owners Group[®] (H.O.G.[®]) and through the availability of a line of motorcycle parts, accessories, and general merchandise as competitive advantages. Additionally, the Company considers the availability of financing through HDFS as a competitive advantage.

In the U.S., 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 84%, 80% and 79% of total heavyweight retail unit registrations in the U.S. during 2008, 2007 and 2006, respectively. The larger-displacement custom and touring motorcycles are generally the most profitable for the Company. During 2008, the heavyweight portion of the market represented approximately 55% of the total U.S. motorcycle market (on- and off-highway motorcycles and scooters) in terms of new units registered.

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For the last 21 years, Harley-Davidson motorcycles have led the industry in the United States for retail unit registrations of new heavyweight motorcycles. The Harley-Davidson motorcycle share of the heavyweight market was 45.5% and 48.7% in 2008 and 2007, respectively.

The following chart includes U.S. retail registration data for Harley-Davidson and Buell for the years 2006 through 2008:

U.S. Heavyweight Motorcycle Registration Data ^(a)
(Engine Displacement of 651+cc)
(Units in thousands)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total market new registrations	479.8	516.1	543.0
Harley-Davidson new registrations	218.2	251.4	267.9
Buell new registrations	4.0	3.7	3.8
Total new registrations	<u>222.2</u>	<u>255.1</u>	<u>271.7</u>
Percentage Market Share:			
Harley-Davidson motorcycles	45.5%	48.7%	49.3%
Buell motorcycles	<u>0.8</u>	<u>0.7</u>	<u>0.7</u>
Total	<u>46.3%</u>	<u>49.4%</u>	<u>50.0%</u>

(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 80% of the size of the U.S. market; but unlike the U.S. market, it is comprised of the different preferences of many individual countries. For example, traditional U.S.-style touring motorcycles represent less than 5% of the European heavyweight motorcycle market. The Company continues to expand its product offerings to compete in the standard and performance segments with motorcycles such as Harley-Davidson's XR1200™ and Nightster®, the Buell 1125R and MV models. The Company's traditional Harley-Davidson products compete primarily in the custom and touring segments.

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The following chart includes European retail registration data for Harley-Davidson and Buell for the years 2006 through 2008:

European Heavyweight Motorcycle Registration Data ^(a)
(Engine Displacement of 651+cc)
(Units in thousands)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total market new registrations	397.3	388.7	361.3
Harley-Davidson new registrations	41.0	38.7	34.3
Buell new registrations	4.2	4.6	4.1
Total new registrations	45.2	43.3	38.4
Percentage Market Share:			
Harley-Davidson motorcycles	10.3%	10.0%	9.5%
Buell motorcycles	1.1	1.2	1.1
Total	11.4%	11.2%	10.6%

(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. Based on Company data, the most significant of these markets in terms of volume are Canada, Japan and Australia. In Canada, the Company's market share based on registrations was 41.9%, 39.0% and 38.2% during 2008, 2007 and 2006, 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.

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 15.4%, 15.2% and 14.9% of net revenue in the Motorcycles segment in 2008, 2007 and 2006, respectively.

General Merchandise – Worldwide General Merchandise net revenue, which includes MotorClothes[®] apparel and collectibles, comprised 5.6%, 5.3% and 4.8% of net revenue in the Motorcycles segment in 2008, 2007 and 2006, respectively.

Licensing – The Company creates an awareness of its most significant brand, Harley-Davidson, 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. 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 \$45.4 million, \$46.0 million and \$45.5 million in 2008, 2007 and 2006, 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.

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Motorcycle rental and tour programs and Riders Edge[®], the Company's rider training program, are available through the Company's independent dealers.

In 2008, the Company opened the Harley-Davidson Museum in Milwaukee, Wisconsin. The Museum is a unique experience that the Company believes builds and strengthens bonds between riders and the Company and enhances the brand among the public at large. The 130,000 square foot facility houses the Harley-Davidson Museum and Archives, a restaurant, café, 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.

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 \$1.75 billion, \$1.52 billion and \$1.18 billion, or approximately 31%, 27% and 20% of net revenue of the Motorcycles segment, during 2008, 2007 and 2006, respectively.

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

The Company and its subsidiaries own, and continue to obtain, patent rights that relate to its motorcycles and related products and processes for their production. Certain technology-related intellectual property is also protected, where appropriate, by license agreements, confidentiality agreements or other agreements with suppliers, employees and other third parties. The Company diligently protects its intellectual property, including patents and trade secrets, and its rights to innovative and proprietary technology. 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 HDMC and Buell, which is comprised of a number of key executives, manages the patent strategy and portfolio of these two subsidiaries.

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. The Company also owns the trademark portfolio of MV which includes the MV AGUSTA and CAGIVA trademarks. 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. With the exception of the MV Agusta trademarks, substantially all of the Company's trademarks are owned by H-D Michigan, LLC, a subsidiary of the Company, which also manages the Company's trademark strategy and portfolio. The MV Agusta trademarks are presently owned by MV Agusta Motor S.p.A.

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 electronic 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 Harley-Davidson products and the related lifestyle through H.O.G., which has approximately 1.1 million members worldwide and the Company believes is the industry's largest company-sponsored motorcycle enthusiast organization. The Company formed H.O.G. 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.

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In 2000, Rider's Edge – the Harley-Davidson Academy of Motorcycling was formed. Rider's Edge offers a series of rider education experiences that provide both new and experienced riders with deeper engagement in the sport of motorcycling by teaching basic and advanced motorcycling skills and knowledge in a way that is fun and involving. The courses are 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.

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.

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 \$87,000. 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 32% of the buyers have college/graduate degrees. Approximately 12% of U.S. retail motorcycle sales of new Harley-Davidson motorcycles are to female buyers. (Source: 2008 Company studies)

Harley-Davidson and Buell Distribution – The Company's independent dealerships stock and sell the Company's motorcycles, 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.

The North American region consists of the United States and Canada. 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 that was designed to be forward-looking and market-driven in order to align the distribution of motorcycles with the demand in individual dealer markets. 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, who in turn sells to independent dealers in the Canadian market.

In the European region (consisting of Europe, the Middle East and Africa), the Company distributes all products sold to independent dealers or distributors through its subsidiary located in Oxford, England, or through one of its sales offices in the United Kingdom, France, Germany, Italy, Netherlands, Spain, Switzerland or South Africa.

In the Asia Pacific region, the Company distributes all products sold to independent dealers in Japan and Australia through Company-owned subsidiaries in those countries, and the Company distributes all products sold to independent dealers for the remaining Asia Pacific markets in which its motorcycles are sold from its U.S. operations.

The Company distributes all products sold in the Latin America region to independent dealers in Mexico and Brazil through

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Company-owned subsidiaries in those countries, and the Company distributes all products sold to independent dealers for the remaining Latin American markets in which its motorcycles are sold from its U.S. operations.

The following table includes the number of worldwide Harley-Davidson and Buell independent dealers and distributors by geographic region:

	<u>North America Region</u>		<u>Europe</u>	<u>Asia Pacific</u>	<u>Latin America</u>
	<u>United States</u>	<u>Canada</u>	<u>Region</u>	<u>Region</u>	<u>Region</u>
Independent Distributors	—	1	5	—	1
Full Service Dealerships:					
HD only	380	25	56	111	15
Buell only	—	—	4	5	1
HD and Buell	<u>306</u>	<u>46</u>	<u>323</u>	<u>85</u>	<u>16</u>
	<u>686</u>	<u>71</u>	<u>383</u>	<u>201</u>	<u>32</u>
Non-traditional:					
SRL	101	3	2	4	14
ARO	77	3	9	6	9
SRO	<u>12</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1</u>
	<u>190</u>	<u>6</u>	<u>11</u>	<u>10</u>	<u>24</u>

The vast majority of the Company's independent dealerships sell Harley-Davidson and Buell motorcycles exclusively.

MV Distribution – MV distributes its motorcycles and P&A to independent dealers primarily through subsidiaries located in Germany, Switzerland and the U.S. In Italy and France, MV distributes its products to independent dealers directly. MV's network of approximately 500 independent dealers is primarily located in Europe with approximately 40 independent dealers in the U.S. All independent dealers generally sell competitor brands.

Seasonality – The timing of retail sales made by the Company's independent dealers tracks closely with regional riding seasons. The seasonality of wholesale shipments made by the Company is different depending on the geographic market.

In the U.S. and Canadian markets, the Company is generally able to maintain relatively level wholesale shipments throughout the year. The Company's independent dealers in these markets 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 financing assistance through HDFFS allows dealers to manage these seasonal increases in inventory. In the U.S., seasonal financing assistance is subsidized by the Company, and in Canada, seasonal financing assistance is sponsored by the region's single independent distributor, Deeley Harley-Davidson Canada/Fred Deeley Imports Ltd.

In the majority of the remaining international markets, the Company's wholesale shipments track more closely with regional riding seasons. In general, the Company's independent dealers and distributors in these international markets do not build inventory levels in the non-riding seasons, and as a result, the Company's wholesale shipments to these markets are generally lower in the non-riding seasons than in the riding seasons.

The seasonality of the Company's wholesale shipments affects its ability to produce on a level scale throughout the year. The Company is generally able to maintain level finished goods inventories and production for its U.S. and Canadian markets. However, the Company generally carries higher finished goods inventory levels during non-riding seasons outside of the U.S. and Canada in order to mitigate the effect of a more seasonal wholesale shipment pattern on production.

Retail Customer and Dealer Financing – The Company believes that HDFFS, as well as other financial services companies, provide adequate financing to Harley-Davidson and Buell independent distributors, dealers and their retail customers. HDFFS provides

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financing to the Company's Canadian distributor, Harley-Davidson and Buell independent dealers and to the retail customers of those dealers in the U.S. and Canada. The Company's independent distributors, dealers and their retail customers in the Europe, Asia/Pacific and Latin America regions are not serviced by HDFFS, but have access to financing through other established financial services companies.

Motorcycle Manufacturing – The Company's ongoing manufacturing strategy is designed to continuously improve product quality, increase productivity, reduce costs and increase flexibility to respond to changes in the marketplace. The Company incorporates manufacturing techniques focused on continuously pursuing process improvements and innovation. The 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 and international unions, high performance work organizations and statistical process control.

The 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 Company continues to train its manufacturing employees in problem solving and statistical methods.

Raw Material and Purchased Components – The Company continues to establish and reinforce long-term, mutually beneficial relationships with its suppliers. Through these collaborative relationships, the Company gains access to technical and commercial resources for application directly to product design, development and manufacturing initiatives. This strategy has generated improved product quality, technical integrity, application of new features and innovations and faster manufacturing ramp-up of new vehicle introductions. The Company's continuing initiative to improve supplier productivity has been instrumental in delivering improvement in cost and in partially offsetting rising raw material commodity prices. The Company anticipates that its focus on collaboration and strong supplier relationships will continue to help the Company achieve strategic objectives and deliver 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 the current economic conditions, and pressure on certain suppliers due to difficulties in the automotive industry and U.S. manufacturing sector in general, the Company is closely monitoring the overall viability of its supply base. 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 Harley-Davidson 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. Buell and MV also have dedicated product development and design capabilities within their facilities. The Company incurred research and development expenses of \$163.5 million, \$185.5 million and \$177.7 million during 2008, 2007 and 2006, respectively.

Regulation – International, 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 that are sold in the United States 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

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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, as a manufacturer of motorcycle products, is subject to the U.S. National Traffic and Motor Vehicle Safety Act, which is administered by the U.S. National Highway Traffic Safety Administration (NHTSA). The Company has certified to NHTSA that 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, Harley-Davidson and Buell have initiated 13 voluntary recalls at a total cost of \$9.4 million. The Company reserves for all estimated costs associated with recalls in the period that the recalls are announced.

Employees – As of December 31, 2008, the Motorcycles segment had approximately 9,300 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 29, 2012, and the collective bargaining agreement with the Wisconsin-USW and IAM will expire on March 31, 2012. On January 23, 2009, the Company announced a restructuring plan that will impact the number of employees. Please refer to the Overview section of Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion.

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 Company's Corporate Governance Policy; (b) Committee Charters approved by the Company's 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 eight 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; (h) the Harley-Davidson Environmental Policy; (i) the Company's Policy for Managing Disclosure of Material Information; and (j) the Company's Supplier Code of Conduct. 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 retail consumer loans, primarily for the purchase of Harley-Davidson and Buell motorcycles. 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 principally in the United States and Canada.

Harley-Davidson and Buell – Operating under the trade name Harley-Davidson Credit, HDFS provides wholesale financial

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services to Harley-Davidson and Buell motorcycle dealers and retail financing to consumers. Operating under the trade name Harley-Davidson Insurance, HDFFS is an agent for the sale of motorcycle insurance policies. HDFFS 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. HDFFS offers wholesale financial services to Harley-Davidson and Buell motorcycle dealers in the United States and Canada, and during 2008 approximately 95% of such dealers utilized those services. The wholesale finance operations of HDFFS are located in Plano, Texas. Until January 1, 2008, HDFFS conducted wholesale operations in 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 HDMC. Beginning in 2008, HDMC assumed responsibility for the collection of all wholesale receivables in Europe.

Retail motorcycle financial services include installment lending for the purchase of new and used Harley-Davidson and Buell motorcycles. HDFFS' retail financial services are available through most Harley-Davidson and Buell motorcycle dealers in the United States and Canada. HDFFS' retail finance operations are principally located in Carson City, Nevada, Plano, Texas and Rolling Meadows, Illinois.

Motorcycle insurance, extended service contracts, gap coverage and debt protection products that HDFFS offers are available through most Harley-Davidson and Buell motorcycle dealers in the United States and Canada. Motorcycle insurance that HDFFS offers is also marketed on a direct basis to motorcycle riders. HDFFS insurance operations are principally located in Carson City, Nevada and Plano, Texas.

Funding – HDFFS is financed by operating cash flow, unsecured debt, unsecured commercial paper, an asset-backed commercial paper conduit facility, a committed unsecured bank credit facility, term asset-backed securitizations and the availability of advances and loans from the Company. In term asset-backed securitizations, HDFFS sells retail motorcycle loans and records a gain or loss on the sale of those loans. HDFFS also retains an interest in the excess cash flows from the receivable and recognizes income on this retained interest. After the sale, HDFFS 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 HDFFS. Competitors compete for business based largely on price and, to a lesser extent, service. HDFFS competes based on convenience, service, brand association, dealer relations, industry experience, terms and price.

In the United States, HDFFS financed 53.5% of the new Harley-Davidson motorcycles retailed by independent dealers during 2008, as compared to 54.7% in 2007. In Canada, HDFFS financed 35.6% of the new Harley-Davidson motorcycles retailed by independent dealers during 2008, as compared to 28.8% in 2007. 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, HDFFS faces competition from certain regional and national industry participants as well as dealer in-house programs.

Competition for the wholesale motorcycle finance business primarily consists of banks and other financial institutions providing wholesale financing to Harley-Davidson and Buell motorcycle dealers in their local markets.

Trademarks – HDFFS uses various trademarks and trade names for its financial services and products which are licensed from H-D Michigan, LLC, 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, HDFFS 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.

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Regulation – The operations of HDFS (both U.S. and foreign) are subject, in certain instances, to supervision and regulation by state and federal administrative agencies and various foreign governmental authorities. Many of the 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; (10) govern the use and protection of non-public personal information; and/or (11) regulate insurance solicitation and sales practices.

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. ESB originates retail loans and sells the loans to a non-banking subsidiary of HDFS. This process allows HDFS to offer retail products with many common characteristics across the United States and to similarly service loans to U.S. retail customers.

Employees – As of December 31, 2008, the Financial Services segment had approximately 800 employees.

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 must effectively execute the Company's restructuring plans within expected costs.** In January 2009, the Company announced a combination of restructuring actions that are designed to reduce excess capacity, exit non-core business operations and lower the Company's cost structure. Effectively executing these plans within expected costs and realizing expected benefits will depend upon a number of factors, including the time required to complete planned actions, effective collaboration and agreement with the Company's union partners, the absence of material issues associated with workforce reductions, availability of and effective use of third party service providers to assist in implementing the actions, avoidance of unexpected disruptions in production, retention of key employees involved in implementing the restructuring plans and the ability of the Company to sell or lease vacated facilities.

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- **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 among retail purchasers for the motorcycles and related products and services that the dealers and distributors 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 meet its financial expectations. Further, independent dealers and distributors may experience difficulty in funding their day-to-day cash flow needs and paying their obligations because of weakened retail sales and tightening credit.
- **The Company's dealers may experience a further decline in retail sales resulting from general economic conditions, tightening of credit, political events or other factors.** The motorcycle industry has been affected by general economic conditions over which motorcycle manufacturers have little control. These factors have caused a weaker retail environment leading to weaker demand for discretionary purchases and the decision to purchase a motorcycle has been and may continue to be affected by these factors. The related tightening of credit has led to more limited availability of funds from financial institutions and other lenders and sources of capital which could adversely affect the ability of retail consumers to obtain loans for the purchase of motorcycles from lenders, including HDFFS. Should general economic conditions or motorcycle industry demand continue to decline, our results of operations and financial condition may be further substantially adversely affected. The motorcycle industry can also be affected by political conditions and other factors over which motorcycle manufacturers have little control.
- **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 few years, increased availability of Harley-Davidson motorcycles has resulted in the timing of retail purchases tracking more closely with regional motorcycle riding seasons. The seasonality of the Company's wholesale shipments affects its ability to continue to maintain relatively level production, inventories and shipments throughout the year. As a result, the Company and its independent dealers and distributors must balance the economies of level production with the inventory and other costs associated with a more seasonal retail sales pattern. Failure to balance the two, or any failure of the Company to adequately adjust its methods of distributing motorcycles among its independent dealers and distributors, may have a material adverse effect on the Company's business and results of operations.
- **The Company relies on third party suppliers to obtain raw materials and provide component parts for use in the manufacture of its motorcycles.** The Company 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 the supply of a necessary raw material. Further, Company suppliers may experience difficulty due to financial market disruption in funding their day-to-day cash flow needs because of tightening credit, and those suppliers who also serve the automotive industry may be experiencing financial difficulties due to a downturn in that industry, which could adversely affect their ability to supply the Company. These supplier risks may have a material adverse effect on the Company's business and results of operations.
- **Recent and any future government actions to stabilize credit markets and financial institutions or other industries may not be effective.** The U.S. Government recently enacted legislation and created several programs to help stabilize credit markets and financial institutions and restore liquidity, including the Emergency Economic Stabilization Act of 2008, the Federal Reserve's Commercial Paper Funding Facility (CPFF) and Money Market Investor Funding Facility and

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the Federal Deposit Insurance Corporation's (FDIC) Temporary Liquidity Guarantee Program. Additionally, the governments of many countries have announced similar measures for institutions in their respective countries. Further measures may be forthcoming in light of the new administration in the U.S. There is no assurance that these programs individually or collectively will have beneficial effects in the credit markets or on general economic conditions, will address credit or liquidity issues of companies that participate in the programs or will reduce volatility or uncertainty in the financial markets. The failure of these programs to have their intended effects could have a material adverse effect on the financial markets and economies in general, which in turn could materially and adversely affect our business, financial condition and results of operations. There is also no assurance that the Company will be eligible or qualify to participate in any of these programs or that the programs will directly benefit the Company in any other way. To the extent that the Company participates in these programs or other programs, there is no assurance that the Company will continue to be eligible or qualify to participate or that such programs will remain available for sufficient periods of time or on acceptable terms to benefit the Company, and the expiration of such programs could have unintended adverse effects on the Company. Further, as a condition to participating in any such program, the Company may need to accept terms and limitations that could adversely affect the Company in other ways.

- **The Company's financial services operations rely on external sources to finance a significant portion of its operations and may require additional funding to repay amounts that may become due in 2009 and beyond.** Liquidity is essential to the Company's financial services business. The disruptions in the financial markets have caused many lenders and institutional investors to reduce, and in some cases, cease to loan money to borrowers including financial institutions. The disruption has affected and could continue to affect the Company's choice of financing sources and its ability to raise capital on favorable terms or at all. For example, recent volatile conditions in the unsecured commercial paper and asset-backed securitization markets have made capital raising in those markets challenging. In addition, during 2008, the Company's financial services operations funded a greater percentage of their business through debt rather than the asset-backed securitization market as compared to 2007.

The Company has identified three preferred options to support the funding requirements of its financial services operations and is pursuing those options. The Company will also seek to extend the credit facilities under which amounts would otherwise become due in 2009. However, there is no assurance that the efforts to pursue those options or other alternatives or to extend the facilities will be successful.

If current levels of market disruption and volatility continue or worsen, the Company might seek to meet some liquidity needs by drawing under its existing credit facilities. However, under such extreme market conditions, there can be no assurance that funds will be available under such agreements or that available funds will be sufficient.

The Company's financial services operations may be negatively affected by the increased difficulty in raising funding in the long-term and short-term debt capital markets or the equity capital markets. These negative consequences may in turn adversely affect the Company's business and results of operations in various ways, including through higher costs of capital, reduced funds available through its financial services operations to provide loans to independent dealers and their retail customers, and dilution to existing shareholders through the use of alternative sources of capital.

- **The Company's financial services operations are highly dependent on accessing capital markets to fund their operations at competitive interest rates, the Company's access to capital and its cost of capital are highly dependent upon its credit ratings, and any negative credit rating actions will adversely affect its earnings and results of operations.** The ability of the Company and its financial services operations to access unsecured capital markets is influenced by their short-term and long-term credit ratings. If the Company's credit ratings are downgraded or its ratings

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outlook is negatively changed, the Company's cost of borrowing will increase, resulting in reduced earnings and interest margins, or the Company's access to capital may be disrupted or impaired. In the event of a downgrade in the Company's short-term rating, the Company's financial services operations would no longer be eligible to participate in the Federal Reserve's Commercial Paper Funding Facility.

- **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's financial services operations. 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. Further negative changes in general business, economic or market factors may have an additional adverse impact on the Company's financial services operations' credit losses and future earnings. In addition, credit exposure is significantly sensitive to any decline in new and used motorcycle prices. The recent market turmoil has resulted in the tightening of credit, a lack of consumer confidence, unemployment and increased market volatility, all of which has led to an increased level of commercial and consumer delinquencies. The Company had higher retail receivables outstanding during 2008 as compared to 2007, due to a reduction in asset-backed securitization activity in 2008, and therefore retained increased credit risk from retail receivables.
- **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 be at a competitive disadvantage. In addition, the Company's financial services operations face competition from various banks, insurance companies and other financial institutions that may have access to additional sources of capital at more competitive rates and terms. 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 ability to remain competitive is dependent upon its capability 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 an efficient and 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.

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- **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 February 2010, July 2012 and March 31, 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, including executive officers. 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 Company's 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, including executive officers, the Company may be unable to develop and distribute products and services and effectively execute its plans and strategies.
- **The Company incurs substantial costs with respect to employee pension and healthcare benefits.** The Company's cash funding requirements and its estimates of liabilities and expenses for pensions and post-retirement healthcare benefits are based on several factors that are outside the Company's control. These factors include funding requirements of the Pension Protection Act of 2006, the rate used to discount the future estimated liability, the rate of return on plan assets medical costs, retirement age and mortality. Changes in these factors can impact the expense and cash requirements associated with these benefits which could have a material adverse effect on future results of operations, liquidity or shareholders' equity. In addition, costs associated with these defined-benefit retirement plans put the Company under significant cost pressure as compared to our competitors. Due to significant declines in worldwide financial market conditions during 2008, the funded status of the Company's pension and postretirement healthcare plans was adversely affected. The Company is expecting it will have to make additional contributions of approximately \$40 million to \$80 million to further fund its pension and postretirement healthcare plans during 2009 beyond the amount of current benefit payments for supplemental employee retirement plans and agreements and postretirement healthcare plans. Also during 2009, the Company expects to continue its practice of funding the supplemental plans and agreements and postretirement healthcare plans in amounts equal to benefits paid during the year. For future years, the Company currently anticipates that additional contributions, beyond the amount of expected benefit payments, will be needed to pre-fund the pension and postretirement healthcare plans.
- **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.

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- **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. Refer to the Company’s disclosures concerning legal proceedings in the periodic reports that the Company files with the Securities and Exchange Commission 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 (“EPA”), SEC, National Highway Traffic Safety Administration, Department of Labor and Federal Trade Commission. In addition, the Company’s sales and operations are also subject to laws and actions of state legislatures and other local regulators, including dealer statutes and licensing laws. Changes in regulations or the imposition of additional regulations may have a material adverse effect on the Company’s business and results of operations.

Our motorcycle products use internal combustion engines. These motorcycle products are subject to statutory and

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regulatory requirements governing emissions and noise, including standards imposed by the EPA, state regulatory agencies, such as California Air Resources Board, and regulatory agencies in certain foreign countries where our motorcycle products are sold. 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.

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 is exposed to market risk from changes in foreign exchange rates, commodity prices and interest rates.** The Company sells its products internationally and in most markets those sales are made in the foreign country's local currency. The Company is also subject to risks associated with changes in prices of commodities. Earnings from the Company's financial services business are affected by changes in interest rates. The Company uses derivative financial instruments to attempt to manage foreign currency exchange rates, commodity price and interest rate risks. Also, these transactions may expose us to credit risk in the event of default of a counterparty to the derivative financial instruments. 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.

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Item 2. Properties

The following is a summary of the principal operating properties of the Company as of December 31, 2008:

Motorcycles & 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	255,000	Owned
Manufacturing	Menomonee Falls, WI	881,600	Owned
Product Development and Office	East Troy, WI	79,000	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 2014
Office	Cleveland, OH	23,000	Lease expiring 2013
Manufacturing and Materials Velocity Center	Kansas City, MO	450,000	Owned
Warehouse	Kansas City, MO	10,000	Lease expiring 2011
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 2009
Manufacturing and Office	Manaus, Brazil	82,000	Lease expiring 2011
Office	Sao Paulo, Brazil	550	Lease expiring 2010
Office and Warehouse	Oxford, England	21,000	Lease expiring 2017
Office	Leiderdorp, The Netherlands	9,500	Lease expiring 2011
Office	Creteil, France	8,500	Lease expiring 2016
Office	Morfelden-Walldorf, Germany	19,900	Lease expiring 2009
Office	Wesseling, Germany	4,400	Lease expiring 2013
Office	Sant Cugat, Spain	3,400	Lease expiring 2017
Office	Zurich, Switzerland	2,000	Lease expiring 2009
Office	Lugano, Switzerland	3,200	Lease expiring 2011
Office and Warehouse	Arese, Italy	17,000	Lease expiring 2009
Manufacturing and Office	Varese, Italy	1,378,600	Owned
Warehouse	Morazzone, Italy	446,500	Owned
Product Development Center	San Marino, Italy	21,000	Owned
Product Development Center	San Marino, Italy	5,600	Lease expiring 2011
Warehouse	Yokohama, Japan	15,000	Lease expiring 2009
Office	Tokyo, Japan	14,000	Lease expiring 2009
Office	Akishima, Japan	13,000	Lease expiring 2028
Office	Shanghai, China	3,300	Lease expiring 2011
Office	Cape Town, South Africa	3,500	Lease expiring 2012
Office	Sydney, Australia	1,100	Lease expiring 2011
Manufacturing	Adelaide, Australia	485,000	Lease expiring 2011

The Company has nine facilities that perform manufacturing operations: Wauwatosa and Menomonee Falls, Wisconsin (motorcycle powertrain production); East Troy, Wisconsin (Buell[®] motorcycle assembly); Tomahawk, Wisconsin (fiberglass/plastic parts production and painting); Kansas City, Missouri (motorcycle parts fabrication, painting and Dyna, Sportster[®] and VRSC assembly); York, Pennsylvania (motorcycle parts fabrication, painting and Softail[®] and touring model assembly); Manaus, Brazil (assembly of select models for the Brazilian market); Varese, Italy (MV Agusta[®] and Cagiva[®] motorcycle assembly) 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	Rolling Meadows, IL	93,000	Lease expiring 2011
Office	Plano, TX	61,500	Lease expiring 2014
Office	Carson City, NV	100,000	Owned
Storage	Carson City, NV	1,600	Lease expiring 2009

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

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. Zarccone, 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.

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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.

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 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 Response Costs at the York facility will be approximately \$6.2 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.

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Under the terms of the sale of the Commercial Vehicles Division in 1996, the Company agreed to indemnify Utilmaster Corporation, until December 2008, for certain claims related to environmental contamination present at the date of sale, up to \$20.0 million. The indemnification agreement expired on December 31, 2008.

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*

None.

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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:

<u>2008</u>	<u>Low</u>	<u>High</u>	<u>2007</u>	<u>Low</u>	<u>High</u>
First quarter	\$34.17	\$46.61	First quarter	\$57.91	\$74.03
Second quarter	\$34.10	\$41.75	Second quarter	\$58.72	\$66.00
Third quarter	\$32.18	\$48.05	Third quarter	\$45.92	\$63.38
Fourth quarter	\$11.54	\$39.30	Fourth quarter	\$44.37	\$51.75

The Company paid the following dividends per share:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
First quarter	\$0.30	\$0.21	\$0.18
Second quarter	0.33	0.25	0.21
Third quarter	0.33	0.30	0.21
Fourth quarter	0.33	0.30	0.21
	<u>\$1.29</u>	<u>\$1.06</u>	<u>\$0.81</u>

As of February 10, 2009 there were 89,298 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, 2008:

<u>2008 Fiscal Month</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs</u>
September 29 to November 2	134	\$ 40	—	21,311,409
November 3 to November 30	—	—	—	21,318,909
December 1 to December 31	645	\$ 15	—	21,318,909
Total	<u>779</u>	<u>\$ 19</u>	<u>—</u>	

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, 2008.

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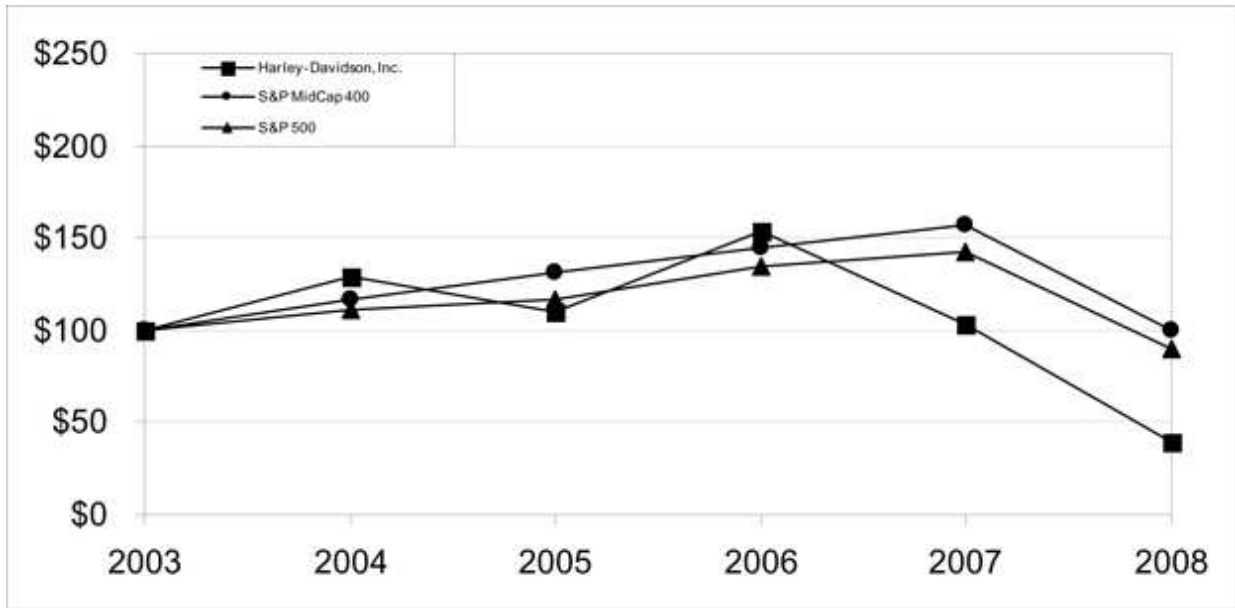
In December 2007, the Company's Board of Directors separately authorized the Company to buy back up to 20.0 million shares of its common stock with no dollar limit or expiration date. During 2008, 3.3 million shares were repurchased under this authorization, of which none were repurchased during the fourth quarter of 2008. As of December 31, 2008, 16.7 million shares remained under this authorization.

The Harley-Davidson, Inc. 2004 Incentive Stock Plan (exhibit 10.15) 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 2008, the Company acquired 779 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.

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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, 2003 and that all dividends are reinvested.



	2003	2004	2005	2006	2007	2008
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Harley-Davidson, Inc.	100	129	110	153	104	39
Standard & Poor’s MidCap 400 Index	100	116	131	145	157	100
Standard & Poor’s 500 Index	100	111	116	135	142	90

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Item 6. Selected Financial Data

(In thousands, except per share amounts)	2008 ^{(1), (2)}	2007 ^{(1), (2)}	2006 ^{(1), (2)}	2005 ⁽¹⁾	2004
Income statement data:					
Net revenue and financial services income	\$5,971,277	\$6,143,044	\$6,185,577	\$5,673,832	\$5,320,452
Income from operations	\$1,029,024	\$1,425,561	\$1,597,153	\$1,464,962	\$1,356,385
Net income	\$ 654,718	\$ 933,843	\$1,043,153	\$ 959,604	\$ 889,766
Weighted-average common shares:					
Basic	234,225	249,205	264,453	280,303	295,008
Diluted	234,477	249,882	265,273	281,035	296,852
Earnings per common share:					
Basic	\$ 2.80	\$ 3.75	\$ 3.94	\$ 3.42	\$ 3.02
Diluted	\$ 2.79	\$ 3.74	\$ 3.93	\$ 3.41	\$ 3.00
Dividends paid per common share	\$ 1.290	\$ 1.060	\$ 0.810	\$ 0.625	\$ 0.405
Balance sheet data:					
Total assets	\$7,828,625	\$5,656,606	\$5,532,150	\$5,255,209	\$5,483,293
Total debt	\$3,914,887	\$2,099,955	\$1,702,491	\$1,204,973	\$1,295,441
Total equity	\$2,115,603	\$2,375,491	\$2,756,737	\$3,083,605	\$3,218,471

⁽¹⁾ 2008, 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 15 of Notes to the Consolidated Financial Statements for further discussion.

⁽²⁾ 2008, 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 12 of Notes to the Consolidated Financial Statements for further discussion.

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Item 7. Management's Discussion and Analysis of Financial Condition 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), MV Agusta (MV) and Harley-Davidson Financial Services (HDFS). HDMC produces heavyweight custom and touring motorcycles. HDMC manufactures five families of motorcycles: Touring, Dyna[®], Softail[®], Sportster[®] and VRSC. Buell produces American sport performance motorcycles. MV produces premium, high-performance sport motorcycles sold under the MV Agusta[®] brand and lightweight sport motorcycles sold under the Cagiva[®] brand. HDFS provides wholesale and retail financing and insurance programs primarily to Harley-Davidson and Buell dealers and customers.

The Company operates in two business segments: Motorcycles & Related Products (Motorcycles) and Financial Services (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 "% Change" figures included in the "Results of Operations" section were calculated using unrounded dollar amounts and may differ from calculations using the rounded dollar amounts presented.

Overview

The Company's 2008 results were impacted by the difficult economic environment including lower consumer confidence and significant disruptions in global capital markets. The Company's 2008 net revenue and net income were down 2.3% and 29.9%, respectively, compared to 2007. Operating income for the Motorcycles segment was down 21.5% while operating income for the Financial Services segment decreased 61.0%. Diluted earnings per share were \$2.79 in 2008, a 25.4% decrease compared to last year's \$3.74.

The Company's independent dealer network was also impacted by the economy, with worldwide retail sales of Harley-Davidson motorcycles down 7.1% in 2008 as compared to 2007. In the U.S., retail sales of Harley-Davidson motorcycles in 2008 were down 13.0%, while international retail sales were up 10.3% as compared to 2007. However, international retail sales growth slowed to 0.7% during the fourth quarter of 2008 as a result of deteriorating economic conditions outside the U.S.

Outlook ⁽¹⁾

In response to the 2008 results and an economic environment that continues to be challenging, the Company announced on January 23, 2009 a three-part strategy to deal with the impact of the recession and the worldwide slowdown in consumer demand. In addition, the Company provided 2009 guidance that includes a planned decrease in Harley-Davidson motorcycle shipments and gross margin.

(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 17, 2009), and the Company disclaims any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Strategy for Current Economic Environment

The Company's strategy is focused on three critical areas:

- investing in the Harley-Davidson brand;
- restructuring the operations and reducing the cost-structure; and
- obtaining funding for HDFS.

To execute the first part of this strategy, the Company is reinforcing its support of the Harley-Davidson brand, through its ongoing marketing efforts to reach out to emerging rider groups, including younger and diverse riders. In addition, the Company will continue to focus on product innovations targeted at specific growth opportunities within its strong core customer base and new riders.

The second aspect of the Company's strategy will be implemented through a combination of restructuring actions. The restructuring actions are designed to reduce excess capacity, exit ancillary business operations and lower the Company's cost structure. The Company's planned actions include:

- consolidating its two engine and transmission plants in the Milwaukee area into its facility in Menomonee Falls, Wisconsin;
- consolidating paint and frame operations at its assembly facility in York, Pennsylvania into existing operations at that site;
- closing its distribution facility in Franklin, Wisconsin, consolidating Parts and Accessories and General Merchandise distribution through a third party; and
- discontinuing the domestic transportation fleet.

In addition to these restructuring activities, the Company will also be reducing its hourly workforce due to lower production volumes and the salaried workforce to reduce operating expenses. In total, the Company expects to eliminate approximately 1,100 positions over 2009 and 2010. Of that total, approximately 800 will be hourly production positions and approximately 300 will be non-production, primarily salaried positions. The Company expects that approximately 800 positions (500 hourly production and 300 non-production) of the total will be eliminated in 2009 and all but approximately 100 of these reductions will occur in the first half of the year. The remaining 300 jobs will be eliminated during 2010 as the final stages of consolidating the engine and transmission operations are completed.

The Company estimates that costs associated with the restructuring activities will be incurred over 2009 and 2010 and will total approximately \$110 million to \$140 million. The Company expects that approximately 75% of these costs will be paid in cash with the balance consisting of non-cash charges. The Company expects to incur between \$80 million and \$100 million of these costs in 2009, with \$30 million to \$40 million in the first quarter. The remaining restructuring costs, between \$30 million and \$40 million, are expected to be incurred in 2010. Restructuring costs will be excluded from gross profit and disclosed separately in the Company's income statement.

The Company expects the ongoing annual benefit of its restructuring activities to be between \$60 million and \$70 million beginning in 2011. During 2009 and 2010, the Company expects that the annual benefit of these activities will be \$10 million to \$20 million and \$30 million to \$50 million, respectively.

The third aspect of the Company's strategy will focus on obtaining funding for HDFS. The Company is evaluating a range of options to provide the necessary liquidity for the wholesale and retail lending activities of HDFS. In order to meet HDFS' funding needs for the remainder of 2009, the Company intends to pursue a combination of actions, including (a) accessing the unsecured debt capital markets, (b) increasing and extending its existing asset-backed commercial paper conduit facility, (c) renewing its 364-day credit facility that expires in July 2009 and (d) gaining access to the asset-backed securitization market through the U.S. Federal Reserve's Term Asset-backed securities Loan Facility (TALF) program. These options are discussed in greater detail under "Liquidity and Capital Resources."

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2009 Guidance

Given the uncertain and unpredictable global economy in 2009, the Company has decided not to provide 2009 earnings per share guidance at this time and has instead provided full year and quarterly shipment guidance, gross margin expectations and anticipated capital expenditures.

On January 23, 2009, the Company announced that it plans to ship between 264,000 and 273,000 Harley-Davidson motorcycles in 2009, a decrease of 10% to 13% compared to 2008. In the first quarter of 2009, the Company expects to ship between 74,000 to 78,000 Harley-Davidson motorcycles, a 3.0% to 8.5% increase over the first quarter of 2008 as the Company and its independent dealers and distributors prepare for the spring and summer selling season.

For the full year of 2009, the Company expects gross margin to be between 30.5% and 31.5%. The Company's gross margin expectations include anticipated benefits of the restructuring activities in 2009. However, these benefits are expected to be more than offset by three primary factors (as compared to 2008):

- higher anticipated fixed costs per unit resulting from the allocation of fixed costs over fewer units;
- lower anticipated gross margin resulting from a change in the motorcycle product mix; and
- lower anticipated gross margin resulting from the negative impact of foreign currency exchange rate changes.

Finally, the Company expects its capital expenditures in 2009 to be lower than in 2008, with planned expenditures of \$180 million to \$200 million in 2009. In addition, the Company expects to incur approximately \$10 to \$20 million of capital expenditures in connection with its restructuring activities in 2009.

Results of Operations 2008 Compared to 2007

Consolidated Results

			(Decrease)	%
(in millions, except earnings per share and effective income tax rate)	2008	2007	Increase	Change
Operating income from motorcycles & related products	\$966.4	\$1,230.6	\$ (264.2)	(21.5)%
Operating income from financial services	\$ 82.8	\$ 212.2	\$ (129.4)	(61.0)%
Investment income	\$ 9.5	\$ 22.3	\$ (12.8)	(57.3)%
Interest expense	\$ 4.5	—	\$ 4.5	N/M
Net income	\$654.7	\$ 933.8	\$ (279.1)	(29.9)%
Diluted earnings per share	\$ 2.79	\$ 3.74	\$ (0.95)	(25.4)%
Effective income tax rate	36.7%	35.5%		

As discussed in the Overview, operating income for both of the Company's segments was impacted by the difficult economic environment including lower consumer confidence and significant disruptions in global capital markets. Motorcycles operating income fell 21.5% during 2008, driven by a decrease in shipments of Harley-Davidson motorcycles. In addition, lower operating income from Financial Services driven by lower securitization income and a write-down of finance receivables and investment of retained securitization interests, contributed to the decrease in consolidated income from operations for 2008. Please refer to the detailed discussion of segment results following.

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Investment income was lower during 2008 due to the decrease in average cash and marketable securities during the year. Interest expense during 2008 relates to debt incurred in connection with the acquisition of MV.

The Company's effective income tax rate for 2008 was 36.7% compared to 35.5% in 2007. The increase was due primarily to tax implications associated with the acquisition and ongoing operations of MV.

Diluted earnings per share during 2008 were down 25.4% from 2007 on lower net income which more than offset the positive impact of fewer weighted-average shares outstanding. Diluted earnings per share during 2008 were positively impacted by a decrease in the weighted-average shares outstanding, which were 234.5 million in 2008 compared to 249.9 million in 2007. The decrease in weighted-average shares outstanding was driven by the Company's repurchases of common stock over 2007 and 2008 through August. The Company's 2008 share repurchases are discussed in further detail under "Liquidity and Capital Resources."

Motorcycle Unit Shipments and Net Revenue

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

	2008		2007		(Decrease)	%
					Increase	Change
Motorcycle Unit Shipments						
United States	206,309	68.0%	241,539	73.1%	(35,230)	(14.6)%
International	97,170	32.0%	89,080	26.9%	8,090	9.1
Harley-Davidson motorcycle units	<u>303,479</u>	<u>100.0%</u>	<u>330,619</u>	<u>100.0%</u>	<u>(27,140)</u>	(8.2)
Touring motorcycle units	101,887	33.6%	114,076	34.5%	(12,189)	(10.7)
Custom motorcycle units*	140,908	46.4%	144,507	43.7%	(3,599)	(2.5)
Sportster motorcycle units	60,684	20.0%	72,036	21.8%	(11,352)	(15.8)
Harley-Davidson motorcycle units	<u>303,479</u>	<u>100.0%</u>	<u>330,619</u>	<u>100.0%</u>	<u>(27,140)</u>	(8.2)
Buell motorcycle units	<u>13,119</u>		<u>11,513</u>		<u>1,606</u>	13.9%

* Custom motorcycle units, as used in this table, include Dyna, Softail, VRSC and CVO models.

During 2008, the Company shipped 303,479 Harley-Davidson motorcycles, a decrease of 27,140 motorcycles, or 8.2%, from last year. The Company's shipments in the U.S. in 2008 continued to be negatively impacted by the challenging economic environment, but were consistent with the Company's expectations to ship 23,000 to 27,000 fewer Harley-Davidson motorcycles in 2008 than were shipped in 2007. The Company's shipments in international markets grew during 2008, and the percentage of units shipped to international customers increased, consistent with the Company's strategic focus on global markets.

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The following table includes net revenue for the Motorcycles segment (in millions):

	<u>2008</u>	<u>2007</u>	<u>(Decrease)</u> <u>Increase</u>	<u>%</u> <u>Change</u>
Net Revenue				
Harley-Davidson motorcycles	\$4,278.2	\$4,446.6	\$ (168.4)	(3.8)%
Buell motorcycles	<u>123.1</u>	<u>100.5</u>	<u>22.6</u>	<u>22.4</u>
	4,401.3	4,547.1	(145.8)	(3.2)
Parts & Accessories	858.7	868.3	(9.6)	(1.1)
General Merchandise	313.8	305.4	8.4	2.8
Other	<u>20.5</u>	<u>6.0</u>	<u>14.5</u>	<u>N/M</u>
Net revenue	<u>\$5,594.3</u>	<u>\$5,726.8</u>	<u>\$ (132.5)</u>	<u>(2.3)%</u>

Motorcycles segment net revenue decreased \$132.5 million, or 2.3%. Net revenue was lower by approximately \$323 million primarily due to the 8.2% lower shipment volume of Harley-Davidson motorcycles. Partially offsetting the unfavorability in volume was favorability resulting from changes in foreign currency exchange rates of approximately \$95 million and product mix changes of approximately \$70 million. In addition, wholesale price increases on Harley-Davidson motorcycles contributed approximately \$21 million to revenue.

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Harley-Davidson Motorcycle Retail Sales

The Company sells its motorcycles at wholesale to an independent network of dealers and distributors who in turn sell the Company's products at retail. Worldwide retail sales of Harley-Davidson motorcycles decreased 7.1% during 2008 relative to 2007. Retail sales of Harley-Davidson motorcycles decreased 13.0% in the United States while growing 10.3% internationally. On an industry-wide basis, the heavyweight (651+cc) portion of the market was down 7.0% in the United States while growing 2.2% in Europe when compared to the same periods in 2007. The following table includes retail unit sales of Harley-Davidson motorcycles:

Harley-Davidson Motorcycle Retail Sales ^(a) Heavyweight (651+cc)

	2008	2007	(Decrease) Increase	% Change
North America Region				
United States	218,939	251,772	(32,833)	(13.0)%
Canada	<u>16,502</u>	<u>14,779</u>	<u>1,723</u>	11.7
Total North America Region	235,441	266,551	(31,110)	(11.7)
Europe Region (Includes Middle East and Africa)				
Europe ^(b)	40,725	38,866	1,859	4.8
Other	<u>4,317</u>	<u>3,436</u>	<u>881</u>	25.6
Total Europe Region	45,042	42,302	2,740	6.5
Asia Pacific Region				
Japan	14,654	13,765	889	6.5
Other	<u>10,595</u>	<u>9,689</u>	<u>906</u>	9.4
Total Asia Pacific Region	25,249	23,454	1,795	7.7
Latin America Region				
	<u>8,037</u>	<u>5,467</u>	<u>2,570</u>	47.0
Total Worldwide Retail Sales	<u>313,769</u>	<u>337,774</u>	<u>(24,005)</u>	(7.1)%

(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) Data for Europe include 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:

Motorcycle Industry Retail Registrations Heavyweight (651+cc)

	<u>2008</u>	<u>2007</u>	(Decrease) <u>Increase</u>	% <u>Change</u>
United States ^(a)	479,776	516,083	(36,307)	(7.0)%
Europe ^(b)	397,336	388,681	8,655	2.2%

(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 at this time.

Cost of Goods Sold

Cost of goods sold was \$3.66 billion for the Motorcycles segment in 2008, an increase of \$50.7 million or 1.4% versus last year. The increased cost was led by higher manufacturing and raw material costs of approximately \$117 million. Manufacturing costs increased partially as the result of a higher fixed cost per unit due to allocating fixed costs to fewer units. Additionally, higher manufacturing costs were the result of increased product cost as the Company invests in new models and increased product content, such as new features and options on the Company's motorcycles. Raw material surcharges were approximately \$23 million higher when compared to the prior year. Cost of goods sold also increased by approximately \$29 million resulting from changes in foreign currency exchange rates and approximately \$42 million related to changes in product mix. Partially offsetting these cost increases were lower costs of approximately \$137 million resulting from lower shipment volumes.

Gross Profit

Gross profit was \$1.93 billion for the Motorcycles segment for 2008, a decrease of \$183.3 million or 8.7% versus 2007. Gross margin for 2008 was 34.5% compared to 36.9% for 2007. The factors impacting the change in gross margin are detailed under "Motorcycle Unit Shipments and Net Revenue" and "Cost of Goods Sold" above.

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Financial Services

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

	2008	2007	Increase (Decrease)	% Change
Interest income	\$290.1	\$196.8	\$ 93.3	47.4%
Income from securitizations	13.4	97.6	(84.2)	(86.2)
Other income	73.5	121.8	(48.3)	(39.7)
Financial services income	377.0	416.2	(39.2)	(9.4)
Interest expense	136.8	81.5	55.3	67.9
Operating expenses	157.4	122.5	34.9	28.5
Financial services expense	294.2	204.0	90.2	44.2
Operating income from financial services	<u>\$ 82.8</u>	<u>\$212.2</u>	<u>\$ (129.4)</u>	(61.0)%

Interest income benefited from higher average retail outstanding receivables, partially offset by lower wholesale lending rates and slightly lower average wholesale outstanding receivables. Interest expense was higher due to increased borrowings to support growth in outstanding retail receivables, partially offset by lower borrowing rates. The increase in retail receivables outstanding was driven by a reduction in term asset-backed securitization activity during 2008 due to capital market volatility. The increase in operating expenses is primarily due to a \$28.4 million increase in the provision for credit losses.

Other income decreased during 2008 as compared to 2007 primarily due to a \$37.8 million charge to earnings from the lower of cost or market value of its finance receivables held for sale. HDFS uses discounted cash flow methodologies to estimate the fair value of finance receivables held for sale that incorporate appropriate assumptions for discount rate, funding costs and credit enhancement, as well as estimates concerning credit losses and prepayments that, in management's judgment, reflect assumptions marketplace participants would use. Any amount by which cost exceeds fair value is accounted for as a valuation adjustment with an offset to other income. The decline in fair value below cost was due to higher projected credit losses, increased funding costs and an increased discount rate in the fourth quarter of 2008 from 12% to 18%.

Income from securitizations during 2008 was lower as compared to 2007 due to a \$41.4 million write-down of certain retained interests during 2008, a loss on the first quarter 2008 securitization transaction and the absence of a securitization transaction in the last three quarters of 2008. This compares to a \$9.9 million write-down and three securitization transactions completed in 2007.

During 2008, HDFS sold \$540.0 million in retail motorcycle loans in a securitization transaction and recognized a loss of \$5.4 million, or 0.99% as a percentage of loans sold. This compares to a gain as a percentage of loans sold of 1.42%, or \$36.0 million, on \$2.53 billion of loans securitized in 2007. The loss in 2008 was driven by increased securitization funding costs due to capital market volatility and higher projected credit losses. In the 2008 securitization transaction, HDFS retained \$54.0 million of the subordinated securities issued by the securitization trust. The subordinated securities that were retained have been included in the investment in retained securitization interests (a component of finance receivables held for investment) in the Consolidated Balance Sheets. The cash proceeds from the 2008 securitization transaction are net of the cost of the retained subordinated securities.

Income from securitizations was also negatively impacted in 2008 by a \$41.4 million write down of certain retained securitization interests. The write downs, which occurred in June and December of 2008 and are considered permanent impairments, resulted from a decline in the fair value of certain retained securitization interests due to higher actual and anticipated credit losses on those securitization portfolios and an increase in the discount rate from 12% to 18% in the fourth quarter of 2008. This compares to an impairment charge of \$9.9 million incurred in 2007.

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HDFS reviews its assumptions for determining the fair value of the investment in retained securitization interests each quarter. Key assumptions include expected losses, prepayment speed and discount rate. HDFS determines these assumptions by reviewing historical trends and current economic conditions. Given the challenging U.S. economy, credit losses on HDFS' retail installment loans have increased, and as a result, the fair value of retained securitization interests has declined and in some cases this decline is permanent. Depending on the behavior of future loss rates, prepayment speeds and the discount rate, HDFS could experience further write-downs of its retained interests, which had a fair value of \$330.7 million as of December 31, 2008. A write-down in the retained securitization interest generally represents a non-cash charge in the period in which it is recorded, but ultimately represents a reduction in the residual cash flow that HDFS expects to receive from its investment in retained securitization interests.

Annualized losses on HDFS' managed retail motorcycle loans were 2.30% in 2008 compared to 1.91% for 2007. The 30-day delinquency rate for managed retail motorcycle loans at December 31, 2008 increased to 6.29% from 6.15% at December 31, 2007. Managed retail loans include loans held by HDFS as well as those sold through securitization transactions. The increase in losses was primarily due to a higher incidence of loss resulting from an increase in delinquent accounts. The Company expects that HDFS will continue to experience higher delinquencies and credit losses as a percentage of managed retail motorcycle loans in 2009 as compared to 2008.

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

	<u>2008</u>	<u>2007</u>
Balance, beginning of period	\$ 30.3	\$27.3
Provision for finance credit losses	39.6	11.2
Charge-offs, net of recoveries	<u>(29.8)</u>	<u>(8.2)</u>
Balance, end of period	<u>\$ 40.1</u>	<u>\$30.3</u>

HDFS' periodic evaluation of the adequacy of the allowance for finance credit losses on finance receivables held for investment 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 in the existing portfolio.

Operating Expenses

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

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Motorcycles and Related Products				
Selling & Administrative	\$796.3	\$692.8	\$ 103.5	14.9%
Engineering	168.1	190.6	(22.5)	(11.8)
Corporate	<u>20.2</u>	<u>17.3</u>	<u>2.9</u>	16.7
Total operating expenses	<u>\$984.6</u>	<u>\$900.7</u>	<u>\$ 83.9</u>	9.3%

Total operating expenses were 17.6% and 15.7% of net revenue for 2008 and 2007, respectively. Selling and administrative expenses include the impact of the one-time \$20.1 million expense related to the value of in-process research and development at MV (see Note 3 of Notes to Consolidated Financial Statements for further discussion) and a \$12.4 million restructuring charge incurred by the Company during 2008 (see Note 4 of Notes to Consolidated Financial Statements for further discussion). In addition, selling and administrative expenses were higher due to higher international operating costs associated with the Company's international growth.

Results of Operations 2007 Compared to 2006

Consolidated Results

(in millions, except earnings per share and effective income tax rate)			(Decrease)	
	2007	2006	Increase	% Change
Operating income from motorcycles & related products	\$ 1,230.6	\$ 1,409.0	\$ (178.4)	(12.7)%
Operating income from financial services	\$ 212.2	\$ 210.7	\$ 1.5	0.7%
Investment income	\$ 22.3	\$ 27.1	\$ (4.8)	(17.8)%
Net income	\$ 933.8	\$ 1,043.2	\$ (109.4)	(10.5)%
Diluted earnings per share	\$ 3.74	\$ 3.93	\$ (0.19)	(4.8)%
Effective income tax rate	35.5%	35.8%		

The decrease in Motorcycles operating income was driven primarily by a decrease in shipments of Harley-Davidson motorcycles. Please refer to the detailed discussion of segment results following.

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.

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.

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. Share repurchases are discussed in further detail under "Liquidity and Capital Resources."

Motorcycle Unit Shipments and Net Revenue

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

Motorcycle Unit Shipments					(Decrease)	
	2007		2006		Increase	% Change
United States	241,539	73.1%	273,212	78.2%	(31,673)	(11.6)%
International	89,080	26.9%	75,984	21.8%	13,096	17.2
Harley-Davidson motorcycle units	<u>330,619</u>	<u>100.0%</u>	<u>349,196</u>	<u>100.0%</u>	<u>(18,577)</u>	(5.3)
Touring motorcycle units	114,076	34.5%	123,444	35.4%	(9,368)	(7.6)
Custom motorcycle units*	144,507	43.7%	161,195	46.2%	(16,688)	(10.4)
Sportster motorcycle units	72,036	21.8%	64,557	18.5%	7,479	11.6
Harley-Davidson motorcycle units	<u>330,619</u>	<u>100.0%</u>	<u>349,196</u>	<u>100.0%</u>	<u>(18,577)</u>	(5.3)
Buell motorcycle units	<u>11,513</u>		<u>12,460</u>		<u>(947)</u>	(7.6)%

* Custom motorcycle units, as used in this table, include Dyna, Softail, VRSC and CVO models.

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During 2007, the Company shipped 330,619 Harley-Davidson motorcycles, a decrease of 18,577 motorcycles, or 5.3%, from 2006. 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 following table includes net revenue for the Motorcycles segment (in millions):

	2007	2006	(Decrease) Increase	% Change
Net Revenue				
Harley-Davidson motorcycles	\$4,446.6	\$4,553.6	\$ (107.0)	(2.3)%
Buell motorcycles	<u>100.5</u>	<u>102.2</u>	<u>(1.7)</u>	<u>(1.7)</u>
	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	<u>6.0</u>	<u>5.1</u>	<u>0.9</u>	<u>N/M</u>
Net revenue	<u>\$5,726.8</u>	<u>\$5,800.7</u>	<u>\$ (73.9)</u>	<u>(1.3)%</u>

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.

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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 2006. 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:

Harley-Davidson Motorcycle Retail Sales ^(a) Heavyweight (651+cc)

	2007	2006	(Decrease) Increase	% Change
North America Region				
United States	251,772	268,366	(16,594)	(6.2)%
Canada	14,779	13,514	1,265	9.4
Total North America Region	266,551	281,880	(15,329)	(5.4)
Europe Region (Includes Middle East and Africa)				
Europe ^(b)	38,866	33,786	5,080	15.0
Other	3,436	2,746	690	25.1
Total Europe Region	42,302	36,532	5,770	15.8
Asia Pacific Region				
Japan	13,765	13,284	481	3.6
Other	9,689	7,744	1,945	25.1
Total Asia Pacific Region	23,454	21,028	2,426	11.5
Latin America Region	5,467	4,541	926	20.4
Total Worldwide Retail Sales	<u>337,774</u>	<u>343,981</u>	<u>(6,207)</u>	(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) Data for Europe include 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:

Motorcycle Industry Retail Registrations Heavyweight (651+cc)

			(Decrease)	%
	<u>2007</u>	<u>2006</u>	<u>Increase</u>	<u>Change</u>
United States ^(a)	516,083	542,991	(26,908)	(5.0)%
Europe ^(b)	388,681	361,307	27,374	7.6%

(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 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 increased manufacturing and raw material costs of approximately \$154 million. The increase in manufacturing costs 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. Raw material surcharges were approximately \$31 million higher when compared to 2006. 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 factors impacting the change in gross margin are detailed under "Motorcycle Unit Shipments and Net Revenue" and "Cost of Goods Sold" above.

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Financial Services

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

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
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	<u>\$212.2</u>	<u>\$210.7</u>	<u>\$ 1.5</u>	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.

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 was primarily due to an increase in delinquent accounts resulting in a higher incidence of loss as well as pressure on values for repossessed motorcycles.

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

	<u>2007</u>	<u>2006</u>
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	<u>\$30.3</u>	<u>\$27.3</u>

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

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Operating Expenses

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

	<u>2007</u>	<u>2006</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Motorcycles and Related Products				
Selling & Administrative	\$692.8	\$637.5	\$ 55.3	8.7%
Engineering	190.6	186.2	4.4	2.4
Corporate	<u>17.3</u>	<u>22.7</u>	<u>(5.4)</u>	<u>(23.5)</u>
Total operating expenses	<u>\$900.7</u>	<u>\$846.4</u>	<u>\$ 54.3</u>	<u>6.4%</u>

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.

Other Matters

New Accounting Standards Not Yet Adopted

In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 141 (revised 2007), "Business Combinations." SFAS No. 141(R) changes the accounting for business combinations in a number of areas including the treatment of contingent consideration, pre-acquisition contingencies, transaction costs, in-process research and development and restructuring costs. In addition, under SFAS No. 141(R), changes in an acquired entity's deferred tax assets and uncertain tax positions after the measurement period will impact income tax expense. SFAS No. 141(R) will be effective for the Company beginning in fiscal year 2009. This standard will change the Company's accounting treatment for business combinations on a prospective basis, when adopted.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133." SFAS No. 161 requires enhanced disclosures about an entity's derivative and hedging activities. Entities will be required to provide enhanced disclosures about: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedge items are accounted for under SFAS No. 133 and its related interpretations; and (c) how derivative instruments and related hedge items affect an entity's financial position, financial performance and cash flows. The Company is required to adopt SFAS No. 161 beginning in fiscal year 2009. The Company is currently evaluating the impact the new disclosure requirements will have on its consolidated financial statements and notes thereto.

In December 2008, the FASB issued FASB Staff Position (FSP) No. SFAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets." FSP No. SFAS 132(R)-1 requires additional fair value disclosures about employers' pension and postretirement benefit plan assets consistent with guidance contained in SFAS No. 157, "Fair Value Measurements." Specifically, employers will be required to disclose information about how investment allocation decisions are made, the fair value of each major category of plan assets and information about the inputs and valuation techniques used to develop the fair value measurements of plan assets. FSP No. SFAS 132(R)-1 is effective for fiscal years ending after December 15, 2009. The Company is currently evaluating the impact the new disclosure requirements will have on its consolidated financial statements and notes.

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Critical Accounting Estimates

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

Finance Receivable Securitizations – The Company has sold 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, HDFFS receives cash and retains an interest in excess cash flows, subordinated securities, 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 of fair value are generally not available for retained interests. Therefore, fair value is measured using discounted cash flow methodologies that incorporate management's best estimate of key assumptions that, in management's judgment, reflect the assumptions marketplace participants would use. The impact of changes to key assumptions is shown in Note 8 of Notes to Consolidated Financial Statements. HDFFS retains servicing rights under retail loans that it has sold to the securitization trust and receives a servicing fee. The servicing fee paid to HDFFS is considered adequate compensation for the services provided and is included in financial services income as earned.

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.

Valuation of Loans Held for Sale – Finance receivables held for sale in the aggregate are carried at the lower of cost or estimated fair value. HDFFS uses discounted cash flow methodologies to estimate the fair value of finance receivables held for sale that incorporate appropriate assumptions for discount rate, funding costs and credit enhancement, as well as estimates concerning credit losses and prepayments that, in management's judgment, reflect assumptions marketplace participants would use. Any amount by which cost exceeds fair value is accounted for as a valuation adjustment with an offset to other income.

Allowance for Finance Credit Losses on Finance Receivables Held for Investment – 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 held for investment portfolio. Management's periodic evaluation of the adequacy of the allowance is generally based on HDFFS' 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 Consolidated Financial Statements.

Pensions 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. Retirement Plan (pension, SERPA and postretirement healthcare) obligations and costs are calculated through actuarial valuations. The valuation of benefit obligations and net periodic benefit costs relies on key assumptions including discount rates, long-term expected return on plan assets, future compensation and healthcare cost trend rates. As discussed in Note 1 of Notes to Consolidated Financial Statements, the Company adopted the measurement date provisions of SFAS No. 158 as of January 1, 2008. Accordingly, the Company's actuarial measurement date (the date when the Company evaluates and updates all of its assumptions) changed from September 30 to December 31.

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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 for Retirement Plan obligations was decreased from 6.30% as of September 30, 2007 to 6.10% as of December 31, 2008. The Company determines its healthcare trend assumption for the postretirement healthcare obligation by considering factors such as estimated healthcare inflation, the utilization of healthcare benefits and changes in the health of plan participants. Based on the Company's assessment of this data as of December 31, 2008, the Company lowered its healthcare cost trend rate to 8% from 9% as of September 30, 2007. The Company expects the healthcare cost trend rate to reach its ultimate rate of 5% beginning in 2014. 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
2008 Net periodic benefit costs			
Pension and SERPA	\$ 44,466	\$ 20,380	n/a
Postretirement healthcare	\$ 32,745	\$ 2,516	\$ 1,367
2008 Benefit obligations			
Pension and SERPA	\$ 1,178,283	\$ 169,810	n/a
Postretirement healthcare	\$ 372,631	\$ 42,097	\$ 12,929

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 12 of Notes to 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.

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The Company uses implied volatility to determine the expected volatility of its stock. Implied volatility take 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 payments 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 control the cost 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 carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Company is subject to income taxes in the 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 FASB Interpretation No. (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 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 a 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, 2008 is as follows (in thousands):

	2009	2010 - 2011	2012 - 2013	Thereafter	Total
Principal payments on debt	\$1,738,649	\$596,819	\$399,643	\$ 998,179	\$3,733,290
Interest payments on debt	149,224	226,570	157,318	298,822	831,934
Operating lease payments	12,225	15,503	8,685	18,020	54,433
	<u>\$1,900,098</u>	<u>\$838,892</u>	<u>\$565,646</u>	<u>\$1,315,021</u>	<u>\$4,619,657</u>

As described in Note 9 of Notes to Consolidated Financial Statements, as of December 31, 2008, the Company classified \$568.7 million related to its unsecured commercial paper and its Global Credit Facilities (as defined in "Liquidity and Capital Resources") as long-term debt as of December 31, 2008. This amount is classified as long term because it is supported by the Global Credit Facilities and is expected to remain outstanding for an uninterrupted period extending beyond one year; accordingly, the Company has assumed that this amount will be repaid in 2011.

Interest obligations include the impact of interest rate hedges outstanding as of December 31, 2008. Interest for floating rate instruments, as calculated above, assumes December 31, 2008 rates remain constant.

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As of December 31, 2008, 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, 2008. Due to the current funded status of the pension and postretirement plans, the Company is anticipating future contributions, beyond the amounts of current benefit payments, will be necessary for 2009. The Company's expected future contributions to these plans are provided in Note 12 of Notes to Consolidated Financial Statements.

As described in Note 10 of Notes to Consolidated Financial Statements, the Company has unrecognized tax benefits of \$79.0 million and accrued interest and penalties of \$23.2 million as of December 31, 2008. However, the Company cannot make a reasonably reliable estimate for the period of cash settlement for either the \$79.0 million of liability of unrecognized tax benefits or accrued interest and penalties of \$23.2 million.

Off-Balance Sheet Arrangements

As part of its term asset-backed 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 term asset-backed securities issued by the securitization trust. The term 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 term 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 Qualifying Special Purpose Entities (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, 2008 was \$330.7 million. The securitization trusts have a limited life and generally terminate upon final distribution of amounts owed to the investors in the term asset-backed securities. See Note 8 of Notes to Consolidated Financial Statements for further discussion of HDFS' term asset-backed securitization program.

As discussed in Note 1 of Notes to Consolidated Financial Statements, the Company utilized an asset-backed commercial paper conduit facility that did not satisfy the requirements for accounting sale treatment under SFAS No. 140.

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

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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.

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 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 Response Costs at the York facility will be approximately \$6.2 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.

Under the terms of the sale of the Commercial Vehicles Division in 1996, the Company agreed to indemnify Utilmaster Corporation, until December 2008, for certain claims related to environmental contamination present at the date of sale, up to \$20.0 million. The indemnification agreement expired on December 31, 2008.

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, 2008

Over the long-term, the Company expects that its business model will continue to generate cash that will allow it to invest in the business, fund future growth opportunities and return value to shareholders. ⁽¹⁾ At the same time, the Company recognizes that the recent disruption in the global capital markets has impacted its ability to access funding sources historically utilized to support the operation of its Financial Services business. During 2008, the Company funded its Financial Services operations with unsecured debt, unsecured commercial paper, an asset-backed commercial paper conduit facility, a committed unsecured bank credit facility and a term asset-backed securitization.

The Company has estimated that HDFS' funding requirements in 2009 will be approximately \$1.00 billion in addition to amounts that may become due in July 2009 if the Company is unable to extend its 364-day credit facility that is part of its Global Credit Facilities (as defined below) or on March 31, 2009 under the \$500.0 million asset-backed commercial paper conduit facility that was entered into in December 2008. The Company intends to satisfy HDFS' 2009 funding requirements through a combination of preferred actions. The first is for HDFS or the Company to attempt to access the unsecured debt capital markets; the Company's issuance of \$600.0 million of senior unsecured five-year notes completed in February 2009 is an example of this. The Company also intends to seek to renew its 364-day credit facility that expires in July 2009 and to increase and extend the existing \$500.0 million asset-backed commercial paper conduit facility. Expanding and extending the asset-backed commercial paper conduit facility would supplement the existing unsecured commercial paper program. Finally, the Company is working to gain access to the asset-backed securitization market through the U.S. Federal Reserve's TALF program. The Company is in the process of researching the program and determining how it may benefit from it. Retail motorcycle loans have been included as eligible assets in the program; however exact details of the TALF program are not yet finalized. No assurance can be given that the Company's efforts to pursue these options will

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be successful, and if such efforts are not successful, the Company will need to consider other alternatives. In addition, the shelf registration statement filed with the SEC in December 2008 may provide additional flexibility as needed.

In addition to the funding alternatives discussed above, the Company will take steps to manage and preserve cash. On February 12, 2009, the Company's Board of Directors approved a first quarter 2009 dividend of \$0.10 per share, a decrease of \$0.20 per share from the dividend paid in the first quarter of 2008. Reducing the first quarter dividend preserves approximately \$50 million of cash during the first quarter of 2009. Additionally, in early 2009 HDFFS discontinued new loan originations for general aviation consumer aircraft allowing HDFFS to focus its resources on the core business of retail and wholesale motorcycle lending.

As discussed in Note 12 of Notes to Consolidated Financial Statements, due to significant declines in worldwide financial market conditions during 2008, the funded status of the Company's pension and postretirement healthcare plans was adversely affected. As a result, the Company is expecting it will have to make additional contributions of approximately \$40 million to \$80 million to further fund its pension plans during 2009 in addition to the on-going contribution requirements related to current benefit payments for SERPA and postretirement healthcare plans.

As discussed in Note 3 of Notes to Consolidated Financial Statements, the Company completed the purchase of MV during the third quarter of 2008. The Company financed the transaction and MV's initial working capital requirements through \$181.6 million of debt under the Global Credit Facilities. Going forward, the Company anticipates that short-term working capital requirements for MV will be financed through additional debt.

Cash Flow Activity

The following table summarizes the operating, investing and financing cash flow activity for the three years ended December 31, 2008, 2007 and 2006 (in thousands):

	2008	2007	2006
Net cash (used by) provided by operating activities	\$ (684,649)	\$ 798,146	\$ 761,780
Net cash (used by) provided by investing activities	(393,247)	391,205	(35,259)
Net cash provided by (used by) financing activities	1,293,390	(1,037,803)	(637,023)
Total	<u>\$ 215,494</u>	<u>\$ 151,548</u>	<u>\$ 89,498</u>

Operating Activities

The decrease in operating cash flow from 2007 to 2008 was due primarily to lower securitization proceeds. Proceeds from the sale of retail finance receivables resulted in cash inflows of \$467.7 million and \$2.49 billion during 2008 and 2007, respectively. During 2008, HDFFS funded a greater percentage of its business with proceeds from unsecured commercial paper, medium-term notes and a newly-created asset-backed commercial paper conduit facility than it did in 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.

Capital expenditures were \$232.2 million and \$242.1 million during 2008 and 2007, respectively. The Company estimates that base capital expenditures for 2009 will be in the range of \$180.0 million to \$200.0 million. ⁽¹⁾ In addition, the Company expects to incur capital expenditures of \$10 million to \$20 million in connection with the implementation of the recently announced restructuring plan in 2009. ⁽¹⁾ The Company anticipates it will have the ability to fund all capital expenditures in 2009 with internally generated funds. ⁽¹⁾

Sales and redemptions of marketable securities (net of purchases) in 2008 resulted in cash inflow of \$2.5 million compared to \$657.7 million in 2007. The year over year decline in cash inflow from marketable securities is a result of the Company reducing its investment in marketable securities over the previous twelve months, generally for the purpose of funding share repurchases.

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The year over year increase in cash used in investing activities was also affected by the Company's acquisition of MV during the third quarter of 2008.

Financing Activities

The Company's financing activities consist primarily of share repurchases, dividend payments and debt activity. During 2008, the Company repurchased 6.3 million shares of its common stock at a total cost of \$250.4 million. The Company repurchased 3.1 million of these shares under a general authorization provided by the Company's Board of Directors in October 2006 to buy back 20.0 million shares. As of December 31, 2008, no shares remained under this authorization. The remaining 3.2 million shares were repurchased under an authorization granted by the Company's Board of Directors in December 2007, which separately authorized the Company to buy back up to 20.0 million shares of its common stock. In addition, the Company has 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 and the issuance of nonvested stock. Please see Part II, Item 5 "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities" for additional details regarding the Company's share repurchase activity and authorizations.

The Company paid dividends of \$1.29 per share at a total cost of \$302.3 million during 2008, compared to dividends of \$1.06 per share at a total cost of \$260.8 million in 2007.

During 2008, debt increased by \$1.81 billion which was primarily driven by higher finance receivables outstanding as HDFFS funded a greater percentage of its business through debt rather than through securitization transactions when compared to 2007. Additionally, the Company financed the acquisition and initial working capital requirements of MV through \$181.6 million of debt under the Global Credit Facilities. The Company's total outstanding debt consisted of the following as of December 31, 2008, 2007 and 2006 (in thousands):

	2008	2007	2006
Unsecured commercial paper	\$1,416,449	\$ 842,618	\$ 894,250
Asset-backed commercial paper conduit facility	500,000	—	—
Credit facilities	390,932	256,531	191,866
	2,307,381	1,099,149	1,086,116
Medium-term notes	1,607,506	1,000,806	586,375
Senior subordinated notes	—	—	30,000
Total debt	<u>\$3,914,887</u>	<u>\$2,099,955</u>	<u>\$1,702,491</u>

Credit Facilities – During 2008, the Company and HDFFS entered into a \$950.0 million 364-day facility and a \$950.0 million three-year facility (collectively, "Global Credit Facilities") to replace existing credit facilities. The Global Credit Facilities, which total \$1.90 billion and are due in July 2009 and 2011, respectively, are committed facilities and are primarily used to support HDFFS' unsecured commercial paper program and to fund HDFFS' lending activities and other operations. Borrowings under the Global Credit Facilities bear interest at various variable rates, which may be adjusted upward or downward depending on whether certain criteria are satisfied. As a result of the Global Credit Facilities, HDFFS may issue unsecured commercial paper in the aggregate equal to the unused portion of the Global Credit Facilities. At December 31, 2007 and 2006, HDFFS had a credit facility totaling \$1.40 billion.

Commercial Paper – Subject to limitations, HDFFS can issue unsecured commercial paper of up to \$1.90 billion as of December 31, 2008. Outstanding unsecured commercial paper may not exceed the unused portion of the Global Credit Facilities. Maturities may range up to 365 days from the issuance date. In addition to issuing unsecured commercial paper in the open market, since October 2008 the Company has been issuing unsecured commercial paper under the Federal Reserve Bank's Commercial Paper Funding Facility (CPFF). The CPFF is scheduled to expire on October 30, 2009. Until February 12, 2009, the Company was eligible

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to participate in the CPFF and had the ability to issue commercial paper with maturities of 90 days from the time of issuance up to a maximum of \$1.35 billion outstanding at any time. As of February 12, 2009, the Company became ineligible to issue new commercial paper under the CPFF as HDFS' short term debt ratings no longer satisfied the CPFF's minimum ratings requirements. On February 12, 2009, Fitch Ratings reduced the Company's long-term debt rating to A- and HDFS' short-term debt rating to F2. On January 16, 2009, Standard & Poor's Rating Service reduced the Company's long-term debt rating to BBB+ and HDFS' short-term debt rating to A2. As a result of these reductions to HDFS' short-term debt rating, the Company is no longer able to issue unsecured commercial paper under the CPFF. HDFS intends to finance the repayment of unsecured commercial paper as it matures by issuing traditional unsecured commercial paper or through other means, such as borrowing under the Global Credit Facilities.

Asset-backed commercial paper conduit facility – In December 2008, HDFS entered into agreements with certain bank-sponsored asset-backed commercial paper conduits resulting in proceeds of \$500.0 million. Unless earlier terminated or extended by the mutual agreement of HDFS and the lenders, the loan and servicing agreement will expire on March 31, 2009, at which time HDFS will be obligated to repay the \$500.0 million advance in full.

Medium-Term Notes – The Company has the following Medium-Term Notes (collectively “the Notes”) issued and outstanding at December 31, 2008 (in thousands):

	<u>Principal Amount</u>	<u>Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
\$	200,000	5.00%	December 2005	December 2010
\$	400,000	5.25%	December 2007	December 2012
\$	1,000,000	6.80%	May 2008	June 2018

At December 31, 2007, HDFS had \$400.0 million of 3.63% medium-term notes outstanding which were due in December 2008. In December 2008, the notes matured and the principal and accrued interest was paid in full.

The Notes provide for semi-annual interest payments and principal due at maturity. At December 31, 2008, 2007 and 2006, the Notes included a fair value adjustment increasing the balance by \$9.7 million and \$1.3 million and reducing the balance by \$13.6 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 a portion of the Notes from a fixed to a floating rate, which is based on 3-month LIBOR. Unamortized discounts on the Notes reduced the balance by \$2.2 million and \$0.5 million at December 31, 2008 and 2007, respectively.

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 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, 2008, 2007 and 2006, 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 HDFS' fixed-charge coverage at 1.25 and minimum net worth of \$40.0 million. Support may be provided at the Company's option as capital contributions or loans. Accordingly, certain debt covenants may restrict the Company's ability to withdraw funds from HDFS outside the normal course of business. No amount has ever been provided to HDFS under the support agreement.

Operating and Financial Covenants – HDFS and the Company are subject to various operating and financial covenants related to the Global Credit Facilities, asset-backed commercial paper conduit facility and Notes. The more significant covenants are described below.

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

- incur certain additional indebtedness;
- assume or incur certain liens;
- participate in a merger, consolidation, liquidation or dissolution; and

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- purchase or hold margin stock.

Under the financial covenants of the Global Credit Facilities and the asset-backed commercial paper conduit facility, the debt to equity ratio of HDFS and its consolidated subsidiaries cannot exceed 10.0 to 1.0 and the Company must maintain an interest ratio coverage of 2.5 to 1.0. The minimum required HDFS consolidated tangible net worth is \$300.0 million. No financial covenants are required under the Notes.

At December 31, 2008, 2007 and 2006, HDFS and the Company remained in compliance with all of these covenants.

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) effectively execute the Company's restructuring plans within expected costs; (ii) manage the risks that our independent dealers may have difficulty adjusting to the recession and slowdown in consumer demand; (iii) manage supply chain issues; (iv) anticipate the level of consumer confidence in the economy; (v) continue to have access to reliable sources of capital funding in sufficient amounts and adjust to fluctuations in the cost of capital; (vi) maintain credit ratings that allow the Company access to capital at effective rates; (vii) manage the credit quality, the loan servicing and collection activities, and the recovery rates of HDFS' loan portfolio; (viii) continue to realize production efficiencies at its production facilities and manage operating costs including materials, labor and overhead; (ix) manage production capacity and production changes; (x) provide products, services and experiences that are successful in the marketplace; (xi) develop and implement sales and marketing plans that retain existing retail customers and attract new retail customers in an increasingly competitive marketplace; (xii) sell all of its motorcycles and related products and services to its independent dealers; (xiii) continue to develop the capabilities of its distributor and dealer network; (xiv) manage changes and prepare for requirements in legislative and regulatory environments for its products, services and operations; (xv) adjust to fluctuations in foreign currency exchange rates, interest rates and commodity prices; (xvi) adjust to healthcare inflation, pension reform and tax changes; (xvii) retain and attract talented employees, including executive officers; (xviii) detect any issues with our motorcycles or manufacturing processes to avoid delays in new model launches, recall campaigns, increased warranty costs or litigation; (xix) implement and manage enterprise-wide information technology solutions and secure data contained in those systems; and (xx) successfully integrate and profitably operate MV Agusta. 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.

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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.

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's most significant foreign currency risk relates to the Euro, the Australian dollar and the Brazilian Real. The Company utilizes foreign currency contracts to mitigate the effect of the Euro and the Australian dollar 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, 2008, the notional U.S. dollar value of outstanding Euro and Australian dollar foreign currency contracts was \$419.3 million. The Company estimates that a uniform 10% weakening in the value of the U.S. dollar relative to the currencies underlying these contracts would result in a decrease in the fair value of the contracts of approximately \$36.5 million as of December 31, 2008. Further disclosure relating to the fair value of derivative financial instruments is included in Note 17 of the Notes to Consolidated Financial Statements.

In addition, the Company financed its acquisition of MV Agusta and its initial working capital requirements through 130.0 million of Euro-denominated debt. The carrying amount of debt is measured at each balance sheet date in the U.S. dollar and the corresponding gains or losses are recognized in the income statement.

The Company's earnings are affected by changes in interest rates. HDFS utilizes interest rate swaps to reduce the impact of fluctuations in interest rates on its debt and securitization transactions. HDFS also entered into derivative contracts to facilitate its first quarter securitization transaction as well as its third quarter 2007 securitization transaction. These derivatives, which hedge assets by an off-balance sheet Qualifying Special Purpose Entity, do not qualify for hedge accounting treatment. Additionally, to facilitate the December 2008 asset-backed commercial paper conduit facility, HDFS entered into derivative contracts, certain of which 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, 2008, HDFS had interest rate swaps outstanding with a notional value of \$1.79 billion. HDFS estimates that a 10% decrease in interest rates would result in a \$1.4 million decrease in the fair value of the agreements.

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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, 2008. 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, 2009

James L. Ziemer
President and Chief Executive Officer

Thomas E. Bergmann
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, 2008, 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 and the audit process. 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, 2008. Management has concluded that the internal control system was effective. Additionally, the Company's internal control over financial reporting as of December 31, 2008 was audited by Ernst & Young LLP, the Company's independent registered public accounting firm for the 2008 fiscal year. The audited financial statements of the Company for the 2008 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 Rule 3526 of the Public Company Accounting Standards Board, 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 2008 fiscal year be included in the Company's Annual Report on Form 10-K for the 2008 fiscal year.

February 11, 2009

Audit Committee of the Board of Directors

Richard I. Beattie
N. Thomas Linebarger
James A. Norling, Chairman

Judson C. Green
George L. Miles, Jr.

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, 2008, 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, 2008, 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, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2008 of Harley-Davidson, Inc. and our report dated February 16, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Milwaukee, Wisconsin
February 16, 2009

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, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2008. 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, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, 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, 2008, the Company adopted the requirement to measure the funded status of its defined benefit pension and postretirement healthcare plans as of the date of the year-end statement of financial position.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Harley-Davidson, Inc.'s internal control over financial reporting as of December 31, 2008, 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 16, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Milwaukee, Wisconsin
February 16, 2009

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HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2008, 2007 and 2006
(In thousands, except per share amounts)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net revenue	\$5,594,307	\$5,726,848	\$5,800,686
Cost of goods sold	<u>3,663,488</u>	<u>3,612,748</u>	<u>3,567,839</u>
Gross profit	1,930,819	2,114,100	2,232,847
Financial services income	376,970	416,196	384,891
Financial services expense	<u>294,205</u>	<u>204,027</u>	<u>174,167</u>
Operating income from financial services	82,765	212,169	210,724
Selling, administrative and engineering expense	<u>984,560</u>	<u>900,708</u>	<u>846,418</u>
Income from operations	1,029,024	1,425,561	1,597,153
Investment income	9,495	22,258	27,087
Interest expense	<u>4,542</u>	<u>—</u>	<u>—</u>
Income before provision for income taxes	1,033,977	1,447,819	1,624,240
Provision for income taxes	<u>379,259</u>	<u>513,976</u>	<u>581,087</u>
Net income	<u>\$ 654,718</u>	<u>\$ 933,843</u>	<u>\$1,043,153</u>
Earnings per common share:			
Basic	\$ 2.80	\$ 3.75	\$ 3.94
Diluted	\$ 2.79	\$ 3.74	\$ 3.93
Cash dividends per common share	\$ 1.29	\$ 1.06	\$ 0.81

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

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HARLEY-DAVIDSON, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2008 and 2007
(In thousands, except share amounts)

	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 593,558	\$ 402,854
Marketable securities	—	2,475
Accounts receivable, net	296,258	181,217
Finance receivables held for sale	2,443,965	781,280
Finance receivables held for investment, net	1,378,461	1,575,283
Inventories	400,908	349,697
Deferred income taxes	123,327	103,278
Prepaid expenses and other current assets	141,404	71,230
Total current assets	<u>5,377,881</u>	<u>3,467,314</u>
Finance receivables held for investment, net	817,102	845,044
Property, plant and equipment, net	1,094,487	1,060,590
Prepaid pension costs	—	89,881
Goodwill	138,579	61,401
Deferred income taxes	288,240	54,376
Other long-term assets	112,336	78,000
	<u>\$ 7,828,625</u>	<u>\$ 5,656,606</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 323,736	\$ 300,188
Accrued liabilities	541,372	484,936
Short-term debt	1,738,649	722,447
Current portion of long-term debt	—	397,508
Total current liabilities	<u>2,603,757</u>	<u>1,905,079</u>
Long-term debt	2,176,238	980,000
Pension liability	484,003	51,551
Postretirement healthcare benefits	274,408	192,531
Other long-term liabilities	174,616	151,954
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Series A Junior participating preferred stock, none issued	—	—
Common stock, 335,653,577 and 335,211,201 shares issued in 2008 and 2007, respectively	3,357	3,352
Additional paid-in-capital	846,796	812,224
Retained earnings	6,458,778	6,117,567
Accumulated other comprehensive loss	(522,526)	(137,258)
	<u>6,786,405</u>	<u>6,795,885</u>
Less:		
Treasury stock (102,889,370 and 96,725,399 shares in 2008 and 2007, respectively), at cost	<u>(4,670,802)</u>	<u>(4,420,394)</u>
Total shareholders' equity	<u>2,115,603</u>	<u>2,375,491</u>
	<u>\$ 7,828,625</u>	<u>\$ 5,656,606</u>

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

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HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2008, 2007 and 2006
(In thousands)

	2008	2007	2006
Net cash (used by) provided by operating activities (Note 2)	\$ (684,649)	\$ 798,146	\$ 761,780
Cash flows from investing activities:			
Capital expenditures	(232,169)	(242,113)	(219,602)
Origination of finance receivables held for investment	(608,621)	(514,359)	(411,757)
Collections on finance receivables held for investment	448,990	368,978	260,133
Collection of retained securitization interests	93,747	118,175	101,641
Purchase of marketable securities	—	(467,609)	(970,935)
Sales and redemptions of marketable securities	2,543	1,125,344	1,224,447
Acquisition of business, net of cash acquired	(95,554)	—	—
Other, net	(2,183)	2,789	(19,186)
Net cash (used by) provided by investing activities	(393,247)	391,205	(35,259)
Cash flows from financing activities:			
Proceeds from issuance of medium term notes	993,550	398,144	—
Repayment of medium-term notes	(400,000)	—	—
Net increase (decrease) in credit facilities and unsecured commercial paper	761,065	(16,247)	493,125
Net borrowings of asset-backed commercial paper	490,000	—	—
Repayment of senior subordinated debt	—	(30,000)	—
Dividends	(302,314)	(260,805)	(212,914)
Purchase of common stock for treasury	(250,410)	(1,153,439)	(1,061,968)
Excess tax benefits from share-based payments	320	3,066	18,933
Issuance of common stock under employee stock option plans	1,179	21,478	125,801
Net cash provided by (used by) financing activities	1,293,390	(1,037,803)	(637,023)
Effect of exchange rate changes on cash and cash equivalents	(24,790)	12,909	7,924
Net increase in cash and cash equivalents	190,704	164,457	97,422
Cash and cash equivalents:			
At beginning of period	402,854	238,397	140,975
At end of period	<u>\$ 593,558</u>	<u>\$ 402,854</u>	<u>\$ 238,397</u>

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

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HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Years ended December 31, 2008, 2007 and 2006
(In thousands, except share amounts)

	Common Stock		Additional paid-in capital	Retained Earnings	Other comprehensive income (loss)	Treasury Balance	Total
	Issued Shares	Balance					
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 \$7,229	—	—	—	—	(12,970)	—	(12,970)
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.

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HARLEY-DAVIDSON, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (Continued)
Years ended December 31, 2008, 2007 and 2006
(In thousands, except share amounts)

	Common Stock		Additional paid-in capital	Retained Earnings	Other comprehensive income (loss)	Treasury Balance	Total
	Issued Shares	Balance					
Balance December 31, 2007	335,211,201	\$3,352	\$812,224	\$6,117,567	\$ (137,258)	\$(4,420,394)	\$2,375,491
Comprehensive income:							
Net income	—	—	—	654,718	—	—	654,718
Other comprehensive income (loss):							
Foreign currency translation adjustment	—	—	—	—	(44,012)	—	(44,012)
Amortization of net prior service cost, net of taxes of (\$1,919)	—	—	—	—	3,116	—	3,116
Amortization of actuarial loss, net of taxes of (\$4,539)	—	—	—	—	7,376	—	7,376
Pension and post-retirement plan funded status adjustment, net of taxes of (\$203,485)	—	—	—	—	(347,165)	—	(347,165)
Change in net unrealized gains (losses):							
Investment in retained securitization interests, net of tax benefit of \$10,252	—	—	—	—	(18,838)	—	(18,838)
Derivative financial instruments, net of taxes of (\$7,464)	—	—	—	—	11,556	—	11,556
Marketable securities, net of taxes of (\$45)	—	—	—	—	76	—	76
Comprehensive income							266,827
Adjustment to apply measurement date provisions of SFAS No. 158, net of taxes of (\$6,887)	—	—	—	(11,193)	2,623	—	(8,570)
Dividends	—	—	—	(302,314)	—	—	(302,314)
Repurchase of common stock	—	—	—	—	—	(250,410)	(250,410)
401(k) match made with Treasury shares	—	—	9,166	—	—	2	9,168
Share-based compensation	—	—	24,021	—	—	—	24,021
Issuance of nonvested stock	384,761	4	(4)	—	—	—	—
Exercise of stock options	57,615	1	1,178	—	—	—	1,179
Tax benefit of stock options	—	—	211	—	—	—	211
Balance December 31, 2008	335,653,577	\$3,357	\$846,796	\$6,458,778	\$ (522,526)	\$(4,670,802)	\$2,115,603

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 (Buell), MV Agusta (MV) 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 term asset-backed 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 & 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 (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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

Marketable Securities – The Company had investments in marketable securities consisting primarily of investment-grade debt instruments such as corporate bonds and government backed securities of \$2.5 million at December 31, 2007 with contractual maturities of approximately 1 year. The Company classified 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 were \$0.1 million. Gains and losses realized on sales of marketable securities were included in investment income and were not material. There were no marketable securities held at December 31, 2008.

Accounts Receivable – The Company's motorcycles and related products are sold to international independent dealers and distributors generally on open account and are included in accounts receivable in the Company's Consolidated Balance Sheets. The allowance for doubtful accounts deducted from total accounts receivable was \$9.1 million and \$9.0 million as of December 31, 2008 and 2007, respectively. The Company's sales of motorcycles and related products in the U.S. and Canada 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.

Finance Receivables Credit Losses – The allowance for finance credit losses on finance receivables held for investment 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.

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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, 2008 and 2007, 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. Any amount by which cost exceeds fair value is accounted for as a valuation adjustment with an offset to other income. 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 that qualify for accounting sale treatment under SFAS No. 140. 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 term 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, records a gain or loss on the transaction and also retains an interest in excess cash flows, subordinated securities, 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 Company’s continuing involvement in the securitized U.S. retail motorcycles loans is limited to its investment in retained securitization interests and servicing rights.

The interest in excess cash flows equals the cash flows arising from U.S. retail motorcycle 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. The fair value of the interest in excess cash flows was \$135.5 million and \$237.9 million at December 31, 2008 and 2007, respectively.

As part of the first quarter 2008 securitization transaction, HDFS retained \$54.0 million of the subordinated securities issued by the securitization trust. These securities have a stated principal and fixed interest rate and are subordinated to the senior securities within the securitization trust. Fair value is determined using discounted cash flow methodologies. The fair value of the retained subordinated securities was \$47.2 million as of December 31, 2008. As of December 31, 2008, unrealized losses on the subordinated securities were \$5.8 million, or \$3.8 million net of taxes. The unrealized losses are due to changes in discount rates and have existed for less than one year. The Company has the intent and ability to hold the subordinated securities until they recover their value and does not believe the unrealized losses reflect a permanent impairment.

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. The fair value of the reserve account deposits was \$147.9 million and \$169.8 million at December 31, 2008 and 2007, respectively.

HDFS retains servicing rights on the U.S. retail motorcycle 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. HDFS earned \$55.1 million, \$60.8 million, and \$52.8 million from contractually specified servicing fees, late fees, and ancillary fees during 2008, 2007, and 2006, respectively. These fees are recorded in financial services income.

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Gains or losses on current year securitizations from the sale of the U.S. retail motorcycle 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 U.S. retail motorcycle 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 8, for the years ended December 31, 2008 and December 31, 2007, the Company recorded an impairment charge of \$41.4 million and \$9.9 million, respectively, related to its 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 rates that, in management's judgment, reflect the assumptions marketplace participants would use. Unrealized gains and losses on investments in retained securitization interests are recorded in other comprehensive income. As of December 31, 2008, net unrealized losses were \$4.1 million, or \$2.7 million net of taxes. As of December 31, 2007, net unrealized gains of \$25.0 million before income taxes, or \$16.2 million net of taxes.

HDFS utilizes a two-step process to transfer U.S. retail motorcycle loans to a securitization trust. U.S. retail motorcycle loans are initially transferred to a special purpose, bankruptcy remote, wholly owned subsidiary which in turn sells the U.S. retail motorcycle loans to the securitization trust. The securitization trust is funded with cash obtained through the issuance of the term asset-backed securities. 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 U.S. retail motorcycle loans, issuing term asset-backed securities, making payments on securities to investors and other activities permissible under SFAS No. 140. Securitization trusts have a limited life and generally terminate upon final distribution of amounts owed to the investors in the term asset-backed securities. Historically, the life of securitization trusts purchasing U.S. retail motorcycle loans from HDFS has approximated four years.

HDFS does not guarantee payments on the securities issued by the securitization trusts or the projected cash flows from the U.S. retail motorcycle 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.

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 8 for further discussion of HDFS' securitization program.

Asset-Backed Commercial Paper Conduit Facility – In December 2008, HDFS sold for legal purposes U.S. retail motorcycle finance receivables to a wholly-owned special purpose entity (SPE), which in turn, issued debt to third-party bank-sponsored asset-backed commercial paper conduits. The SPE funded the purchase of the finance receivables from HDFS primarily with cash obtained through the issuance of the debt. HDFS is the primary and sole beneficiary of the SPE, and the finance receivables sale does not satisfy the requirements for accounting sale treatment under SFAS No. 140. Therefore, the assets and associated debt are included in the Company's financial statements. The assets of the SPE are restricted as collateral for the payment of the debt or other obligations arising in the transaction and are not available to pay other obligations or claims of the Company's creditors. At December 31, 2008, the SPE held \$24.1 million of cash collections from the finance receivables held by the SPE restricted for payment on the outstanding debt.

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The assets of the SPE totaled \$686.3 million at December 31, 2008 and are included primarily in cash, finance receivables held for sale and finance receivables held for investment in the Company's Consolidated Balance Sheet. The related asset-backed commercial paper conduit facility was \$500.0 million at December 31, 2008 and is included in short-term debt in Company's Consolidated Balance Sheet.

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 \$174.1 million at December 31, 2008 and \$112.7 million at December 31, 2007 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.

Goodwill and Intangible Assets – 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 2008 and 2007, the Company tested its goodwill balances for impairment and no adjustments were recorded to goodwill as a result of those reviews. Intangible asset values are based on third-party valuations and are also subject to at least annual impairment testing.

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 generally 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):

	2008	2007	2006
Balance, beginning of period	\$ 70,523	\$ 66,385	\$ 43,073
Warranties issued during the period	52,645	54,963	56,008
Settlements made during the period	(71,737)	(66,422)	(57,267)
Safety recalls and changes to pre-existing warranty liabilities	13,112	15,597	24,571
Balance, end of period	<u>\$ 64,543</u>	<u>\$ 70,523</u>	<u>\$ 66,385</u>

The liability for safety recall campaigns was \$4.6 million, \$3.7 million and \$6.5 million at December 31, 2008, 2007 and 2006, respectively.

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Derivative Financial Instruments – The Company uses derivative financial instruments to manage foreign currency exchange rate, commodity price and interest rate risk. The Company’s policy specifically prohibits the use of derivatives for trading purposes. Refer to Note 17 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. Insurance commissions and commissions on the sale of extended service contracts are recognized when contractually earned. Deferred revenue related to extended service contracts was \$15.3 million and \$16.8 million as of December 31, 2008 and 2007, respectively.

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 \$163.5 million, \$185.5 million and \$177.7 million for 2008, 2007 and 2006, 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 2008, 2007 and 2006, the Company incurred \$89.2 million, \$76.9 million and \$69.7 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 related to debt have been reclassified to conform to the current year presentation.

Share-Based Award Compensation Costs – The Company recognizes the cost of its share-based awards in its income statement. The total cost of the Company’s equity 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 total cost of the Company’s liability for cash-settled awards is equal to their settlement date fair value. The liability for cash-settled awards is revalued each period based on a recalculated fair value adjusted for vested awards. Total share-based award compensation expense recognized by the Company during 2008, 2007 and 2006, including stock option and nonvested stock awards, was \$24.5 million, \$21.0 million and \$21.4 million, respectively, or \$15.3 million, \$13.0 million and \$13.3 million net of taxes, respectively.

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

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New Accounting Standards

In September 2006, the Financial Accounting Standards Board (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. Additionally, employers are required to measure the funded status of a plan as of the date of their year-end statements 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. The requirement to measure the funded status as of the date of the year-end statement of financial position was adopted on January 1, 2008. Upon adoption, the Company recorded a reduction to retained earnings of \$18.1 million (\$11.2 million, net of tax) and an increase to accumulated other comprehensive income of \$4.2 million (\$2.6 million, net of tax). See Note 12 for further discussion of the effect of adopting SFAS No. 158 on the Company’s consolidated financial statements and notes.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements.” SFAS No. 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 No. 157 applies to fair value measurements required by existing accounting pronouncements and does not require any new fair value measurements. The Company adopted SFAS No. 157 on January 1, 2008; see Note 18 for disclosures required under SFAS No. 157. The Company has not adopted SFAS No. 157 for non-financial assets and liabilities as permitted by FASB Staff Position No. FAS 157-2, which provided a deferral of such provisions until 2009.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations.” SFAS No. 141(R) changes the accounting for business combinations in a number of areas including the treatment of contingent consideration, pre-acquisition contingencies, transaction costs, in-process research and development and restructuring costs. In addition, under SFAS No. 141(R), changes in an acquired entity’s deferred tax assets and uncertain tax positions after the measurement period will impact income tax expense. SFAS No. 141(R) will be effective for the Company beginning in fiscal year 2009. This standard will change the Company’s accounting treatment for business combinations on a prospective basis, when adopted.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133.” SFAS No. 161 requires enhanced disclosures about an entity’s derivative and hedging activities. Entities will be required to provide enhanced disclosures about: (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedge items are accounted for under SFAS No. 133 and its related interpretations; and (c) how derivative instruments and related hedge items affect an entity’s financial position, financial performance and cash flows. The Company is required to adopt SFAS No. 161 beginning in fiscal year 2009. The Company is currently evaluating the impact the new disclosure requirements will have on its consolidated financial statements and notes.

In December 2008, the FASB issued FASB Staff Position (FSP) No. SFAS 132(R)-1, “Employers’ Disclosures about Postretirement Benefit Plan Assets.” FSP No. SFAS 132(R)-1 requires additional fair value disclosures about employers’ pension and postretirement benefit plan assets consistent with guidance contained in SFAS No. 157 (discussed above). Specifically, employers will be required to disclose information about how investment allocation decisions are made, the fair value of each major category of plan assets and information about the inputs and valuation techniques used to develop the fair value measurements of plan assets. FSP No. SFAS 132(R)-1 is effective for fiscal years ending after December 15, 2009. The Company is currently evaluating the impact the new disclosure requirements will have on its consolidated financial statements and notes.

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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:

Inventories, net (in thousands):

	2008	2007
Components at the lower of FIFO cost or market		
Raw materials and work in process	\$ 151,896	\$ 149,954
Motorcycle finished goods	185,464	107,768
Parts and accessories and general merchandise	103,682	124,109
Inventory at lower of FIFO cost or market	441,042	381,831
Excess of FIFO over LIFO cost	40,134	32,134
	<u>\$ 400,908</u>	<u>\$ 349,697</u>

Inventory obsolescence reserves deducted from FIFO cost were \$28.8 million and \$16.3 million as of December 31, 2008 and 2007, respectively.

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

	2008	2007
Land and related improvements	\$ 66,464	\$ 49,923
Buildings and related improvements	497,852	392,307
Machinery and equipment	2,333,601	2,040,476
Construction in progress	134,072	275,238
	3,031,989	2,757,944
Less: accumulated depreciation	1,937,502	1,697,354
	<u>\$1,094,487</u>	<u>\$1,060,590</u>

Accrued liabilities (in thousands):

	2008	2007
Payroll, performance incentives and related expenses	\$ 166,652	\$ 151,524
Warranty and recalls	64,543	70,523
Sales incentive programs	84,683	78,302
Income taxes	27,163	19,498
Fair value of derivative financial instruments	23,503	34,414
Other	174,828	130,675
	<u>\$ 541,372</u>	<u>\$ 484,936</u>

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

	<u>2008</u>	<u>2007</u>
Cumulative foreign currency translation adjustment	\$ 15,171	\$ 59,183
Unrealized (loss) gain on investment in retained securitization interest	(2,671)	16,167
Unrealized net loss on derivative financial instruments	(7,701)	(19,257)
Unrealized net loss on marketable securities	—	(76)
Unrecognized pension and postretirement benefit plan liabilities	(527,325)	(193,275)
	<u>\$ (522,526)</u>	<u>\$ (137,258)</u>

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Cash Flow Information:

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

	2008	2007	2006
Cash flows from operating activities:			
Net income	\$ 654,718	\$ 933,843	\$ 1,043,153
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	222,191	204,172	213,769
Amortization of acquisition-related intangibles	20,090	—	—
Provision for employee long-term benefits	76,426	75,683	80,179
Contributions to pension and postretirement plans	(19,517)	(15,302)	(13,512)
Stock compensation expense	24,473	20,974	21,446
Loss (gain) on current year securitizations	5,370	(36,033)	(32,316)
Net change in wholesale finance receivables	99,373	22,816	(159,886)
Origination of retail finance receivables held for sale	(2,788,463)	(2,919,937)	(2,772,733)
Collections on retail finance receivables held for sale	507,106	110,756	112,131
Proceeds from securitization of retail finance receivables	467,722	2,486,780	2,303,562
Impairment of retained securitization interests	41,403	9,932	—
Lower of cost or fair market value adjustment on finance receivables held for sale	37,764	—	—
Provision for credit losses	39,555	11,252	5,962
Deferred income taxes	(49,428)	(60,529)	(39,768)
Foreign currency adjustments	2,892	(14,581)	(7,975)
Other, net	53,982	16,830	26,573
Changes in current assets and liabilities:			
Accounts receivable, net	(4,474)	(26,449)	(16,361)
Finance receivables - accrued interest and other	(7,149)	(19,680)	(23,442)
Inventories	(45,094)	(48,019)	(54,352)
Accounts payable and accrued liabilities	9,734	48,157	76,058
Other	(33,323)	(2,519)	(708)
Total adjustments	<u>(1,339,367)</u>	<u>(135,697)</u>	<u>(281,373)</u>
Net cash (used by) provided by operating activities	<u>\$ (684,649)</u>	<u>\$ 798,146</u>	<u>\$ 761,780</u>

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

	2008	2007	2006
Interest	\$ 128,006	\$ 81,474	\$ 57,990
Income taxes	\$ 413,998	\$ 568,815	\$ 602,347

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

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Non-cash investing activity during the period (in thousands):

	2008	2007	2006
Investment in retained securitization interests received in connection with securitizations during the year	\$ 87,171	\$ 170,173	\$ 156,955

3. Acquisition

On August 8, 2008, the Company announced the completion of its purchase of privately-held Italian motorcycle maker MV Agusta (MV). The Company acquired 100 percent of MV shares for total consideration of €68.3 million (\$105.1 million), which includes the satisfaction of existing bank debt for €47.5 million (\$73.2 million). In addition, the agreement provides for a contingent payment to the former owner of MV in 2016, if certain financial targets are met during 2013 through 2015. The contingent payment, which could be a material component of the final consideration, will be recorded as goodwill when the amount is determinable. The Company financed the transaction and MV's initial working capital requirements through \$181.6 million of debt under existing credit facilities. The Company believes the acquisition of MV will enhance the Company's presence in Europe and its penetration into the performance segment of the motorcycle market.

The operating results of MV, which is part of the Motorcycles segment, have been included in the Company's consolidated financial statements from the date of acquisition. Pro forma information reflecting this acquisition has not been disclosed as the pro forma impact on consolidated net income would not be material.

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

Current assets, net of cash acquired	\$ 60,483
Property, plant and equipment	39,469
Goodwill	85,750
Intangible assets	52,811
Other noncurrent assets	3,739
Total assets	242,252
Current liabilities	123,119
Noncurrent liabilities	23,579
Total liabilities	146,698
Net assets acquired	\$ 95,554

The purchase price allocation may be subsequently adjusted to reflect final appraisals and other valuation studies.

In conjunction with the acquisition of MV, the Company recorded goodwill of \$85.8 million, none of which is tax deductible, and intangible assets with an initial fair value of \$52.8 million. Of the total intangible assets acquired, \$8.1 million was assigned to patents with useful lives of ten years, \$6.3 million was assigned to miscellaneous intangibles with useful lives of seven years and \$18.3 million was assigned to trademarks that are not subject to amortization. The remaining \$20.1 million was assigned to research and development assets that were written off subsequent to the acquisition date in accordance with FASB Interpretation Number (FIN) 4, "Applicability of FASB Statement No. 2 to Business Combinations Accounted for by the Purchase Method." This resulted in a one-time expense of \$20.1 million and is included within selling and administrative expenses.

4. Restructuring Costs

During the second quarter of 2008, the Company finalized a plan to ship fewer motorcycles to its worldwide dealer network in 2008 than it shipped in 2007. The Company achieved this reduction through temporary plant shutdowns, adjusted daily production rates and a workforce reduction involving approximately 730 positions. As a result of the workforce reduction plan, the Company recorded a \$12.4 million charge during 2008 within selling and administrative expenses. The total restructuring charge

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consisted of \$7.6 million of employee severance benefits and \$4.8 million of special retiree benefits for those individuals eligible to receive benefits. As of December 31, 2008, all 730 employees and contract workers have departed from the Company.

The following table summarizes the Company's restructuring reserve recorded in accrued liabilities as of December 31, 2008 (in thousands):

	<u>Employee Severance</u>
Original reserve	\$ 7,594
Utilized - cash	(5,445)
Balance, December 31, 2008	<u>\$ 2,149</u>

Of the total restructuring reserve, \$2.1 million is recorded within accrued liabilities and \$4.8 million is recorded within postretirement healthcare benefits in the Company's Consolidated Balance Sheet as of December 31, 2008.

5. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill in each of the Company's reporting segments for the years ended December 31, 2008 and 2007 were as follows (in thousands):

	December 31,			December 31,
	2006	Business Acquisitions	Currency Translation	2007
Motorcycles	\$ 29,960	—	\$ 2,601	\$ 32,561
Financial Services	28,840	—	—	28,840
	<u>\$ 58,800</u>	<u>—</u>	<u>\$ 2,601</u>	<u>\$ 61,401</u>
	December 31,			December 31,
	2007	Business Acquisitions	Currency Translation	2008
Motorcycles	\$ 32,561	\$ 85,750	\$ (8,572)	\$ 109,739
Financial Services	28,840	—	—	28,840
	<u>\$ 61,401</u>	<u>\$ 85,750</u>	<u>\$ (8,572)</u>	<u>\$ 138,579</u>

As discussed in Note 3, the Company recorded \$85.8 million of goodwill in conjunction with the acquisition of MV during 2008.

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The Company's intangible assets, primarily resulting from the acquisition of MV, are valued based on third-party valuations and consisted of (in thousands):

	December 31, 2008		
	Gross Carrying Amount	Accumulated Amortization	Net
Amortized intangible assets			
Patented technology	\$ 7,376	\$ (262)	\$ 7,114
Miscellaneous	6,107	(273)	5,834
	<u>13,483</u>	<u>(535)</u>	<u>12,948</u>
Unamortized intangible assets			
Trademarks	<u>14,987</u>	<u>—</u>	<u>14,987</u>
Total intangible assets	<u>\$28,470</u>	<u>\$ (535)</u>	<u>\$27,935</u>

Amortization for the year ended December 31, 2008 was \$0.5 million. Excluding the impact of any future acquisitions, the Company anticipates amortization of intangible assets will average approximately \$1.1 million per year over the next five years.

6. 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, as an agent, providing insurance and insurance-related programs primarily to Harley-Davidson and Buell dealers and their retail customers. HDFS conducts business principally in the United States and Canada and is responsible for all credit and collection activities for the Company's U.S. dealer receivables and its Canadian distributor receivables.

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

	2008	2007	2006
Interest income	\$290,083	\$196,803	\$167,504
Income from securitizations	13,439	97,576	111,177
Other income	73,448	121,817	106,210
Financial services income	<u>376,970</u>	<u>416,196</u>	<u>384,891</u>
Interest expense	136,763	81,475	59,761
Operating expenses	<u>157,442</u>	<u>122,552</u>	<u>114,406</u>
Financial services expenses	<u>294,205</u>	<u>204,027</u>	<u>174,167</u>
Operating income from financial services	<u>\$ 82,765</u>	<u>\$212,169</u>	<u>\$210,724</u>

Financial Services interest income includes approximately \$18.0 million, \$27.7 million and \$23.6 million of interest on wholesale finance receivables paid by HDMC to HDFS in 2008, 2007 and 2006, 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 losses on current year securitization transactions of \$5.4 million during 2008, and gains of \$36.0 million and \$32.3 million during 2007 and 2006, respectively, and income on investment in retained securitization interests of \$18.8 million, \$61.6 million and \$78.9 million during 2008, 2007 and 2006, respectively.

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7. Finance Receivables

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

	2008	2007	2006	2005	2004
Wholesale					
United States	\$1,074,377	\$1,132,748	\$1,206,753	\$1,040,220	\$ 870,640
Europe	—	86,947	66,421	59,960	73,231
Canada	89,859	108,756	65,538	50,097	51,945
Total wholesale	<u>1,164,236</u>	<u>1,328,451</u>	<u>1,338,712</u>	<u>1,150,277</u>	<u>995,816</u>
Retail					
United States	514,637	485,579	409,788	319,856	287,841
Canada	226,084	228,850	174,894	149,597	120,217
Total retail	<u>740,721</u>	<u>714,429</u>	<u>584,682</u>	<u>469,453</u>	<u>408,058</u>
	1,904,957	2,042,880	1,923,394	1,619,730	1,403,874
Allowance for credit losses	<u>40,068</u>	<u>30,295</u>	<u>27,283</u>	<u>26,165</u>	<u>30,277</u>
	1,864,889	2,012,585	1,896,111	1,593,565	1,373,597
Investment in retained securitization interests	<u>330,674</u>	<u>407,742</u>	<u>384,106</u>	<u>349,659</u>	<u>282,187</u>
	<u>\$2,195,563</u>	<u>\$2,420,327</u>	<u>\$2,280,217</u>	<u>\$1,943,224</u>	<u>\$1,655,784</u>

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

	2008	2007	2006	2005	2004
Retail					
United States	\$2,443,965	\$781,280	\$547,106	\$299,373	\$456,516

Included in finance receivables held for sale at December 31, 2008 is a lower of cost or market valuation adjustment of \$31.7 million.

At December 31, 2008, finance receivables of \$649.8 million are restricted as collateral for the payment of \$500.0 million short-term asset-backed commercial paper conduit facility debt, which is included in the Company's Consolidated Balance Sheet.

HDFS has cross-border outstandings to Canada as of December 31, 2008, 2007 and 2006 of \$75.8 million, \$92.2 million and \$61.1 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. and Canada. Effective January 1, 2008, the finance receivables and related assets of the international wholesale operations located in Oxford, England were transferred at book value to Harley-Davidson Europe Ltd., a subsidiary of HDMC. Beginning in 2008, HDMC assumed responsibility for the collection of all wholesale receivables in 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, 2008 approximately 11% of gross outstanding finance receivables were originated in Texas and as of December 31, 2007 approximately 12% were originated in Canada.

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At December 31, 2008 and 2007, unused lines of credit extended to HDFS' wholesale finance customers totaled \$941.9 million and \$994.3 million, respectively. Approved but unfunded retail finance loans totaled \$263.1 million and \$458.4 million at December 31, 2008 and 2007, 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. On December 31, 2008, contractual maturities of finance receivables held for investment (excluding retained securitization interests) were as follows (in thousands):

	<u>United States</u>	<u>Canada</u>	<u>Total</u>
2009	\$1,116,324	\$117,177	\$1,233,501
2010	33,496	29,261	62,757
2011	37,066	32,781	69,847
2012	41,036	36,723	77,759
2013	45,447	41,140	86,587
Thereafter	315,644	58,862	374,506
Total	<u>\$1,589,013</u>	<u>\$315,944</u>	<u>\$1,904,957</u>

As of December 31, 2008, all finance receivables due after one year were at fixed interest rates.

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Balance at beginning of year	\$ 30,295	\$27,283	\$26,165
Provision for finance credit losses	39,555	11,252	5,962
Charge-offs, net of recoveries	(29,782)	(8,240)	(4,844)
Balance at end of year	<u>\$ 40,068</u>	<u>\$30,295</u>	<u>\$27,283</u>

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):

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
United States	\$23,678	\$6,205	\$4,476	\$2,574	\$1,906
Canada	1,275	1,759	1,561	1,442	994
Europe	—	386	452	283	3,688
Total	<u>\$24,953</u>	<u>\$8,350</u>	<u>\$6,489</u>	<u>\$4,299</u>	<u>\$6,588</u>

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8. Securitization Transactions

During 2008, 2007 and 2006, the Company sold \$540.0 million, \$2.53 billion and \$2.33 billion, respectively, of retail motorcycle loans through securitization transactions utilizing QSPEs (see Note 1). These sales resulted in cash proceeds of \$467.7 million, \$2.49 billion and \$2.30 billion during 2008, 2007 and 2006, respectively. The Company retains an interest in excess cash flows, subordinated securities and cash reserve account deposits, collectively referred to as investment in retained securitization interests (a component of finance receivables held for investment in the Company's Consolidated Balance Sheets). The Company retains servicing rights and receives annual servicing fees approximating 1% of the outstanding securitized retail loans. HDFS serviced \$3.25 billion and \$4.67 billion of securitized retail loans as of December 31, 2008 and 2007, respectively. The total investment in retained securitization interests received in connection with securitizations during the year for the last three years is 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 \$330.7 million and \$407.7 million at December 31, 2008 and 2007, respectively.

The Company's investment in retained securitization interests, excluding servicing rights, is 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. The investment in retained securitization interests is 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 loss on the securitization completed in 2008 and the gain on securitizations completed in 2007 and 2006:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Prepayment speed (Single Monthly Mortality)	2.00%	2.27%	2.47%
Weighted-average life (in years)	1.95	1.97	1.96
Expected cumulative net credit losses	4.25%	3.73%	2.84%
Residual cash flows discount rate	12.00%	12.00%	12.00%

As of December 31, 2008 and 2007, respectively, the following weighted-average key assumptions were used to value the investment in retained securitization interests:

	<u>2008</u>	<u>2007</u>
Prepayment speed (Single Monthly Mortality)	1.88%	2.17%
Weighted-average life (in years)	2.09	2.07
Expected cumulative net credit losses	4.63%	3.89%
Residual cash flows discount rate	17.89%	12.00%

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Expected cumulative net credit losses are a key assumption in the valuation of the investment in retained securitization interests. As of December 31, 2008, 2007 and 2006, respectively, weighted-average expected net credit losses for all active securitizations were 4.63%, 3.89% and 2.99%. The table below summarizes, as of December 31, 2008, 2007 and 2006, 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				
	2008	2007	2006	2005	2004
December 31, 2008	4.50%	4.66%	4.78%	4.66%	3.66%
December 31, 2007	—	3.88%	4.00%	4.13%	3.48%
December 31, 2006	—	—	3.00%	3.15%	2.93%

For the years ended December 31, 2008 and 2007, the Company recorded an impairment charge of \$41.4 and \$9.9 million, respectively, related to its investment in retained securitization interests. The investment in retained securitization interests is recorded at fair value, which is based on the present value of future expected cash flows using the Company's best estimate of key assumptions for credit losses, prepayment speed and discount rates that, in management's judgment, reflect the assumptions marketplace participants would use. During 2008 and 2007, the fair value of certain retained securitization interests was lower than the amortized cost, which indicated impairment. These impairments were 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 below cost was due to higher projected credit losses and an increased discount rate in the fourth quarter of 2008 from 12% to 18%. During the year ended December 31, 2007, the higher actual and anticipated credit losses were partially offset by a slowing in actual and expected prepayment speeds. These charges were recorded as a reduction of financial services income.

Detailed below at December 31, 2008 and 2007, is the sensitivity of the fair value to immediate 10% and 20% adverse changes in the weighted-average key assumptions for the investment in retained securitization interests (dollars in thousands):

	2008	2007
Carrying amount/fair value of retained interests	\$330,674	\$407,742
Weighted-average life (in years)	2.09	2.07
Prepayment speed assumption (monthly rate)	1.88%	2.17%
Impact on fair value of 10% adverse change	\$ (5,700)	\$ (7,900)
Impact on fair value of 20% adverse change	\$ (11,300)	\$ (15,400)
Expected cumulative net credit losses	4.63%	3.89%
Impact on fair value of 10% adverse change	\$ (36,400)	\$ (36,400)
Impact on fair value of 20% adverse change	\$ (72,700)	\$ (72,700)
Residual cash flows discount rate (annual)	17.89%	12.00%
Impact on fair value of 10% adverse change	\$ (8,600)	\$ (7,500)
Impact on fair value of 20% adverse change	\$ (16,800)	\$ (14,700)

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.

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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, 2008 and 2007 (in thousands):

	<u>2008</u>	<u>2007</u>
Proceeds from new securitizations	\$ 467,722	\$2,486,780
Servicing fees received	43,049	45,478
Other cash flows received on retained interests	132,594	162,556
10% clean-up call repurchase option	(150,240)	(90,506)

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, 2008 and 2007, managed retail motorcycle loans totaled \$6.03 billion and \$5.80 billion, respectively, of which \$3.25 billion and \$4.67 billion, respectively, were securitized. The principal amount of managed retail motorcycle loans 30 days or more past due was \$339.1 million and \$324.9 million at December 31, 2008 and 2007, respectively. The principal amount of securitized retail motorcycle loans 30 days or more past due was \$225.0 million and \$291.3 million at December 31, 2008 and 2007, 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 \$138.7 million, \$106.5 million and \$68.1 million during 2008, 2007 and 2006, respectively. Securitized retail motorcycle loan credit losses, net of recoveries, were \$107.9 million, \$93.9 million and \$63.5 million during 2008, 2007 and 2006, respectively.

9. Debt

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

	<u>2008</u>	<u>2007</u>
Unsecured commercial paper	\$1,238,649	\$ 722,447
Asset-backed commercial paper conduit facility	500,000	—
	<u>\$1,738,649</u>	<u>\$ 722,447</u>

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

	<u>2008</u>	<u>2007</u>
Unsecured commercial paper	\$ 177,800	\$ 120,171
Bank borrowings		
Credit facilities	390,932	256,531
Unsecured notes		
3.63% Medium-term notes due in 2008 (\$400.0 million par value)	—	397,508
5.00% Medium-term notes due in 2010 (\$200.0 million par value)	209,684	203,747
5.25% Medium-term notes due in 2012 (\$400.0 million par value)	399,643	399,551
6.80% Medium-term notes due in 2018 (\$1,000.0 million par value)	998,179	—
Gross long-term debt	2,176,238	1,377,508
Less: current portion of long-term debt	—	(397,508)
Long-term debt	<u>\$2,176,238</u>	<u>\$ 980,000</u>

The Company has classified \$568.7 million and \$376.7 million related to its unsecured commercial paper and its Global Credit

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Facilities as long-term debt as of December 31, 2008 and 2007. This amount has been excluded from current liabilities because it is supported by the Global Credit Facilities and is expected to remain outstanding for an uninterrupted period extending beyond one year from the balance sheet date.

Commercial paper maturities may range up to 365 days from the issuance date. The weighted-average interest rate of outstanding commercial paper balances was 1.96% and 4.61% at December 31, 2008 and 2007, respectively. The December 31, 2008 and 2007 weighted-average interest rates include the impact of interest rate swap agreements.

In July 2008, the Company and HDFS entered into a \$950.0 million 364-day facility and a \$950.0 million three-year facility (collectively, "Global Credit Facilities") to replace existing credit facilities. The Global Credit Facilities, which total \$1.90 billion, are committed facilities and are primarily used to support HDFS' unsecured commercial paper program and to fund HDFS' lending activities and other operations. Borrowings under the Global Credit Facilities bear interest at various variable rates, which may be adjusted upward or downward depending on whether certain criteria are satisfied. As a result of the Global Credit Facilities, HDFS may issue unsecured commercial paper in the aggregate equal to the unused portion of the Global Credit Facilities.

During December 2008, HDFS entered into agreements with a bank-sponsored asset-backed commercial paper conduit facility resulting in proceeds of \$500.0 million. Unless earlier terminated or extended by the mutual agreement of HDFS and the lenders, the loan and servicing agreement will expire on March 31, 2009, at which time HDFS will be obligated to repay the \$500.0 million advance in full. The weighted average interest rate of the outstanding asset-backed commercial paper facility was 6.97% at December 31, 2008. The December 31, 2008 weighted average interest rate includes the impact of interest rate swap agreements.

HDFS' Medium Term Notes (collectively "the Notes") provide for semi-annual interest payments and principal due at maturity. At December 31, 2008 and 2007, the Notes included a fair value adjustment increasing the balance by \$9.7 million and \$1.3 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 a portion of the Notes from a fixed to a floating rate, which is based on 3-month LIBOR. Unamortized discounts on the Notes reduced the balance by \$2.2 million and \$0.5 million at December 31, 2008 and 2007, respectively.

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, 2008 and 2007, HDFS had no borrowings owed to the Company under the revolving credit agreement.

The Company and HDFS have entered into a support agreement wherein, if required, the Company agrees to provide HDFS certain financial support to maintain HDFS' fixed-charge coverage at 1.25 and minimum net worth of \$40.0 million. 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 and the Company are subject to various operating and financial covenants related to the Global Credit Facilities, asset-backed commercial paper conduit facility and Notes. The more significant covenants are described below.

The covenants limit the Company's and 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 financial covenants of the Global Credit Facilities and the asset-backed commercial paper conduit facility, the debt to equity ratio of HDFS and its consolidated subsidiaries cannot exceed 10.0 to 1.0 and the Company must maintain an interest ratio coverage of 2.5 to 1.0. The minimum required HDFS consolidated tangible net worth is \$300.0 million. No financial covenants are required under the Notes.

At December 31, 2008 and 2007, HDFS and the Company remained in compliance with all of these covenants.

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10. Income Taxes

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current:			
Federal	\$ 374,351	\$ 510,299	\$ 531,655
State	21,174	27,076	74,942
Foreign	29,062	35,229	15,109
	<u>424,587</u>	<u>572,604</u>	<u>621,706</u>
Deferred:			
Federal	(36,368)	(51,903)	(22,451)
State	(2,225)	(5,089)	(20,594)
Foreign	(6,735)	(1,636)	2,426
	<u>(45,328)</u>	<u>(58,628)</u>	<u>(40,619)</u>
Total	<u>\$ 379,259</u>	<u>\$ 513,976</u>	<u>\$ 581,087</u>

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Domestic	\$ 992,054	\$1,340,617	\$1,556,687
Foreign	41,923	107,202	67,553
	<u>\$1,033,977</u>	<u>\$1,447,819</u>	<u>\$1,624,240</u>

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Provision at statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	1.6	1.5	2.4
Domestic manufacturing deduction	(1.1)	(1.3)	(0.7)
Research and development credit	(0.5)	(0.4)	(0.4)
Valuation allowance adjustments	0.2	—	—
Other	1.5	0.7	(0.5)
Provision for income taxes	<u>36.7%</u>	<u>35.5%</u>	<u>35.8%</u>

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

	<u>2008</u>	<u>2007</u>
Deferred tax assets:		
Accruals not yet tax deductible	\$ 76,532	\$ 71,056
Pension and postretirement benefit plan obligations	291,328	64,575
Stock compensation	24,141	16,254
Net operating loss carryforward	67,652	—
Valuation allowance	(42,218)	—
Other, net	<u>81,051</u>	<u>91,733</u>
	498,486	243,618
Deferred tax liabilities:		
Depreciation, tax in excess of book	(66,034)	(71,233)
Unrealized gain on investment in retained securitization interests	—	(8,782)
Other, net	<u>(20,885)</u>	<u>(5,949)</u>
	<u>(86,919)</u>	<u>(85,964)</u>
Total	<u>\$411,567</u>	<u>\$157,654</u>

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

At December 31, 2008, the Company had approximately \$437.4 million state and \$146.7 million non-U.S. net operating loss carryforwards expiring between 2013-2024 and 2009-2015 respectively. The Company recorded a deferred tax asset of \$67.7 million as of December 31, 2008 for the benefit of these losses. A valuation allowance of \$42.2 million has been established for the non-U.S. loss carryforwards for which utilization is uncertain because it is unlikely the loss will be utilized based on the historical financial results of the impacted legal entities.

The Company adopted the provisions of FIN 48, "Accounting for Uncertainty in Income Taxes" 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 (in thousands):

	<u>2008</u>	<u>2007</u>
Unrecognized tax benefits, beginning of period	\$72,519	\$70,959
Increase in unrecognized tax benefits for tax positions taken in a prior period	3,556	1,745
Decrease in unrecognized tax benefits for tax positions taken in a prior period	(377)	(4,820)
Increase in unrecognized tax benefits for tax positions taken in the current period	5,448	6,529
Settlements with taxing authorities	<u>(2,119)</u>	<u>(1,894)</u>
Unrecognized tax benefits, end of period	<u>\$79,027</u>	<u>\$72,519</u>

The amount of unrecognized tax benefits as of December 31, 2008 that, if recognized, would affect the effective tax rate was \$58.3 million.

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The total amount of interest and penalties recognized during 2008 in the Company's Consolidated Statements of Income was \$6.9 million.

The total amount of interest and penalties recognized at December 31, 2008 in the Company's Consolidated Balance Sheets was \$23.2 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, 2009. 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 Wisconsin state income taxes before 1998 or for United States federal income taxes before 2002.

11. 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. Zarccone, 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.

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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.

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 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 Response Costs at the York facility will be approximately \$6.2 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.

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Under the terms of the sale of the Commercial Vehicles Division in 1996, the Company agreed to indemnify Utilmaster Corporation, until December 2008, for certain claims related to environmental contamination present at the date of sale, up to \$20.0 million. The indemnification agreement expired on December 31, 2008.

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.

12. 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. The requirement to measure the funded status as of the date of the year-end statement of financial position was adopted on January 1, 2008. Upon adoption, the Company recorded a reduction to retained earnings of \$18.1 million (\$11.2 million, net of tax) and an increase to accumulated other comprehensive income of \$4.2 million (\$2.6 million, net of tax).

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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 December 31, 2008 and September 30, 2007 measurement dates (in thousands):

	Pension and SERPA		Postretirement Healthcare Benefits	
	2008	2007	2008	2007
Change in benefit obligation				
Benefit obligation, beginning of period	\$1,033,635	\$ 976,712	\$ 332,139	\$ 324,985
Effects of change in measurement date	21,974	—	5,765	—
Service cost	51,363	51,647	13,078	12,880
Interest cost	68,592	59,762	21,640	19,579
Plan amendments	1,685	3,604	—	—
Actuarial losses (gains)	36,861	(32,179)	13,934	(11,814)
Plan participant contributions	6,920	7,019	952	464
Benefits paid, net of Medicare Part D subsidy	(42,747)	(32,930)	(19,758)	(13,955)
Special retiree benefits	—	—	4,881	—
Benefit obligation, end of period	<u>1,178,283</u>	<u>1,033,635</u>	<u>372,631</u>	<u>332,139</u>
Change in plan assets:				
Fair value of plan assets, beginning of period	1,067,865	982,102	136,080	119,829
Effects of change in measurement date	15,210	—	2,808	—
Actual return on plan assets	(357,793)	110,670	(41,045)	16,251
Company contributions	1,103	1,004	18,414	13,467
Plan participant contributions	6,920	7,019	952	464
Benefits paid	(42,747)	(32,930)	(20,603)	(13,931)
Fair value of plan assets, end of period	<u>690,558</u>	<u>1,067,865</u>	<u>96,606</u>	<u>136,080</u>
Fourth quarter contributions	—	1,207	—	3,094
Funded status of the plans, December 31	<u>(487,725)</u>	<u>35,437</u>	<u>(276,025)</u>	<u>(192,965)</u>
Amounts recognized in the Consolidated Balance Sheets, December 31:				
Accrued benefit liability (other current liabilities)	\$ (3,722)	\$ (2,893)	\$ (1,617)	\$ (434)
Accrued benefit liability (other long-term liabilities)	(484,003)	(51,551)	(274,408)	(192,531)
Prepaid benefit cost (other long-term assets)	—	89,881	—	—
Net amount recognized	<u>\$ (487,725)</u>	<u>\$ 35,437</u>	<u>\$(276,025)</u>	<u>\$(192,965)</u>

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Benefit Costs:

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

	Pension and SERPA			Postretirement Healthcare Benefits		
	2008	2007	2006	2008	2007	2006
Service cost	\$ 51,363	\$ 51,647	\$ 48,829	\$ 13,078	\$12,880	\$12,944
Interest cost	68,592	59,762	52,625	21,640	19,579	16,074
Expected return on plan assets	(88,061)	(80,835)	(76,415)	(11,232)	(9,984)	(9,112)
Amortization of unrecognized:						
Prior service cost (credit)	6,158	6,691	6,997	(1,123)	(1,123)	(1,123)
Net loss	6,414	11,675	17,640	5,501	6,938	6,515
Special retiree benefits	—	—	—	4,881	—	—
Net periodic benefit cost	<u>\$ 44,466</u>	<u>\$ 48,940</u>	<u>\$ 49,676</u>	<u>\$ 32,745</u>	<u>\$28,290</u>	<u>\$25,298</u>

As discussed in Note 4, the Company recorded a restructuring reserve of \$4.8 million related to postretirement healthcare benefits which is included as special retiree benefits in the table above.

Amounts included in accumulated other comprehensive income, net of tax, at December 31, 2008 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)	\$ 19,939	\$ (4,307)	\$ 15,632
Net actuarial loss	404,307	107,385	511,692
	<u>\$ 424,246</u>	<u>\$ 103,079</u>	<u>\$527,325</u>

Amounts expected to be recognized in net periodic benefit cost, net of tax, during the year the ended December 31, 2009 are as follows (in thousands):

	Pension and SERPA	Postretirement Healthcare Benefits	Total
Prior service cost (credit)	\$ 3,913	\$ (699)	\$ 3,215
Net actuarial loss	9,096	3,951	13,046
	<u>\$ 13,009</u>	<u>\$ 3,252</u>	<u>\$16,261</u>

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Assumptions:

Weighted-average assumptions used to determine benefit obligations as of December 31, 2008, September 30, 2007 and September 30, 2006 and weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31, 2008, September 30, 2007 and September 30, 2006 are as follows:

	Pension and SERPA			Postretirement Healthcare Benefits		
	2008	2007	2006	2008	2007	2006
Assumptions for benefit obligations:						
Discount rate	6.10%	6.30%	5.90%	6.10%	6.30%	5.90%
Rate of compensation	3.66%	4.00%	3.33%	n/a	n/a	n/a
Assumptions for net periodic benefit cost:						
Discount rate	6.30%	5.90%	5.50%	6.30%	5.90%	5.50%
Expected return on plan assets	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
Rate of compensation increase	4.00%	3.31%	3.20%	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 \$1.11 billion and \$976.7 million as of December 31, 2008 and September 30, 2007, respectively.

The following table summarizes information related to Company pension plans with a PBO in excess of the fair value of plan assets (in millions):

	December 31,	September 30,
	2008	2007
Pension plans with PBOs in excess of fair value of plan assets:		
PBO	\$ 1,128.7	\$ 299.3
Fair value of plan assets	\$ 690.6	\$ 287.3
Number of plans	4	1

The following table summarizes information related to Company pension plans with an ABO in excess of the fair value of plan assets (in millions):

	December 31,
	2008
Pension plans with ABOs in excess of fair value of plan assets:	
ABO	\$ 1,070.0
Fair value of plan assets	\$ 690.6
Number of plans	4

There were no pension plans with ABOs in excess of fair value of plan assets as of September 30, 2007.

The Company's SERPA plans, which can only be funded as claims are paid, had projected and accumulated benefit obligations of \$49.5 million and \$41.4 million, respectively, as of December 31, 2008 and \$43.6 million and \$37.5 million, respectively, as of September 30, 2007.

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Plan Assets:

The Company's asset allocations at December 31, 2008 and September 30, 2007, by asset category are as follows:

	Pension		Postretirement Healthcare Benefits	
	2008	2007	2008	2007
Equity securities (excluding Company stock)	64%	75%	72%	80%
Debt securities	23	13	14	10
Company common stock	3	6	—	—
Other	5	1	—	—
Cash	5	5	14	10
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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 December 31, 2008 as a percentage of total market value were as follows: equity securities, 60% to 80%; debt securities, 15% 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.

Included in the pension plan assets are 1,273,592 shares of the Company's common stock at December 31, 2008 and 2007. The market value of these shares at December 31, 2008 and 2007 was \$21.6 million and \$59.5 million, respectively.

No plan assets are expected to be returned to the Company during the fiscal year-ended December 31, 2009.

For 2009, the Company's overall expected long-term rate of return on assets is 8.25%. 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:

	2008	2007
Healthcare cost trend rate for next year	8.0%	9.0%
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	2014	2011

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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 2008	\$ 639	\$ (668)
Accumulated benefit obligation as of December 31, 2008	\$12,929	\$(12,214)

Future Contributions and Benefit Payments:

Due to significant declines in worldwide financial market conditions during 2008, the funded status of the Company's pension and postretirement healthcare plans was adversely affected. The Company is expecting it will have to make additional contributions of approximately \$40 million to \$80 million to further fund its pension plans during 2009 in addition to the on-going contribution requirements related to current benefit payments for SERPA and postretirement healthcare plans.

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
2009	\$ 43,895	\$ 3,811	\$ 20,783	\$ 732
2010	45,925	6,098	24,303	880
2011	48,082	5,870	26,444	1,023
2012	50,484	7,849	28,114	1,208
2013	52,952	8,052	29,639	1,404
2014-2018	305,500	19,036	168,518	10,402

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 \$14.4 million, \$11.7 million and \$8.8 million for matching contributions during 2008, 2007 and 2006, respectively.

13. Leases

The Company operates certain administrative, manufacturing, warehouse and testing facilities and equipment under lease arrangements that are accounted for as operating leases. Total rental expense was \$11.3 million, \$9.7 million and \$8.5 million for 2008, 2007 and 2006, respectively.

Future minimum operating lease payments at December 31, 2008 were as follows (in thousands):

2009	\$12,225
2010	8,296
2011	7,207
2012	4,508
2013	4,177
After 2013	18,020
Total operating lease payments	<u>\$54,433</u>

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14. Capital Stock

Common Stock:

The Company is authorized to issue 800,000,000 shares of common stock of \$.01 par value. There were 232.8 million and 238.5 million common shares outstanding as of December 31, 2008 and 2007, respectively.

During 2008, 2007 and 2006, the Company repurchased 6.4 million, 20.4 million and 19.3 million shares of its common stock at weighted-average prices of \$40, \$56 and \$55, respectively. These repurchases were made pursuant to the following authorizations (in millions of shares):

Board of Directors' Authorization	Shares Repurchased			Authorization Remaining at December 31, 2008
	2008	2007	2006	
1997 Authorization	—	0.7	2.1	4.6
2005 Authorization	—	2.8	17.2	—
2006 Authorization	3.1	16.9	—	—
2007 Authorization	3.3	—	—	16.7
Total	<u>6.4</u>	<u>20.4</u>	<u>19.3</u>	<u>21.3</u>

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.

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. This authorization was exhausted during 2008.

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. There are 16.7 million shares remaining under this authorization at December 31, 2008.

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.

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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.

15. Share-Based Awards

The Company has a share-based compensation plan which was approved by its Shareholders in April 2004 (Plan) under which the Board of Directors may grant to employees share-based awards including nonqualified stock options, stock appreciation rights (SARs), shares of restricted stock and restricted stock units (RSUs). The options and SARs granted under the Plan have an exercise price equal to the fair market value of the underlying stock at the date of grant and vest ratably over a four-year period with the first 25% becoming exercisable one year after the date of grant. The options and SARs expire 10 years from the date of grant. Shares of restricted stock and RSUs that have been issued under the Plan generally vest over periods ranging from 2 to 5 years with certain of the shares and RSUs subject to accelerated vesting should the Company meet certain performance conditions. Dividends are paid on shares of restricted stock and dividend equivalents are paid on RSUs. At December 31, 2008, there were 7.7 million shares of common stock available for future awards under the Plan.

Stock Options:

The Company estimates the grant date fair value of its option awards granted using a lattice-based option valuation model. The Company believes that the lattice-based option valuation model 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 2008 and 2007. In 2006, expected volatility was 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 2008, 2007 and 2006 were as follows:

	2008	2007	2006
Expected average term (in years)	5.9	5.1	5.7
Expected volatility	37% - 44%	21% - 24%	23% - 34%
Weighted average volatility	39%	22%	30%
Expected dividend yield	2.0%	1.4%	1.2%
Risk-free interest rate	1.9% - 3.7%	4.7% - 5.1%	4.4% - 4.7%

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The following table summarizes the stock option transactions for the year ended December 31, 2008 (in thousands except for per share amounts):

	Options	Weighted-Average Price
Options outstanding, beginning of period	4,236	\$ 53
Options granted	1,681	\$ 39
Options exercised	(58)	\$ 20
Options forfeited	(307)	\$ 52
Options outstanding, end of period	<u>5,552</u>	\$ 49
Exercisable, end of period	<u>3,015</u>	\$ 50

The weighted-average fair value of options granted during the years ended December 31, 2008, 2007 and 2006 was \$10, \$15 and \$15, respectively.

As of December 31, 2008, there was \$20.1 million of unrecognized compensation cost related to stock options that is expected to be recognized over a weighted-average period of 2.4 years.

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):

	2008	2007	2006
Exercised	\$1,044	\$12,010	\$77,415
Outstanding	\$ 11	\$ 9,613	\$90,359
Exercisable	—	\$ 9,613	\$53,292

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 14.

Stock options outstanding at December 31, 2008 (options in thousands):

Price Range	Weighted-Average Contractual Life	Options	Weighted-Average Exercise Price
\$10.01 to \$20	9.9	10	\$ 16
\$20.01 to \$30	0.1	70	\$ 26
\$30.01 to \$40	8.2	1,809	\$ 39
\$40.01 to \$50	3.8	852	\$ 42
\$50.01 to \$60	5.5	1,561	\$ 52
\$60.01 to \$70	7.2	<u>1,250</u>	\$ 65
Options outstanding	6.4	<u>5,552</u>	\$ 49
Options exercisable	4.7	<u>3,015</u>	\$ 50

Stock Appreciation Rights (SARs)

SARs vest under the same terms and conditions as options; however, they are settled in cash equal to their settlement date fair value. As a result, SARs are recorded in the Company's consolidated balance sheets as a liability until the date of exercise.

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The fair value of each SAR award is estimated using a lattice-based valuation model. In accordance with SFAS No. 123(R), the fair value of each SAR award is recalculated at the end of each reporting period and the liability and expense adjusted based on the new fair value and the percent vested.

The assumptions used to determine the fair value of the SAR awards at December 31, 2008 were as follows:

Expected average term (in years)	8.1
Expected volatility	63% - 75%
Expected dividend yield	2.0%
Risk-free interest rate	0.1% - 2.3%

The following table summarizes the SAR transactions for the year ended December 31, 2008 (in thousands except for per share amounts):

	SARs	Weighted-Average Price
Outstanding, beginning of period	106	\$ 62
Granted	126	\$ 39
Exercised	—	—
Forfeited	(37)	\$ 60
Outstanding, end of period	<u>195</u>	\$ 47
Exercisable, end of period	<u>—</u>	—

Restricted (Nonvested) Stock:

The fair value of restricted shares is determined based on the market price of the Company's shares on the grant date. The following table summarizes the restricted share transactions for the year ended December 31, 2008 (in thousands except for per share amounts):

	Restricted Shares	Grant Date Fair Value Per Share
Nonvested, beginning of period	687	\$ 57
Granted	471	\$ 39
Vested	(18)	\$ 35
Forfeited	(91)	\$ 38
Nonvested, end of period	<u>1,049</u>	\$ 51

As of December 31, 2008, there was \$21.5 million of unrecognized compensation cost related to restricted stock that is expected to be recognized over a weighted-average period of 1.9 years.

Restricted Stock Units (RSUs)

Restricted stock units vest under the same terms and conditions as restricted stock; however, they are settled in cash equal to their settlement date fair value. As a result, RSUs are recorded in the Company's consolidated balance sheets as a liability until the date of vesting.

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The fair value of RSUs is determined based on the market price of the Company's shares on the grant date. The following table summarizes the restricted share transactions for the year ended December 31, 2008 (in thousands except for per share amounts):

	Restricted Stock Unit	Weighted-Average Grant Date Fair Value Per Share
Nonvested, beginning of period	41	\$ 64
Granted	34	\$ 39
Vested	—	—
Forfeited	(2)	\$ 37
Nonvested, end of period	<u>73</u>	<u>\$ 53</u>

16. 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):

	2008	2007	2006
Numerator:			
Net income used in computing basic and diluted earnings per share	\$654,718	\$933,843	\$1,043,153
Denominator :			
Denominator for basic earnings per share - weighted-average common shares	234,225	249,205	264,453
Effect of dilutive securities - employee stock compensation plan	<u>252</u>	<u>677</u>	<u>820</u>
Denominator for diluted earnings per share - adjusted weighted-average shares outstanding	<u>234,477</u>	<u>249,882</u>	<u>265,273</u>

Options to purchase 5.2 million, 1.4 million and 1.9 million weighted-average shares of common stock outstanding during 2008, 2007 and 2006, 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.

17. Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, marketable securities, trade receivables, finance receivables held for investment, net, finance receivables held for sale, trade payables, debt, foreign currency contracts and interest rate swaps. Under U.S. GAAP certain of these items are required to be recorded in the financial statements at fair value, while other are required to be recorded at historical cost.

Cash and Cash Equivalents, Trade Receivables and Trade Payables – With the exception of certain money-market investments, these items are recorded in the financial statements at historical cost. The historical cost basis for these amounts is estimated to approximate their respective fair values due to the short maturity of these instruments.

Marketable Securities – Marketable securities are recorded in the financial statements at 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 Held for Investment, Net – Finance receivables held for investment are recorded in the financial statements at historical cost. The historical cost basis 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.

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The fair value of investment in retained securitization interests is recorded in the financial statements at fair value and 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 – Finance receivables held for sale in the aggregate are recorded at the lower of cost or estimated fair value. HDFS uses discounted cash flow methodologies to estimate the fair value of finance receivables held for sale that incorporate appropriate assumptions for discount rate, funding costs and credit enhancement, as well as estimates concerning credit losses and prepayments, that in management's judgment, reflect assumptions marketplace participants would use at December 31, 2008 and 2007. Any amount by which cost exceeds fair value is accounted for as a valuation adjustment with an offset to other income. The fair value of the finance receivables held for sale at December 31, 2008 was \$2.44 billion, which is net of a \$31.7 million valuation adjustment. The carrying value of finance receivables held for sale at December 31, 2007 approximated the fair value.

Debt – Debt is generally recorded in the financial statements at historical cost. The carrying value of debt provided under the Global 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 carrying value of the asset-backed commercial paper conduit facility approximates the fair value due to its short maturity.

At December 31, 2008 and 2007, the fair value of the Medium-Term Notes was \$1.03 billion and \$1.00 billion, respectively. The fair value of the Medium-Term Notes issued during 2008 and 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.

Derivative Financial Instruments – The Company uses a variety of derivative financial instruments to manage foreign currency exchange rate, commodity price and interest rate risk. All derivative instruments are recognized on the balance sheet at fair value. A specific description of each of the Company's derivative instruments follows.

Foreign Currency Contracts – During 2008 and 2007, the Company utilized foreign currency contracts to hedge its sales transactions denominated in Euros and Australian dollars. 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):

	2008	2007
Euro value	€ 275.0	€ 170.0
Australian dollar value	AUD 25.0	AUD —
Notional U.S. dollar value	\$ 419.3	\$ 227.8
Fair value of contracts recorded as current assets (liabilities)	\$ 19.1	\$ (20.2)
Unrealized gain (loss) recorded in accumulated other comprehensive loss, net of tax	\$ 8.3	\$ (11.4)

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 2008 and 2007, the hedges were highly effective and, as a result, the amount of hedge ineffectiveness recognized during the year was not material. During 2008, net losses on foreign currency contracts reclassified from other comprehensive income and recognized in earnings totaled \$5.6 million, or \$3.5 million net of tax. The Company expects that the unrealized gains, net of taxes, as of December 31, 2008, of \$8.3 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.

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Natural Gas Contracts – During 2008, the Company utilized natural gas contracts to hedge the cost of natural gas consumption. The natural gas contracts were designated as cash flow hedges and had lives of less than one year. The Company bases the fair value of its natural gas contracts on quoted market prices. Information related to the Company's natural gas hedges as of December 31 is as follows (in millions):

	<u>2008</u>
Therms	5.8
Notional value	\$ 4.8
Fair value of contracts recorded as current liabilities	\$(1.3)
Unrealized loss recorded in accumulated other comprehensive loss, net of tax	\$(0.8)

During 2008, the hedges were highly effective and, as a result, the amount of hedge ineffectiveness recognized during the year was not material. The Company expects that the unrealized losses, net of taxes, as of December 31, 2008, of \$0.8 million will be reclassified to earnings within one year.

Interest Rate Swaps - Securitization Transactions – During 2008 and 2007, 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):

	<u>2008</u>	<u>2007</u>
Notional value	—	\$535.9
Fair value of swaps recorded as current liabilities	—	\$ (6.7)
Unrealized loss recorded in accumulated other comprehensive loss, net of tax	—	\$ (3.9)

During 2008 and 2007, the hedges were highly effective and, as a result, the amount of hedge ineffectiveness recognized during the year was not material. During 2008, net losses on securitization related interest rate swaps reclassified from other comprehensive income and recognized in earnings totaled \$16.1 million, or \$10.4 million net of tax.

HDFS entered into derivative contracts to facilitate its first quarter 2008 and third quarter 2007 securitization transactions. 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):

	<u>2008</u>	<u>2007</u>
Notional value	\$881.9	\$700.0
Fair value of swaps recorded as current assets (liabilities)	\$ 1.1	\$ (0.1)
Unrealized gain (loss) recorded in earnings, net of tax	\$ 1.3	\$ (0.1)

Interest Rate Swaps - Unsecured Commercial Paper – In April 2008, HDFS entered into an amortizing \$137.0 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. This replaced a \$50.0 million swap agreement, which expired in March 2008. Additionally, HDFS has a \$175.0 million amortizing interest rate swap agreement that expires in 2012. This interest rate swap agreement 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, 2008 and 2007, the agreements were designated as cash flow hedges. Information related to the swap agreements as of December 31 is as follows (in millions):

	<u>2008</u>	<u>2007</u>
Notional value	\$233.1	\$204.2
Fair value of swaps recorded as current liabilities	\$ (17.0)	\$ (6.2)
Unrealized loss recorded in accumulated other comprehensive loss, net of tax	\$ (10.9)	\$ (4.0)

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During 2008 and 2007, the hedges were highly effective, and as a result, the amount of hedge ineffectiveness recognized during the year was not material. During 2008, net losses on commercial paper related interest rate swaps reclassified from other comprehensive income and recognized in earnings totaled \$5.9 million, or \$3.8 million net of tax. HDFS expects to reclassify \$5.2 million of the unrealized loss, net of taxes, as of December 31, 2008, to earnings within one year. The unrealized loss will be in addition to the payment of variable interest associated with the floating rate debt.

Interest Rate Swaps - Asset-Backed Commercial Paper Conduit Facility – In December 2008, HDFS entered into \$300.0 million and \$200.0 million amortizing interest rate swaps that effectively convert its floating-rate debt to a fixed rate basis for a period of twenty-two months. The differential paid or received is recognized on an accrual basis as an adjustment to interest expense. As of December 31, 2008, these agreements were designated as cash flow hedges. Information related to the swap agreements as of December 31 is as follows (in millions):

	<u>2008</u>
Notional value	\$500.0
Fair value of swaps recorded as current liabilities	\$ (5.2)
Unrealized loss recorded in accumulated other comprehensive loss, net of tax	\$ (3.2)

During 2008, the hedges were highly effective and, as a result, the amount of hedge ineffectiveness recognized during the year was not material. Net losses on asset-backed commercial conduit facility related interest rate swaps were reclassified from other comprehensive income and recognized in earnings totaled \$0.2 million, or \$0.1 million net of tax.

In December 2008, HDFS entered into derivative contracts to facilitate its participation in the asset-backed commercial paper conduit facility. These derivatives do not qualify for hedge accounting and have a life of three 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):

	<u>2008</u>
Notional value	\$22.8
Fair value of swaps recorded as current assets	\$ 0.5
Unrealized gain recorded in earnings, net of tax	\$ 0.5

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, 2008 and 2007, the agreements were designated as fair value hedges. During 2008 and 2007, 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):

	<u>2008</u>	<u>2007</u>
Notional value	\$150.0	\$550.0
Fair value of swaps recorded as current assets	\$ 9.7	\$ 1.3

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No ready market exists for swaps utilized by HDFS. Fair value is determined by an independent third party using established valuation methods.

18. Fair Value Measurements

The carrying value of those financial assets and liabilities recorded at fair value is measured on a recurring or non-recurring basis. Financial assets and liabilities measured on a recurring basis are those that are adjusted to fair value each time a financial statement is prepared. Financial assets and liabilities measured on a non-recurring basis are those that are adjusted to fair value when a significant event occurs. In determining fair value of financial assets and liabilities, the Company uses various valuation techniques. The availability of inputs observable in the market varies from instrument to instrument and depends on a variety of factors including the type of instrument, whether the instrument is actively traded, and other characteristics particular to the transaction. For many financial instruments, pricing inputs are readily observable in the market, the valuation methodology used is widely accepted by market participants, and the valuation does not require significant management discretion. For other financial instruments, pricing inputs are less observable in the market and may require management judgment.

The Company assesses the inputs used to measure fair value using a three-tier hierarchy. The hierarchy indicates the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, foreign currency exchange rates, commodity rates and yield curves. Level 3 inputs are not observable in the market and include management's own judgments about the assumptions market participants would use in pricing the asset or liability. The use of observable and unobservable inputs is reflected in the hierarchy assessment disclosed in the table below.

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2008, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value (in thousands):

	Balance as of December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	\$ 380,082	\$ 380,082	—	—
Derivatives	31,508	—	\$ 31,508	—
Investment in retained securitization interests	330,674	—	—	\$ 330,674
	<u>\$ 742,264</u>	<u>\$ 380,082</u>	<u>\$ 31,508</u>	<u>\$ 330,674</u>
Liabilities:				
Derivatives	<u>\$ 23,503</u>	<u>—</u>	<u>\$ 23,503</u>	<u>—</u>

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The investment in retained securitization interests is valued using discounted cash flow methodologies incorporating assumptions that, in management's judgment, reflect the assumptions marketplace participants would use at December 31, 2008. The following table presents additional information about the investment in retained securitization interests which is measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at December 31, 2008 (in thousands):

	2008
Balance, beginning of period	\$407,742
Total gains or losses (realized/unrealized):	
Included in financial services income ^(a)	18,808
Included in other comprehensive income	(29,090)
Sales, repurchases and settlements, net	<u>(66,786)</u>
Balance, end of period	<u>\$330,674</u>

(a) Total gains or losses included in financial services income includes an impairment charge of \$41.4 million as discussed in Note 8.

Finance receivables held for sale in the aggregate are carried at the lower of cost or estimated fair value, and are measured at fair value on a non-recurring basis using significant unobservable inputs (Level 3).

During 2008, the Company recorded non-cash charges of \$37.8 million due to a decline in the fair value below cost on finance receivables held for sale. The fair value of the finance receivables held for sale at December 31, 2008 was \$2.44 billion, which is net of a \$31.7 million valuation adjustment.

19. 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, Buell Motorcycle Company and MV Agusta. 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 Financial Services segment consists of Harley-Davidson Financial Services. HDFFS provides wholesale and retail financing and insurance and insurance-related programs primarily to Harley-Davidson and Buell dealers and their retail customers. HDFFS conducts business principally in the United States and Canada.

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

	2008	2007	2006
Motorcycles net revenue and Financial Services income:			
Motorcycles net revenue	\$5,594,307	\$5,726,848	\$5,800,686
Financial Services income	376,970	416,196	384,891
	<u>\$5,971,277</u>	<u>\$6,143,044</u>	<u>\$6,185,577</u>
Income from operations:			
Motorcycles ⁽¹⁾	\$ 966,390	\$1,230,643	\$1,408,990
Financial Services ^{(2) (3)}	82,765	212,169	210,724
General corporate expenses	(20,131)	(17,251)	(22,561)
	<u>\$1,029,024</u>	<u>\$1,425,561</u>	<u>\$1,597,153</u>

(1) Motorcycles income from operations for 2008 includes restructuring charges of \$12.4 million (see Note 4).

(2) Financial Services income from operations for 2008 includes a lower of cost or market adjustment of \$37.8 million (see Note 18).

(3) Financial Services income from operations for 2008 and 2007 includes an impairment charge of \$41.4 million and \$9.9 million, respectively (see Note 8).

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

	<u>Motorcycles</u>	<u>Financial Services</u>	<u>Corporate</u>	<u>Consolidated</u>
2008				
Total assets	\$2,150,298	\$5,084,769	\$593,558	\$7,828,625
Depreciation and amortization	214,351	7,840	—	222,191
Net capital expenditures	227,833	4,336	—	232,169
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

As discussed in Note 5, the Company's acquisition of MV during 2008 resulted in \$0.5 million of amortization related to intangible assets acquired, which is included in Motorcycles depreciation and amortization for 2008 in the table above.

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Geographic Information:

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

	2008	2007	2006
Motorcycles net revenue ^(a):			
United States	\$3,843,917	\$4,208,016	\$4,618,997
Europe	904,049	790,150	621,069
Japan	279,369	229,759	207,884
Canada	256,640	230,230	188,993
Australia	168,122	162,689	82,792
Other foreign countries	142,210	106,004	80,951
	<u>\$5,594,307</u>	<u>\$5,726,848</u>	<u>\$5,800,686</u>
Financial Services income ^(a):			
United States	\$ 348,461	\$ 381,001	\$ 356,539
Europe	3,166	13,638	11,034
Canada	25,343	21,557	17,318
	<u>\$ 376,970</u>	<u>\$ 416,196</u>	<u>\$ 384,891</u>
Long-lived assets ^(b):			
United States	\$1,100,858	\$1,173,169	\$1,139,846
Other foreign countries	204,462	66,988	56,214
	<u>\$1,305,320</u>	<u>\$1,240,157</u>	<u>\$1,196,060</u>

(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.

20. 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. The Company recorded revenue and financial services income from Deeley Imports during 2008, 2007 and 2006 of \$258.3 million, \$231.9 million and \$187.7 million, respectively, and had accounts receivables balances due from Deeley Imports of \$31.5 million and \$42.6 million at December 31, 2008 and 2007, 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 arms-length negotiations between unrelated parties.

21. Subsequent Events

On January 23, 2009, in response to the U.S. economic recession and worldwide slowdown in consumer demand, the Company announced its plans to lower motorcycle shipments in 2009 and adjust the cost structure of its business. These plans involve consolidating its two engine and transmission plants in the Milwaukee area into its facility in Menomonee Falls, WI; consolidating its paint and frame operations at its assembly facility in York, PA; closing its distribution facility in Franklin, WI; and discontinuing its domestic transportation fleet operation. Additionally, the Company plans reductions in selling, general and administrative costs.

The Company plans to implement these actions through 2009 and 2010. The planned volume reduction, restructuring and cost reduction actions are expected to result in the elimination of approximately 1,100 jobs, consisting of approximately 800 hourly production positions and approximately 300 non-production, primarily salaried positions.

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The Company expects the volume reduction and changes to operations to result in aggregate one-time charges of approximately \$110 million to \$140 million over 2009 and 2010. At the low end of the range, approximately \$36 million of these charges will involve one-time employee termination costs (including pension curtailment charges), approximately \$22 million will involve accelerated depreciation charges to depreciate affected long-lived assets to their estimated salvage value, and approximately \$52 million will involve other costs to close and consolidate facilities. The difference between the low end and high end of the range relates to uncertainty surrounding the cost and execution of these actions. Of the aggregate charges, the Company expects that approximately 75 percent will result in cash expenditures, although the timing of the expenditures will vary, and 25 percent will be non-cash. The Company expects to record between \$80 and \$100 million of these costs in 2009 – with \$30 to \$40 million in the first quarter of 2009. The Company expects that it will record the remaining restructuring costs, between \$30 and \$40 million, in 2010.

On February 5, 2009, the Company issued \$600.0 million of its senior unsecured notes in order to fund the ongoing motorcycle lending activities of HDFS. The notes will be due in 2014 and will bear interest at a rate of 15% per annum.

SUPPLEMENTARY DATA

Quarterly financial data (unaudited)

(In millions, except per share data)

	1 st Quarter		2 nd Quarter		3 rd Quarter		4 th Quarter	
	Mar 30, 2008	Apr 1, 2007	June 29, 2008	July 1, 2007	Sep 28, 2008	Sep 30, 2007	Dec 31, 2008	Dec 31, 2007
Net revenue	\$1,306.3	\$1,178.9	\$1,572.6	\$1,620.2	\$1,422.8	\$1,541.4	\$1,292.6	\$1,386.3
Gross profit	476.1	423.0	561.9	605.2	484.1	591.4	408.7	494.5
Income before taxes ⁽¹⁾	293.1	298.2	348.1	450.4	269.5	410.8	123.3	288.4
Net income	187.6	192.3	222.8	290.5	166.5	265.0	77.8	186.0
Earnings per common share:								
Basic	\$ 0.79	\$ 0.75	\$ 0.95	\$ 1.15	\$ 0.71	\$ 1.07	\$ 0.34	\$ 0.78
Diluted	\$ 0.79	\$ 0.74	\$ 0.95	\$ 1.14	\$ 0.71	\$ 1.07	\$ 0.34	\$ 0.78

⁽¹⁾ Fourth quarter 2008 income before taxes includes a lower of cost or market adjustment or finance receivables held for sale of \$28.4 million and an impairment charge on investment in retained securitization interests of \$35.1 million.

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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 Executive Vice President and Chief Financial Officer, the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based upon their evaluation of these disclosure controls and procedures, the President and Chief Executive Officer and Executive Vice President and Chief Financial Officer have concluded that the disclosure controls and procedures were effective as of the end of the period covered by this Annual Report on Form 10-K to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission rules and forms, and to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including its President and Chief Executive Officer and Executive Vice President 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, 2008 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART III

Item 10. Directors, Executive Officers of the Registrant and Corporate Governance

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 25, 2009 (the Proxy Statement), under the captions "Questions and Answers about the Company—Who are our executive officers for SEC purposes?," "Corporate Governance Principles and Board Matters—Audit 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.

Executive Changes

On December 9, 2008, the Company's President and Chief Executive Officer, James L. Ziemer, informed the Company's board of directors that he intends to retire in 2009, capping a 40-year career with the Company. The board of directors has formed a search committee to review both internal and external candidates. Mr. Ziemer will remain in his current role until a new CEO is in place.

On January 8, 2009, the Company announced that its Chief Financial Officer, Thomas E. Bergmann, was taking on the added responsibility of interim President of HDFS. The appointment followed HDFS President Sy Naqvi's personal decision to resign. Mr. Bergmann will serve as interim HDFS President while an external search is conducted.

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.

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

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, 2008:

<u>Plan Category</u>	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	5,487,107	\$ 48.88	7,696,144
Equity compensation plans not submitted to shareholders:			
Union employees:			
Kansas City, MO	—	—	26,718
York, PA	42,745	\$ 38.88	55,150
Non employees:			
Board of Directors	22,300	\$ 44.64	53,127
	<u>65,045</u>	<u>\$ 40.86</u>	<u>134,995</u>
Total all plans	<u>5,552,152</u>	<u>\$ 48.78</u>	<u>7,831,139</u>

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

The material features of the union employees’ stock option awards are the same as those of the management employees’ stock option awards. Under the Company’s management and union plans, stock options have an exercise price equal to the fair market value of the underlying stock at the date of grant, 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.

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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, and Director Independence

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.

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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, 2008	59
Consolidated balance sheets at December 31, 2008 and December 31, 2007	60
Consolidated statements of cash flows for each of the three years in the period ended December 31, 2008	61
Consolidated statements of shareholders' equity for each of the three years in the period ended December 31, 2008	62
Notes to consolidated financial statements	64
(2) Financial Statement Schedule	
Schedule II – Valuation and qualifying accounts	110
(3) Exhibits	

Reference is made to the separate Index to Exhibits contained on pages 112 through 115 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.

HARLEY-DAVIDSON, INC.
CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS
Years ended December 31, 2008, 2007 and 2006
(In thousands)

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Accounts receivable - allowance for doubtful accounts			
Balance at beginning of period	\$ 9,016	\$ 9,435	\$ 8,492
Provision charged to expense	3,061	365	863
Reserve adjustments	2,985	(1,028)	80
Write-offs, net of recoveries	(5,983)	244	—
Balance at end of period	<u>\$ 9,079</u>	<u>\$ 9,016</u>	<u>\$ 9,435</u>
Finance receivables held for investment - allowance for credit losses			
Balance at beginning of period	\$ 30,295	\$ 27,283	\$26,165
Provision charged to expense	39,555	11,252	5,962
Write-offs, net of recoveries	(29,782)	(8,240)	(4,844)
Balance at end of period	<u>\$ 40,068</u>	<u>\$ 30,295</u>	<u>\$27,283</u>
Inventories - allowance for obsolescence ⁽¹⁾			
Balance at beginning of period	\$ 16,307	\$ 15,282	\$16,669
Provision charged to expense	37,840	11,695	6,516
Reserve adjustments	(353)	1,116	(910)
Write-offs, net of recoveries	(24,963)	(11,786)	(6,993)
Balance at end of period	<u>\$ 28,831</u>	<u>\$ 16,307</u>	<u>\$15,282</u>
Deferred tax assets - valuation allowance			
Balance at beginning of period	—	—	—
Allowance for operating loss carryforwards	\$ 42,218	—	—
Balance at end of period	<u>\$ 42,218</u>	<u>—</u>	<u>—</u>

(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.

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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 17, 2009.

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 17, 2009.

<u>Name</u>	<u>Title</u>
<u>/S/ James L. Ziemer</u> James L. Ziemer	President and Chief Executive Officer and Director (Principal executive officer)
<u>/S/ Thomas E. Bergmann</u> Thomas E. Bergmann	Executive Vice President and Chief Financial Officer (Principal financial and accounting officer)
<u>/S/ Barry K. Allen</u> Barry K. Allen	Director
<u>/S/ Richard I. Beattie</u> Richard I. Beattie	Director
<u>/S/ Jeffrey L. Bleustein</u> Jeffrey L. Bleustein	Chairman and Director
<u>/S/ George H. Conrades</u> George H. Conrades	Director
<u>/S/ Judson C. Green</u> Judson C. Green	Director
<u>/S/ Donald A. James</u> Donald A. James	Director
<u>/S/ Sara L. Levinson</u> Sara L. Levinson	Director
<u>/S/ N. Thomas Linebarger</u> N. Thomas Linebarger	Director
<u>/S/ George L. Miles, Jr.</u> George L. Miles, Jr.	Director
<u>/S/ James A. Norling</u> James A. Norling	Director
<u>/S/ Jochen Zeitz</u> Jochen Zeitz	Director

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

<u>Exhibit No</u>	<u>Description</u>
3.1	Restated Articles of Incorporation as amended through August 21, 2000
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 Firststar 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	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))
4.4	3-Year Credit Agreement, dated as of July 16, 2008, among the Company, certain subsidiaries of the Company, the financial institutions parties thereto, JPMorgan Chase Bank, N.A., as global administrative agent and global swing line lender, Citibank, N.A., as syndication agent, and ABN Amro Bank N.V., BNP Paribas and Deutsche Bank AG, New York branch, as documentation agents (incorporated herein by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed July 22, 2008 (File No. 1-9183))
4.5	364-Day Credit Agreement, dated as of July 16, 2008, among the Company, certain subsidiaries of the Company, the financial institutions parties thereto, JPMorgan Chase Bank, N.A., as global administrative agent, Citibank, N.A., as syndication agent, and ABN Amro Bank N.V., BNP Paribas and Deutsche Bank AG, New York branch, as documentation agents (incorporated herein by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed July 22, 2008 (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))

* 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)]

<u>Exhibit No.</u>	<u>Description</u>
10.2*	Harley-Davidson, Inc. Director Stock Plan as amended and restated effective January 1, 2009
10.3*	Form of Amended and Restated Transition Agreement as amended through April 25, 2008 between the Registrant and Ms. Lione and each of Messrs. Bergmann, Eberle, Hutchinson, McCaslin and Ziemer (incorporated herein by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 30, 2008 (File No. 1-9183))
10.4*	Harley-Davidson Management Deferred Compensation Plan as amended and restated effective January 1, 2009
10.5*	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))
10.6*	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))
10.7*	Form of Amended and Restated Severance Benefits Agreement as amended through April 25, 2008 between the Registrant and Ms. Lione and each of Messrs. Bergmann, Dannehl, Eberle, Flickinger, Hutchinson, McCaslin, Richer and Ziemer (incorporated herein by reference to Exhibit 10.12 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 30, 2008 (File No. 1-9183))
10.8*	Form of Amended and Restated Supplemental Executive Retirement Plan Agreement between the Registrant and each of Messrs. McCaslin and Ziemer (incorporated herein by reference from Exhibit 10.6 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 28, 2008 (File No. 1-9183))
10.9*	Harley-Davidson Pension Benefit Restoration Plan as amended and restated effective January 1, 2009
10.10*	Harley-Davidson Retiree Insurance Allowance Plan, effective January 1, 2009
10.11	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))
10.12	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))
10.13*	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))

* 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)]

<u>Exhibit No.</u>	<u>Description</u>
10.14*	Deferred Compensation Plan for Nonemployee Directors as amended and restated effective January 1, 2009
10.15*	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))
10.16*	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))
10.17*	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))
10.18*	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))
10.19*	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))
10.20*	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))
10.21*	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))
10.22*	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

* 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)]

<u>Exhibit No.</u>	<u>Description</u>
31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a)
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a)
32	Written Statement of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. §1350

RESTATED ARTICLES OF INCORPORATION, as amended through August 21, 2000

* * * * *

ARTICLE I

The name of the Corporation is Harley-Davidson, Inc.

ARTICLE II

The registered agent and registered office of the Corporation is CT Corporation System, 44 E. Mifflin St., Madison, Wisconsin 53703.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Wisconsin Business Corporation Law.

ARTICLE IV

(a) AUTHORIZED SHARES. The total number of shares of all classes of stock that the Corporation is authorized to issue is eight hundred two million (802,000,000), consisting of (i) eight hundred million (800,000,000) shares of Common Stock of \$.01 par value ("Common Stock"), and (ii) two million (2,000,000) shares of Preferred Stock of \$1.00 par value.

All cross references in each Subdivision of this ARTICLE IV refer to other paragraphs in such subdivision unless otherwise indicated.

(i) Voting Rights. The holders of Common Stock will be entitled to one vote per share on all matters to be voted on by the Corporation's shareholders.

(ii) Registration of Transfer. The Corporation shall keep at its principal office (or such other place as the Corporation reasonably designates) a register for the registration of shares of Common Stock. Upon the surrender of any certificate representing shares of Common Stock at such place, the Corporation shall, at the request of the registered holder of such certificate, execute and deliver (at the Corporation's expense) a new certificate or certificates in exchange therefor representing in the aggregate the number of shares of Common Stock represented by the surrendered certificate (and the Corporation forthwith shall cancel such surrendered certificate), subject to the requirements of applicable securities laws. Each such new certificate shall be registered in such name and shall represent such number of shares as shall be requested by the holder of the surrendered certificate and shall be substantially identical in form to the surrendered certificate.

(iii) Replacement.

(A) Upon receipt of evidence reasonably satisfactory to the Corporation (an affidavit of the registered holder without bond shall be satisfactory) of the ownership and the loss, theft, destruction or mutilation of any certificate evidencing one or more shares of Common Stock and, in the case of any such loss, theft or destruction, upon receipt of indemnity reasonably satisfactory to the Corporation, or, in the case of any such mutilation, upon surrender of such certificate, the Corporation shall, at the expense of the registered holder, execute and deliver in lieu of such certificate a new certificate of like kind representing the number of shares of Common Stock represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate.

(B) The term “outstanding” when used in this ARTICLE IV with reference to the shares of Common Stock as of any particular time shall not include any such shares represented by any certificate in lieu of which a new certificate has been executed and delivered by the Corporation in accordance with paragraph (ii) or this paragraph (iii), but shall include only those shares represented by such new certificate.

(iv) DISSOLUTION. Upon the dissolution of the Corporation, after there shall have been paid to or set aside for the holders of shares of Preferred Stock the full preferential amounts to which they are entitled, if any, the holders of outstanding shares of Common Stock shall be entitled to receive pro rata the remaining net assets of the Corporation.

(b) PREFERRED STOCK. The Preferred Stock may be issued from time to time in one or more series in any manner permitted by law and the provisions of the Restated Articles of Incorporation of the Corporation, as determined from time to time by the Board of Directors and stated in the resolution or resolutions providing for the issuances thereof, prior to the issuances of any shares thereof. Unless otherwise provided in the resolution establishing a series of Preferred Stock, prior to the issue of any shares of a series so established or to be established, the Board of Directors may, by resolution, amend the relative rights and preferences of the shares of such series.

The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of each class of stock shall be governed by the following provisions:

(i) The Board of Directors is expressly authorized at any time, and from time to time, to provide for the issuance of shares of Preferred Stock in one or more series, with such voting powers, full or limited, or without voting powers and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue thereof adopted by the Board of Directors, including (but not limiting the generality thereof) the following:

(A) The number of shares to constitute each such series, and the designation of each such series.

(B) The dividend rate of each such series, the conditions and dates upon which such dividends shall be payable, the relation which such dividends shall bear to the dividends payable on any other class or classes or on any other series of any class or classes of stock, and whether such dividends shall be cumulative or non-cumulative.

(C) Whether the shares of each such series shall be subject to redemption by the Corporation and if made subject to such redemption, the times, prices and other terms and conditions of such redemption.

(D) The terms and amount of any sinking fund provided for the purchase or redemption of the shares of each such series.

(E) Whether or not the shares of each such series shall be convertible into or exchangeable for shares of any other class or classes or any other series of any other class or classes of stock of the Corporation, and, if provision be made for conversion or exchange, the times, prices, rates of exchange, adjustments, and other terms and conditions of such conversion or exchange.

(F) The extent, if any, to which the holders of the shares of each such series shall be entitled to vote with respect to the election of directors or otherwise.

(G) The restrictions, if any, on the issue or reissue of any additional Preferred Stock.

(H) The rights of the holders of the shares of each such series upon the dissolution of, or upon the distribution of the assets of, the Corporation.

(ii) Except as otherwise required by law and except for such voting powers with respect to the election of directors or other matters as may be stated in the resolutions of the Board of Directors creating any series of Preferred Stock, the holders of any such series shall have no voting powers whatsoever.

(c) **SERIES A JUNIOR PARTICIPATING PREFERRED STOCK.** Pursuant to the authority vested in the Board of Directors of the Corporation in accordance with the provisions of the Restated Articles of Incorporation, a series of shares of Preferred Stock, par value \$1.00 per share, of the Corporation be and it hereby is created, and the designation and amount thereof and the voting powers, preferences and relative, participating, optional or other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as “Series A Junior Participating Preferred Stock” (“Series A Preferred Stock”) and the number of shares constituting such series shall be 500,000.

Section 2. Dividends and Distributions.

(A) The holders of shares of Series A Preferred Stock, in preference to the holders of shares of Common Stock and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first business days of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (i) \$1.00 or (ii) subject to the provision for adjustment hereinafter set forth, 10,000 times the aggregate per share amount of all cash dividends, and 10,000 times the aggregate per share amount (payable in kind) of all noncash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time after the close of business on August 20, 2000 (the "Record Date") (a) declare any dividend on Common Stock payable in shares of Common Stock, (b) subdivide the outstanding Common Stock, or (c) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (ii) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); *provided* that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1.00 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or

distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights . The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 10,000 votes on all matters submitted to a vote of the shareholders of the Corporation. In the event the Corporation shall at any time after the Record Date declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other resolution of the Board of Directors creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(C) Except as set forth herein, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions .

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, *provided* that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior to or on a parity with (both as to dividends or upon dissolution, liquidation or winding up) the Series A Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any corporation of which an amount of voting securities sufficient to elect at least a majority of the directors of such corporation is beneficially owned, directly or indirectly, by the Corporation or otherwise controlled by the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares . All shares of Series A Preferred Stock that shall at any time have been reacquired by the Corporation shall, after such reacquisition, have the status of authorized but unissued shares of Preferred Stock of the Corporation, without designation as to series, and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up . Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (A) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, *provided* that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 10,000 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (B) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time after the Record Date declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which

holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (A) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination, share exchange or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 10,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Record Date (A) declare any dividend on Common Stock payable in shares of Common Stock, (B) subdivide the outstanding Common Stock, or (C) combine the outstanding shares of Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock that are outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption . The shares of Series A Preferred Stock shall not be redeemable.

Section 9. Amendment . To the fullest extent permitted by applicable law, prior to such time as shares of Series A Preferred Stock are issued and outstanding, the Board of Directors may modify, amend, alter or revoke any of the number of shares of Series A Preferred Stock, the powers, preferences or special rights of the Series A Preferred Stock or the other terms of the Series A Preferred Stock. From and after such time as shares of Series A Preferred Stock are issued and outstanding, the Restated Articles of Incorporation of the Corporation shall not be amended in any manner that would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

Section 10. Fractional Shares . Series A Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Stock.

ARTICLE V

(a) VOTE REQUIRED FOR CERTAIN BUSINESS COMBINATIONS.

(i) In addition to any affirmative vote required by law or these Restated Articles of Incorporation, and except as otherwise expressly provided in Section (b) of this ARTICLE V:

(A) any merger of the Corporation or any Subsidiary (as hereinafter defined), or any share exchange to which the Corporation is a party with (I) any Interested Shareholder (as hereinafter defined) or (II) any other corporation (whether or not an Interested Shareholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Shareholder; or

(B) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or in a series of transactions) to or with any Interested Shareholder or any Affiliate of any Interested Shareholder of all or a Substantial Part of the assets of the Corporation (including, without limitation, any securities of a Subsidiary) or any Subsidiary; or

(C) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or in a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Shareholder or any Affiliate of any Interested Shareholder in exchange for cash, securities or other property (or a combination thereof); or

(D) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Shareholder or any Affiliate of any Interested Shareholder; or

(E) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger of the Corporation with any of its Subsidiaries or any share exchange to which the Corporation is a party or any self tender offer for or repurchase of securities of the Corporation by the Corporation or any Subsidiary or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Shareholder or any Affiliate of any Interested Shareholder, shall require the affirmative vote of the holders of at least $66\frac{2}{3}\%$ of the voting power of the then outstanding shares of stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock") (it being understood that for purposes of this ARTICLE V, each share of the Voting Stock shall have the number of votes granted to it pursuant to ARTICLE IV of these Restated Articles of Incorporation), which vote shall include the affirmative vote of at least a majority of the voting power of the then outstanding shares of Voting Stock held by shareholders other

than the Interested Shareholder. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or by these Restated Articles of Incorporation or in any agreement with any national securities exchange or otherwise.

(ii) The term “Business Combination” as used in this ARTICLE V shall mean any transaction which is referred to in any one or more of subparagraphs (A) through (E) of paragraph (i) of this Section (a).

(b) **WHEN HIGHER VOTE IS NOT REQUIRED.** The provisions of Section (a) of this ARTICLE V shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law, any other provision of these Restated Articles of Incorporation or any agreement with any national securities exchange, if, in the case of a Business Combination that does not involve any cash or other consideration being received by the shareholders of the Corporation, solely in their respective capacities as shareholders of the Corporation, the condition specified in the following paragraph (i) is met, or, in the case of any other Business Combination, the conditions specified in either of the following paragraphs (i) and (ii) are met:

(i) The Business Combination shall have been approved by a majority of the Disinterested Directors (as hereinafter defined).

(ii) Each of the five conditions specified in the following subparagraphs (A) through (E) shall have been met:

(A) The aggregate amount of the cash and the Fair Market Value (as hereinafter defined) as of the date of consummation of the Business Combination of consideration other than cash to be received per share by holders of each class of Voting Stock in such Business Combination shall be at least equal to the higher of the following:

(I) (if applicable) the Highest Per Share Price (as hereinafter defined) (including the brokerage commissions, transfer taxes and soliciting dealers’ fees) paid in order to acquire any shares of such class of Voting Stock beneficially owned by the Interested Shareholder which were acquired beneficially by such Interested Shareholder (x) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the “Announcement Date”) or (y) in the transaction in which it became an Interested Shareholder, whichever is higher; or

(II) the Fair Market Value per share of such class of Voting Stock on the Announcement Date or on the date on which the Interested Shareholder became an Interested Shareholder (such latter date is referred to in this ARTICLE V as the “Determination Date”), whichever is higher; or

(III) an amount which bears the same or greater percentage relationship to the Fair Market Value of such class of Voting Stock on the Announcement Date as the Highest Per Share Price determined in (ii) (A) (I) above bears to the Fair Market Value of such class of Voting Stock on the date of the commencement of the acquisition of Voting Stock by such Interested Shareholder.

(B) The consideration to be received by holders of the outstanding Voting Stock shall be in cash or in the same form as was previously paid in order to acquire beneficially shares of Voting Stock that are beneficially owned by the Interested Shareholder. If the Interested Shareholder beneficially owns shares of Voting Stock that were acquired with varying forms of consideration, the form of consideration to be received by holders of Voting Stock shall be either cash or the form used to acquire beneficially the largest number of shares of Voting Stock beneficially acquired by it prior to the Announcement Date.

(C) After such Interested Shareholder has become an Interested Shareholder and prior to consummation of such Business Combination: (I) there shall have been (x) no reduction in the annual rate of dividends paid on the Voting Stock (except as necessary to reflect any subdivision of the Voting Stock), except as approved by a majority of the Disinterested Directors, and (y) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of the Voting Stock, unless the failure so to increase such annual rate is approved by a majority of the Disinterested Directors; and (II) such Interested Shareholder shall have not become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which resulted in such Interested Shareholder becoming an Interested Shareholder.

(D) After such Interested Shareholder has become an Interested Shareholder, such Interested Shareholder shall not have received the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(E) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to shareholders of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

(c) CERTAIN DEFINITIONS. For the purposes of this ARTICLE V:

(i) A “person” shall mean any individual, firm, corporation, group (as such term is defined in Section 13(d) (3) of the Securities Exchange Act of 1934, as in effect on March 1, 1991) or other entity.

(ii) “Interested Shareholder” shall mean any person (other than the Corporation, any Subsidiary or any compensation or retirement plan of the Corporation) who or which, as of the record date for the determination of shareholders entitled to notice of and to vote on such Business Combination or immediately prior to the consummation of any such transaction:

(A) is the beneficial owner, directly or indirectly, of more than 10% of the voting power of the outstanding Voting Stock; or

(B) is an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then outstanding Voting Stock; or

(C) is an assignee of or has otherwise succeeded to beneficial ownership of any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Shareholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

(iii) A person shall be a “beneficial owner” of any Voting Stock:

(A) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(B) which such person or any of its Affiliates or Associates has (I) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise or (II) the right to vote or direct the vote pursuant to any agreement, arrangement or understanding; or

(C) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purposes of acquiring, holding, voting or disposing of any shares of Voting Stock.

(iv) For the purposes of determining whether a person is an Interested Shareholder pursuant to paragraph (ii) of this Section (c), the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of paragraph (iii) of this Section (c) but shall not include any other shares of Voting Stock which may be issuable pursuant to any

agreement, arrangement or understanding or upon exercise of conversion rights, warrants or options, or otherwise.

(v) “Affiliate” and “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934 as in effect on March 1, 1991.

(vi) “Subsidiary” means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation or by a Subsidiary or by the Corporation and one or more subsidiaries; provided, however, that for the purposes of the definition of Interested Shareholder set forth in paragraph (ii) of this Section (c), the term “Subsidiary” shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

(vii) “Substantial Part” means more than 10% of the book value of the total assets of the person or entity in question, as of the end of its most recent fiscal year ending prior to the time of the determination.

(viii) “Disinterested Director” means any member of the Board of Directors of the Corporation who is unaffiliated with, and not a nominee of, the Interested Shareholder and was a member of the Board of Directors prior to the time that the Interested Shareholder became an Interested Shareholder, and any successor of a Disinterested Director who is unaffiliated with, and not a nominee of, the Interested Shareholder and who is recommended to succeed a Disinterested Director by a majority of Disinterested Directors then on the Board of Directors.

(ix) “Fair Market Value” means: (A) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the Composite Tape for American Stock Exchange-Listed Stocks, or if such stock is not quoted on such Composite Tape, on the American Stock Exchange or on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing sales price or bid quotation with respect to a share of stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by a majority of the Disinterested Directors in good faith; and (B) in the case of stock of any class or series which is not traded on any United States registered securities exchange nor in the over-the-counter market or in the case of property other than cash or stock, the fair market value of such property on the date in question as determined Disinterested Directors in good faith.

(x) References to “Highest Per Share Price” shall reflect an appropriate adjustment for any dividend or distribution in shares of Voting Stock or any stock split or reclassification of outstanding shares of such stock into a greater number of shares

of such stock or any combination or reclassification of outstanding shares of such stock into a smaller number of shares of such stock.

(xi) In the event of any Business Combination in which the Corporation survives, the phrase “consideration other than cash to be received” as used in subparagraph (A) of paragraph (ii) of Section (b) of this ARTICLE V shall include the shares of Voting Stock retained by the holders of such shares.

(d) POWERS OF THE BOARD OF DIRECTORS. A majority of the Disinterested Directors of the Corporation shall have the power and duty to determine for the purposes of this ARTICLE V on the basis of information known to them after reasonable inquiry, all facts necessary to determine compliance with this ARTICLE V, including, without limitation, (i) whether a person is an Interested Shareholder, (ii) whether a Business Combination is proposed by or on behalf of an Interested Shareholder or an Affiliate of an Interested Shareholder, (iii) the number of shares of Voting Stock beneficially owned by any person, (iv) whether a person is an Affiliate or Associate of another person, (v) whether the requirements of Section (b) (ii) of this ARTICLE V have been met with respect to any Business Combination, and (vi) whether any Business Combination involves all or a Substantial Part of the assets of the Corporation or any Subsidiary. The good faith determination of a majority of the Disinterested Directors shall be conclusive and binding for all purposes of this ARTICLE V.

(e) NO EFFECT ON FIDUCIARY OBLIGATIONS OF INTERESTED SHAREHOLDERS. Nothing contained in this ARTICLE V shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

(f) AMENDMENT OR REPEAL. Notwithstanding any other provision of these Restated Articles of Incorporation or the By-laws of the Corporation to the contrary (and notwithstanding the fact that a lesser percentage may be specified by law, these Restated Articles of Incorporation or the By-laws of the Corporation), the affirmative vote of the holders of at least 66- ²/₃ % of the voting power of the then outstanding shares of Voting Stock shall be required to alter, amend or repeal this ARTICLE V or to adopt any provision inconsistent therewith provided, however, that if there is an Interested Shareholder on the record date for the meeting at which such action is submitted to the shareholders for this consideration, such 66- ²/₃ % vote must include the affirmative vote of at least a majority of the voting power of the then outstanding shares of Voting Stock held by shareholders other than the Interested Shareholder.

ARTICLE VI

(a) BOARD OF DIRECTORS.

(i) NUMBER, TERM AND QUALIFICATION. The authorized number of directors of the Corporation which shall constitute the entire Board of Directors shall be such as from time to time shall be determined by a majority of the then authorized number of directors, but in no case shall the authorized number of directors be less than six nor more than fifteen. The directors shall be divided with respect to the time for which they severally hold office into three classes, as nearly equal in number as possible (but with not less than two directors in each class), as determined by the Board of Directors, with the

members of each class to hold office until their successors have been elected and qualified. At each annual meeting of shareholders, the successors of the members of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(ii) REMOVAL. Any director may be removed from office by the shareholders, but only for cause and only by the affirmative vote of a majority of the votes then entitled to be cast in an election of directors.

(iii) VACANCIES. Any vacancy occurring in the Board of Directors, including, but not limited to, a vacancy created by an increase in the number of directors or the removal of a director, shall be filled only by the affirmative vote of a majority of the directors then in office, even if such majority is less than a quorum of the Board of Directors, or by a sole remaining director. If no director remains in office, any vacancy may be filled by the shareholders. Any director elected to fill a vacancy shall serve until the next election of the class for which such director shall have been chosen.

(b) NOMINATIONS AND QUALIFICATIONS OF DIRECTORS. Nominations for the election of directors may be made by the Board of Directors or a committee appointed by the Board of Directors or by any shareholder entitled to vote generally in the election of directors. However, any shareholder entitled to vote generally in the election of directors may nominate one or more persons for election as directors at a meeting only if written notice of such shareholder's intent to make such nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than (i) with respect to an election to be held at an annual meeting of shareholders, 60 calendar days in advance of the date in the current fiscal year of the Corporation corresponding to the date the Corporation released its proxy statement to shareholders in connection with the annual meeting for the immediately preceding year and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to shareholders. Each such notice shall set forth: (A) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated, (B) a representation that the shareholder is entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice, (C) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder, (D) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the then current proxy rules of the Securities and Exchange Commission, if the nominee were to be nominated by the Board and (E) the consent of each nominee to serve as a director of the Corporation if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure. The directors shall be at least twenty-one years of age. Directors need not be shareholders. At each meeting of shareholders for the election of directors at which a quorum is present, the persons receiving a plurality of the votes cast shall be elected directors.

ARTICLE VII

The shareholders shall not be entitled to take action without a meeting by less than unanimous consent. Except as otherwise required by law and subject to the express rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, annual and special meetings of the shareholders shall be called, the record date or dates shall be determined and notice shall be sent as set forth in the By-laws of the Corporation. Notwithstanding any other provisions of these Restated Articles of Incorporation or the By-laws of the Corporation (and notwithstanding the fact that a lesser affirmative vote may be specified by law), the affirmative vote of shareholders possessing at least eighty percent of the voting power of the then outstanding shares of all classes of stock of the Corporation generally possessing voting rights in elections of directors, considered for this purpose as one class, shall be required to amend, alter, change or repeal, or to adopt any provision inconsistent with, sections 1.02, 1.04 and 1.05 of Article I of the By-laws, or this ARTICLE VII or any provision thereof or hereof; provided, however, that the Board of Directors, may amend, alter, change or repeal, or adopt any provision inconsistent with, sections 1.02, 1.04 and 1.05 of Article I of the By-laws, or any provision thereof, without a vote of shareholders.

ARTICLE VIII

Unless a greater number is required by law or by these Restated Articles of Incorporation, (a) action on a matter, other than the election of directors, by a voting group of shareholders is approved only if a majority of the votes within the voting group represented (in person or by proxy) at a meeting at which a quorum is present are cast in favor of the action and (b) notwithstanding Section (a) of this Article VIII, these Restated Articles of Incorporation may only be amended by the affirmative vote of a majority of the votes entitled to be cast by each voting group of shareholders entitled to vote on the amendment.

ARTICLE IX

Annual meetings of shareholders shall be held, at a date, time and place fixed by the Board of Directors and stated in the notice of meeting, to elect a Board of Directors and to transact such other business as may properly come before the meeting. Special meetings of shareholders may be called only in accordance with the provisions of ARTICLE VII of these Restated Articles of Incorporation. At each meeting of shareholders only such business may be conducted as is (a) specified in the written notice of meeting given by or at the direction of the Board of Directors, (b) in the case of an annual meeting, brought before the meeting by the Board of Directors or by the chairman of the meeting or (c) in the case of an annual meeting, specified in a written notice given by or on behalf of a shareholder of record, provided that written notice of such shareholder's intent to make a proposal or proposals has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than 60 calendar days in advance of the date in the current fiscal year of the Corporation corresponding to the date the Corporation released its proxy statement to shareholders in connection with the annual meeting for the immediately preceding year. Each such notice shall set

forth: (a) the name and address of the shareholder who intends to make the proposal and the number of shares of the Corporation's capital stock owned or controlled by such shareholder, (b) a representation that the shareholder is entitled to vote at such annual meeting and intends to appear in person or by proxy at the annual meeting to make the proposal specified in the notice and (c) such other information regarding each proposal made by such shareholder as would be required to be included in a proxy statement filed pursuant to the then current proxy rules of the Securities and Exchange Commission with respect to such proposals. The chairman of the meeting may refuse to acknowledge any proposal not made in compliance with the foregoing procedure.

**HARLEY-DAVIDSON, INC.
DIRECTOR STOCK PLAN**

(As Amended and Restated Effective January 1, 2009)

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. *Affiliate* : Each corporation, trade or business that, with the Company, forms part of a controlled group of corporations or group of trades or businesses under common control within the meaning of Code Sections 414(b) or (c); provided that for purpose of determining when an Outside Director has incurred a Separation from Service, the phrase “at least fifty percent (50%)” shall be used in place of “at least eighty percent (80%)” each place it appears in Code Section 414(b) and (c) and the regulations thereunder.

2.2. *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.

2.3. *Board* : The Board of Directors of the Company.

2.4. *Change of Control Event* : A change of control event as defined in regulations promulgated by the Secretary of the Treasury for purposes of Code Section 409A, with respect to Harley-Davidson, Inc.

2.5. *Code* : The Internal Revenue Code of 1986, as amended.

2.6. *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.

2.7. *Common Stock* : The common stock of the Company.

2.8. *Company* : Harley-Davidson, Inc.

2.9 *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.

2.10 *Disinterested Persons* : Nonemployee directors within the meaning of Rule 16b-3 as promulgated under the Securities Exchange Act of 1934, as amended.

2.11 *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.

2.12 *Option* : A stock option granted under the Plan.

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 Director* : Each member of the Board who is not also an employee of the Company or any Subsidiary (including members of the Committee).

2.16 *Plan* : The Harley-Davidson, Inc. Director Stock Plan.

2.17 *Separation from Service* : The date on which an Outside Director ceases service as a director of the Company and all Affiliates, provided that such cessation of service constitutes a separation from service for purposes of Code Section 409A.

2.18 *Share Accounts* . An Outside Director's Deferral Share Account and/or Grant Share Account.

2.19 *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.

2.20 *Share Unit* : A hypothetical share of Common Stock.

2.21 *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.

2.22 *Termination Date* : The day preceding the tenth anniversary of the date on which the Option is granted.

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.

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. *Share Election* :

a. *Initial Share Election* . Within 30 days of the date on which an Outside Director first becomes an Outside Director, the Outside Director shall make a Share Election that will specify the portion of the Outside Director's Annual Retainer Fee that is to be paid in shares of Common Stock (subject to any deferral by the Outside Director under Section 7.2 below) and the portion that is to 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")). An Outside Director's Share Election (i) must be in writing and delivered to the Treasurer of the Company, (ii) shall be effective with respect to the portion of the Outside Director's Annual Retainer Fee that will be earned on and after the date the Treasurer of the Company receives the Share Election, or as soon thereafter as is administratively practicable, and (iii) shall remain in effect from year-to-year thereafter unless modified or revoked by a subsequent Share Election that becomes effective 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 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 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.

b. *Revised Share Election* . Except to the extent that the Company is permitted and elects to give earlier effect to an Outside Director's modification or revocation to his or her Share Election in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A, an Outside Director's Share Election, once effective with respect to a calendar year, may not be revoked or modified with respect to the Outside Director's Annual Retainer Fee for that calendar year. An Outside Director may revoke or modify his or her then current Share Election by filing a revised Share Election form, properly completed and signed, with the Treasurer of the Company. However, except to the extent that the Company is permitted and elects to give earlier effect to a Director's revised election in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A, the revised Share Election will become effective on January 1 of the calendar year following the calendar year during which the revised Share Election is received by the Treasurer of the Company, or as soon thereafter as is administratively practicable. An Outside Director's revised Share Election, once effective, shall remain in effect until again modified by the Outside Director or otherwise revoked in accordance with the provisions hereof.

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 the 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, 50% or none 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 earned after the effective date of the Deferral Election.

a. *Initial Deferral Election* . An Outside Director may make a Deferral Election within 30 days of the date on which an Outside Director first becomes an Outside Director. If an Outside Director has not made a Share Election during this period, the Director will be deemed to have made a Share Election to defer none of the shares covered by the Director's Share Election. An Outside Director's Deferral Election (i) must be in writing and delivered to the Treasurer of the Company, and (ii) shall remain in effect from year-to-year thereafter unless modified or revoked by a subsequent Deferral Election that becomes effective in accordance with the provisions hereof.

b. *Revised Deferral Election* . Except to the extent that the Company is permitted and elects to give earlier effect to an Outside Director's modification or revocation to his or her Deferral Election in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A, an Outside Director's Deferral Election, once effective with respect to a calendar year, may not be revoked or modified for that calendar year. An Outside Director may revoke or modify his or her then current Deferral Election by filing a revised Deferral Election form, properly completed and signed, with the Treasurer of the Company. However, except to the extent that the Company is permitted and elects to give earlier effect to a Director's revised election in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A, the revised Deferral Election will become effective on January 1 of the calendar year following the calendar year during which the revised Deferral Election is received by the Treasurer of the Company, or as soon thereafter as is administratively practicable. An Outside Director's revised Deferral Election, once effective, shall remain in effect until again modified by the Outside Director or otherwise revoked in accordance with the provisions hereof.

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 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 business day immediately preceding the date of payment of the dividend.

8.4. *Distribution of Deferral Share Account* . Except as provided in Paragraph c. below, upon an Outside Director’s Separation from Service 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 the 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 the 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 business day preceding the date on which payment is made. Similarly, any distribution payable under the Plan with respect to a fraction of a Share Unit shall be made in cash, with the amount of the cash payment determined by multiplying the fractional Share Unit by the Fair Market Value of a share of Common Stock on the last business day preceding the date on which payment is made.

a. *Form of Payments*: At the time that an Outside Director first makes a Deferral Election under this Plan or first makes a deferral election under the Cash Deferral Plan, whichever occurs earlier, the Outside Director shall make a payment election which shall govern distribution of both the Outside Director’s Deferral Share Account under this Plan and the Outside Director’s Deferred

Benefit Account under the Cash Deferral Plan. In such payment election, the Outside Director may elect to have payments made either in (i) a single payment, or (ii) annual installments. Under the installment payment option, the Outside Director may select 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 under this Plan and the Outside Director's entire Deferred Benefit Account under the Cash Deferral Plan. The installment payment option does not apply upon the occurrence of a Change of Control Event. An Outside Director who fails to make a payment election with respect to the Outside Director's Deferral Share Account under this Plan and the Outside Director's Deferred Benefit Account under the Cash Deferral Plan (or any portion of such accounts) shall be deemed to have elected the single payment option. Prior to January 1, 2009, an Outside Director may change his or her payment election by filing a revised payment election form, properly completed and signed, with the Treasurer of the Company; provided that a revised election submitted during calendar year 2006, 2007 or 2008 (including the election described in Paragraph c. below) may not operate to defer into a subsequent calendar year the distribution of amounts that otherwise would have been paid in the calendar year in which the revised election is submitted, or to accelerate into the calendar year in which the revised election is submitted amounts that otherwise were scheduled for distribution in a subsequent calendar year. On and after January 1, 2009, an Outside Director may modify his or her distribution election (or deemed distribution election) only if (i) the revised distribution election is submitted to the Treasurer of the Company at least twelve (12) months prior to the first scheduled payment date under the Outside Director's then-current distribution election and the revised election is not given effect for twelve (12) months after the date on which the revised election is submitted, and (ii) except as permitted under Code Section 409A, payment pursuant to the revised distribution election is deferred for at least five (5) years from the date payment would otherwise have been made under the Outside Director's prior distribution election. For purposes of applying the rules of Code Section 409A, a series of installment payments will be considered a single payment form.

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 calendar quarter in which occurs the Outside Director's Separation from Service. 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 within 30 days following the occurrence of a Change of Control Event.

c. Notwithstanding anything in the Plan to the contrary and in accordance with transition rules published by the Internal Revenue Service for purposes of Code Section 409A, on or before December 31, 2008, an Outside Director who is in active service on the Board of Directors may elect to have the portion of his or her vested Deferral Share Account under this Plan and the portion of the Outside Director's Deferred Benefit Account under the Cash Deferral Plan as of December 31, 2008, together with deemed gains or losses from December 31, 2008 through the last day of the calendar quarter (the "valuation date") selected by the Outside Director, distributed to the Outside Director in a single sum payment. Distribution will be made within thirty (30) days following the valuation date designated by the Outside Director. The valuation date selected by an Outside Director must be the last day of a calendar quarter no earlier than June 30, 2009. An Outside Director's election shall not be recognized if the effect of the election would be to defer amounts that would otherwise be distributable in 2008 for distribution into 2009 or subsequent years.

8.5. 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 calendar quarter in which occurs the Outside Director's Separation from Service, and each subsequent installment

shall be paid in July of each calendar year following the calendar year in which the first installment is paid to the Outside Director during the installment period. The annual installment payment amount for any calendar year shall be initially determined by dividing the number of Share Units credited to the Outside Director's Post-2004 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 to the next lowest whole number; provided that the final installment shall be the entire remaining undistributed balance.

8.6. *Hardship Payments:* The Committee may, in its sole discretion, upon the finding that an Outside Director has suffered an "unforeseeable emergency", pay to the Outside Director part or all of his or her Deferral Share Account, as needed to meet the Outside Director's need. An "unforeseeable emergency" means a severe financial hardship to the Outside Director resulting from an illness or accident of the Outside Director, the Outside Director's spouse, or the Outside Director's dependent (as defined in Code Section 152(a) without regard to Code Sections 152(b)(1), (b)(2) and (d)(1)(B)), loss of the Outside Director's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Outside Director. The amount authorized by the Committee for distribution with respect to an emergency may not exceed the amounts necessary to satisfy the emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Outside Director's assets, to the extent that liquidation of such assets would not itself cause severe financial hardship.

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 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 business day immediately preceding the date of payment of the dividend.

9.6. *Payments*: Within 30 days after the end of the calendar quarter in which occurs an Outside Director’s Separation from Service 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 a single sum 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 business day preceding the date on which payment is made. Similarly, any distribution payable under the Plan with respect to a fraction of a Share Unit shall be made in cash, with the amount of the cash payment determined by multiplying the fractional Share Unit by the Fair Market Value of a share of Common Stock on the last 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 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 Nominating Committee of 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 Nominating Committee of 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 Nominating Committee of 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 Nominating Committee of 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. In addition, no amendment shall be made to any Option to reduce the Option Price thereof except as permitted by Section 10.1, and any amendment or other action that is required, under applicable law or under applicable stock exchange rules, to be adopted by the Board of Directors shall be valid only if it is adopted by the full Board of Directors rather than by the Nominating Committee of the Board of Directors.

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.

11.4. *Distribution of Benefits Following Plan Termination* . Termination of the Plan will operate to accelerate distribution of benefits only to the extent permitted under Code Section 409A, including:

a. The Plan is terminated within twelve (12) months of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A), and the amounts accrued under the Plan but not yet paid are distributed to Outside Directors or their beneficiaries, as applicable, in a single sum payment, regardless of any distribution election then in effect, by the latest of: (1) the last day of the calendar year in which the Plan termination and liquidation occurs, (2) the last day of the calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (3) the last day of the first calendar year in which payment is administratively practicable.

b. The Plan is terminated at any other time, provided that such termination does not occur proximate to a downturn in the financial health of the Company or an Affiliate. In such event, all amounts accrued under the Plan but not yet paid will be distributed to all Outside Directors and their beneficiaries, as applicable, in a single sum payment no earlier than twelve (12) months (and no later than twenty-four (24) months) after the date of termination, regardless of any distribution election then in effect. This provision shall not be effective unless all other plans required to be aggregated with this Plan under Code Section 409A are also terminated and liquidated. Notwithstanding the foregoing, any payment that would otherwise be paid during the twelve (12)-month period beginning on the Plan termination date pursuant to the terms of the Plan shall be paid in accordance with such terms. In addition, the Company or any Affiliate shall be prohibited from adopting a similar arrangement within three (3) years following the date of the Plan's termination, unless any individual who was eligible under this Plan is excluded from participating thereunder for such three (3) year period.

Except as provided in Paragraphs a. and b. above or as otherwise permitted in regulations promulgated by the Secretary of the Treasury under Code Section 409A, any action that terminates the Plan but that does not qualify for accelerated distribution under Code Section 409A shall instead be construed as an amendment to discontinue further benefit accruals, but the Plan will continue to operate, in accordance with its terms as from time to time amended and in accordance with applicable elections by the Outside Director, with respect to the Outside Director's benefit accrued through the date of termination, and in no event shall any such action purporting to terminate the Plan form the basis for accelerating distributions to the Outside Director or a beneficiary.

ARTICLE XII

Government and Other Regulations

12.1. The obligation of the Company to make payments or 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 Share Accounts.

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.

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.

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. To the extent that Code Section 409A applies to payments made pursuant to this Section, the payments shall be completed on or before the latest date permitted for payments made pursuant to an indemnification or expense reimbursement provision.

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 Company or any affiliate to indemnify, defend or hold harmless any individual with respect to the tax consequences of any such failure.

13.11. *Miscellaneous Distribution Rules* .

a. *Accelerated Distribution Following Section 409A Failure* . If an amount under this Plan is required to be included in a Participant's income under Code Section 409A prior to the date such amount is actually distributed, the Outside Director shall receive a distribution, in a single sum, within ninety (90) days after the date it is finally determined that the Plan fails to meet the requirements of Code Section 409A. The distribution shall equal the amount required to be included in the Outside Director's income as a result of such failure.

b. *Permitted Delay in Payment* . If a distribution required under the terms of this Plan would jeopardize the ability of the Company or of an Affiliate to continue as a going concern, the Company or the Affiliate shall not be required to make such distribution. Rather, the distribution shall be delayed until the first date that making the distribution does not jeopardize the ability of the Company or of an Affiliate to continue as a going concern. Further, if any distribution pursuant to the Plan will violate the terms of Section 16(b) of the Securities Exchange Act of 1934 or other Federal securities laws, or any other applicable law, then the distribution shall be delayed until the earliest date on which making the distribution will not violate such law.

ARTICLE XIV

Effective Date

14.1. The Plan became effective on May 2, 1998 and was amended on May 3, 2003 and April 29, 2006. The Plan, as further amended herein, shall become effective on January 1, 2009.

HARLEY-DAVIDSON, INC.

HARLEY-DAVIDSON MOTOR COMPANY GROUP,
INC.

By: /s/ Gail A. Lione
Title: Executive Vice President
Date: December 29, 2008

**HARLEY-DAVIDSON
MANAGEMENT DEFERRED COMPENSATION PLAN**

(As Amended and Restated Effective January 1, 2009)

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**HARLEY-DAVIDSON
MANAGEMENT DEFERRED COMPENSATION PLAN**

Harley-Davidson Motor Company Group, Inc. (the "Company") maintains the Harley-Davidson Management Deferred Compensation Plan for the benefit of eligible employees of the Company and its Affiliates.

The Plan is intended to promote the best interests of the Company and its Affiliates by attracting and retaining key management employees possessing a strong interest in the successful operation of the Company and its Affiliates and encouraging their continued loyalty, service and counsel to the Company and its Affiliates. The Plan is amended and restated effective January 1, 2009 to comply with final regulations under Code Section 409A.

ARTICLE I. DEFINITIONS AND CONSTRUCTION

Section 1.01. Definitions .

The following terms have the meanings indicated below unless the context in which the term is used clearly indicates otherwise:

(a) Account: The record keeping account or accounts maintained to record the interest of each Participant under the Plan. An Account is established for record keeping purposes only and not to reflect (or require) the physical segregation of assets on the Participant's behalf. To the extent relevant with respect to any Participant, the Participant's overall Account may consist of such subaccounts or balances as the Administrator may determine to be necessary or appropriate.

(b) Administrator: The Retirement Plans Committee appointed by the Board.

(c) Affiliate: Each corporation, trade or business that, with the Company, forms part of a controlled group of corporations or group of trades or businesses under common control within the meaning of Code Sections 414(b) or (c); provided that for purpose of determining when a Participant has incurred a Separation from Service, the phrase "at least fifty percent (50%)" shall be used in place of "at least eighty percent (80%)" each place it appears in Code Section 414(b) and (c) and the regulations thereunder.

(d) Annual Bonus Deferral: See Section 1.01(l)(ii).

(e) Base Compensation: The base salary or wage payable by a Participating Employer to an Eligible Employee for services performed prior to reduction for contributions by the Eligible Employee to this Plan or pre-tax or after-tax contributions by the Eligible Employee to any other employee benefit plan maintained by a Participating Employer, but exclusive of extraordinary payments such as overtime, bonuses, meal allowances, reimbursed expenses, termination pay, moving pay, commuting expenses, severance pay, non-elective deferred compensation payments or accruals, stock options or restricted stock, or the value of employer-provided fringe benefits or coverage, all as determined in accordance with such uniform rules, regulations or standards as may be prescribed by the Administrator.

(f) Base Compensation Deferral: See Section 1.01(l)(i).

(g) Beneficiary: The person or entity designated by a Participant to be his or her beneficiary for purposes of this Plan. If a beneficiary dies before receiving all payments due such beneficiary, any remaining payments will be made to the designated beneficiary's estate unless a contingent beneficiary was designated by the Participant as to such amounts. If there is a contingent beneficiary payments will be made to the contingent beneficiary and, if such contingent beneficiary dies, any remaining payments will be made to the contingent beneficiary's estate. If there is no beneficiary designation in force when Plan benefits become payable upon the death of a Participant, payment shall be made to the Participant's current spouse, or if the Participant is not married or the spouse is not then living, to the Participant's estate. Beneficiary designations shall be in writing, filed with the Administrator, be in such form as the Administrator may prescribe for this purpose, and shall become effective only upon acknowledgement by the Administrator.

(h) Board: The Board of Directors of the Company.

(i) Code: The Internal Revenue Code of 1986, as interpreted by regulations and rulings issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Code shall be deemed to include reference to any successor provision thereto.

(j) Committee: The Compensation Committee of the Board of Directors of Harley-Davidson, Inc.

(k) Company: Harley-Davidson Motor Company Group, Inc., or any successor thereto.

(l) Deferral: An amount credited, in accordance with a Participant's election, to the Participant's Account under the Plan in lieu of the current payment of an equal amount of compensation to the Participant. Deferrals include the following:

- (i) Base Compensation Deferral: A Deferral of all or a portion of a Participant's Base Compensation in accordance with Section 3.01.

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- (ii) Annual Bonus Deferral: A Deferral of all or a portion of a Participant's annual bonus award in accordance with Section 3.02.
 - (iii) Restricted Stock Deferral: A Deferral of all or a portion of a Participant's restricted stock or restricted stock unit award under the Incentive Stock Plan, in accordance with Section 3.03.

(m) Disability: The inability of a Participant to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, as determined by the Administrator.

(n) Eligible Employee: A common law employee of a Participating Employer who has been designated by the Administrator or the Committee as being eligible to participate in this Plan or who is eligible for the benefits described in Section 3.05.

(o) ERISA: The Employee Retirement Income Security Act of 1974, as interpreted by regulations and rulings issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of ERISA shall be deemed to include reference to any successor provision thereto.

(p) Incentive Stock Plan: The Harley-Davidson, Inc. 2004 Incentive Stock Plan, or any successor to such plan.

(q) Investment Options: The hypothetical investment options established by the Administrator from time to time (which may, but need not, be based upon one or more of the investment options available under the Retirement Savings Plan for Salaried Employees of Harley-Davidson).

(r) Matching Contribution Credits: The amounts (if any) credited in accordance with Section 3.04.

(s) Participant: An Eligible Employee or a former Eligible Employee with an undistributed Account balance under the Plan.

(t) Participating Employer: The Company and each Affiliate that, with the consent of the Administrator or the Committee, participates in the Plan for the benefit of one or more Participants.

(u) Plan: The Harley-Davidson Management Deferred Compensation Plan, as amended and in effect from time to time.

(v) Separation from Service: The date on which a Participant separates from service (within the meaning of Code Section 409A) from the Company and all Affiliates. A Separation from Service occurs when the Company and the Participant reasonably anticipate that no further services will be performed by the Participant for the Company and its Affiliates after that date or that the level of bona fide services the Participant will perform after such date as an employee of the Company or an Affiliate will permanently decrease to no more than 20% of the average level of bona fide services performed by the Participant (whether as an employee or independent contractor) for the Company and its Affiliates over the immediately preceding 36-month period (or such lesser period of services). The Participant is not considered to have incurred a Separation from Service if the Participant is absent from active employment due to military leave, sick leave or other bona fide reason if the period of such leave does not exceed the greater of (i) six months, or (ii) the period during which the Participant's right to reemployment by the Company or an Affiliate is provided either by statute or by contract; provided that if the leave of absence is due to a medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than six months, where such impairment causes the Participant to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, the leave may be extended for up to 29 months without causing the Participant to have incurred a Separation from Service.

(w) Specified Employee: A Participant who, as of the date of the Participant's Separation from Service, is treated as a Specified Employee in accordance with Code Section 409A and the rules below. The Plan will identify Specified Employees each year as of December 31, which shall be the Plan's Specified Employee identification date. A Participant who is identified as of December 31 as satisfying the requirements for classification as a Specified Employee will be treated as a Specified Employee for the entire 12 month period that begins on the April 1 following the December 31 Specified Employee identification date and ends on the following March 31. A Participant satisfies the requirements for classification as a Specified Employee if the Participant, at any time during the 12-month period ending on the Specified Employee identification date, is (i) an officer of the Company or an Affiliate having annual compensation from the Company and its Affiliates of greater than \$130,000, as indexed; provided that no more than 50 employees, or if lesser, the greater of three or 10 percent of all employees, shall be treated as officers, (ii) a five percent owner of the Company or an Affiliate, or (iii) a one percent owner of the Company or an Affiliate having annual compensation from the Company and its Affiliates of greater than \$150,000, as indexed, in all cases applied in accordance with the regulations issued by the Secretary of the Treasury under Code Section 409A.

(x) Stock Unit: A hypothetical share of common stock of Harley-Davidson, Inc.

(y) Valuation Date: See Section 4.03.

Section 1.02. Construction and Applicable Law .

(a) Wherever any words are used 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 use in the singular or the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply. Titles of articles and sections are for general information only, and the Plan is not to be construed by reference to such items.

(b) This Plan is intended to be a plan of deferred compensation maintained for a select group of management or highly compensated employees as that term is used in ERISA, and shall be interpreted so as to comply with the applicable requirements thereof. In all other respects, the Plan is to be construed and its validity determined according to the laws of the State of Wisconsin

(without reference to conflict of law principles thereof) to the extent such laws are not preempted by federal law, and any action for benefits under the Plan or to enforce the terms of the Plan shall be heard in the State of Wisconsin by the court with jurisdiction over the claim. In case any provision of the Plan is held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the Plan, but the Plan shall, to the extent possible, be construed and enforced as if the illegal or invalid provision had never been inserted.

ARTICLE II. PARTICIPATION

Section 2.01. Eligibility .

Except for Section 3.05, an employee shall be eligible to participate in the Plan only if the employee is employed by a Participating Employer and if the employee has been designated as an Eligible Employee by the Administrator or the Committee. When designating an employee as an Eligible Employee, the Administrator or the Committee, in their sole discretion, may designate the employee for participation in the entire Plan or any part thereof. An employee who satisfies the requirements Section 3.05 is eligible to participate in the Plan with respect to the benefits described in that Section, whether or not the Participant has been designated for participation in the other components of the Plan.

ARTICLE III. EMPLOYEE DEFERRED COMPENSATION

Section 3.01. Deferrals Of Base Compensation .

(a) Amount . A Participant may elect, in such form and manner as the Administrator may prescribe, to defer payment of a portion of the Base Compensation that would otherwise be paid to the Participant. A Participant's election shall specify either a fixed dollar amount or a percentage (in increments of 1% to a maximum of 85% or such lower percentage specified by the Administrator) of the Participant's Base Compensation that the Participant wishes to defer. The minimum annual Base Compensation Deferral is \$5,000 (or if the Participant has designated a percentage of Base Compensation to be deferred, the percentage that, when applied to the Participant's Base Compensation rate at the time the Deferral election is made, is expected to result in an annual Base Compensation Deferral of at least \$5,000).

(b) Initial Deferral Election . In the case of a Participant who has been designated for participation for the first time (and who has not previously been designated as being eligible for participation in another deferred compensation plan that is required to be aggregated with this Plan for purposes of Code Section 409A), the Participant may submit his or her initial Base Compensation Deferral election within 30 days of being designated for participation in the Plan. If the Participant does so, the Participant's validly executed Base Compensation Deferral election shall become effective with respect to Base Compensation attributable to services to be performed subsequent to the date on which the election is filed with the Administrator, or as soon thereafter as is practicable. Alternatively, the Participant at any time may elect to make Base Compensation Deferrals by submitting a validly executed Base Compensation Deferral election to the Administrator, but the election shall become effective and shall apply only to Base Compensation attributable to services performed on or after January 1 of the calendar year following the calendar year during which the election is received by the Administrator, or as soon thereafter as practicable. A Participant's Base Compensation Deferral election, once effective, shall remain in effect until modified by the Participant in accordance with subsection (c) below or otherwise revoked in accordance with Plan rules.

(c) Revised Deferral Election . Except to the extent that the Administrator is permitted (and elects) to give earlier effect to a Participant's revocation or revision to his or her Base Compensation Deferral election in accordance with regulations promulgated by

the Secretary of the Treasury under Code Section 409A, a Participant's Deferral election, once effective with respect to a calendar year, may not be revoked or modified with respect to Base Compensation for that calendar year. A Participant may modify his or her then current Base Compensation Deferral election by filing a revised Base Compensation Deferral election form, properly completed and signed, with the Administrator. However, except to the extent that the Administrator is permitted (and elects) to give earlier effect to a Participant's revised election in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A, the revised election will be effective only with respect to Base Compensation for services performed on or after January 1 of the calendar year following the calendar year during which the revised election is received by the Administrator, or as soon thereafter as practicable. A Participant's revised Deferral election, once effective, shall remain in effect until again modified by the Participant under this Section or otherwise revoked in accordance with Plan rules.

(d) Base Compensation Paid Following Year End For the Payroll Period That Includes December 31. For purposes of applying a Participant's Base Compensation Deferral election, Base Compensation paid after December 31 of a calendar year that is attributable solely to services performed during the payroll period that includes December 31, if paid in accordance with the normal timing arrangement by which a Participating Employer compensates employees for services rendered, is treated as Base Compensation for services performed in the subsequent calendar year, even though part or all of the Participant's services might have been performed in the prior calendar year.

Section 3.02. Deferrals of Annual Bonus Awards .

A Participant may irrevocably elect, in such form and manner as the Administrator may prescribe, to defer payment of a portion of the annual cash bonus that may be awarded and that would otherwise be paid to the Participant with respect to any calendar year. A Participant's election shall specify either a fixed dollar amount or a percentage (in increments of 1% to a maximum of 85% or such lesser amount or percentage as may be established by the Administrator, or as may be consistent with Code Section 409A and necessary in order to comply with applicable withholding obligations, whether attributable to withholdings required under applicable

law or other authorized withholdings) of the Participant's annual cash bonus that the Participant wishes to defer. In the case of any bonus award that does not constitute performance-based compensation for purposes of Code Section 409A, a validly executed Annual Bonus Deferral election shall be effective only if the Annual Bonus Deferral election is received by the Administrator prior to the last day of the calendar year preceding the calendar year in which the Participant performs the services on which the bonus award is based, or by such other time as provided in regulations promulgated by the Secretary of the Treasury and adopted by the Administrator. In the case of any bonus award that constitutes performance-based compensation for purposes of Code Section 409A, a validly executed Annual Bonus Deferral election shall become effective with respect to the bonus that may be awarded to the Participant with respect to a calendar year if the Participant's Deferral election is received by the Administrator at least six (6) months prior to the end of the (calendar year) performance period for the bonus, or by such earlier (but not later) date as the Administrator may establish. A Participant's Annual Bonus Deferral election becomes irrevocable at the end of the permitted election period, and the Participant may not thereafter revoke or modify his or her election, except as may be permitted by the Administrator in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A. A Participant's election to defer a bonus award shall be effective only for the performance period to which the election relates, and shall not carry over from year to year.

Section 3.03. Restricted Stock Deferrals .

(a) A Participant may elect, in such form and manner as the Administrator may prescribe, to defer payment of all or any portion of any restricted stock or restricted stock unit award that the Participant receives under the Incentive Stock Plan. A Participant's election shall specify the whole number of shares or units (up to 100% of such shares or units, or such lesser number or percentage as may be established by the Administrator or as may be consistent with Code Section 409A and necessary in order to comply with applicable withholding obligations, whether attributable to withholdings required under applicable law or other authorized withholdings) of the Participant's award that the Participant wishes to defer; provided that if the Participant specifies a deferral percentage and application of that percentage does not produce a whole number of shares or units, the number of shares or units to be

deferred shall be increased to the next higher whole number of share or units. In the case of any award that is not performance-based compensation for purposes of Code Section 409A, a validly executed Restricted Stock Deferral election shall be effective only if the Restricted Stock Deferral election is received by the Administrator prior to the last day of the calendar year preceding the calendar year in which begins the service period for which the restricted stock or restricted stock units are granted, or by such other time as provided in regulations promulgated by the Secretary of the Treasury and adopted by the Administrator. In the case of any award that is performance-based compensation for purposes of Code Section 409A, a validly executed Restricted Stock Deferral election shall become effective with respect to shares or units to be earned by the Participant with respect to any performance period if the Participant's Restricted Stock Deferral election is received by the Administrator at least six (6) months prior to the end of such performance period or by such earlier (but not later) date as the Administrator may establish. A Participant's Restricted Stock Deferral election becomes irrevocable at the end of the permitted election period, and the Participant may not thereafter revoke or modify his or her election, except as may be permitted by the Administrator in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A. A Participant's Restricted Stock Deferral election shall be effective only for the particular restricted stock or restricted stock unit award to which the election relates, and a Participant's election does not carry over from award to award.

(b) A Participant who has made a Restricted Stock Deferral election will be credited under this Plan, on a one-for-one basis, with a number of Stock Units equal to the number of shares of restricted stock or the number of stock units that originally were granted to the Participant under the Incentive Stock Plan but that the Participant has elected to defer under this Plan as a Restricted Stock Deferral. Any dividends (or similar distribution) that would have been payable on the Stock Units credited to a Participant's Account if such Stock Units were actual shares of Harley-Davidson, Inc. common stock will be credited to the Participant's Account in the form of additional Stock Units. If any such dividend or other distribution is not already expressed in the form of shares, it shall be converted, for record keeping purposes, into whole and fractional Stock Units. The conversion shall be accomplished by dividing the amount of the dividend or distribution by the closing price of a share of Harley-Davidson, Inc. common stock on the payment date for the dividend or distribution.

(c) Unless otherwise determined by the Committee, the Participant's interest in Stock Units attributable to a Restricted Stock Deferral shall be subject to the same vesting or forfeiture conditions to which the Participant would have been subject if the Participant had received the restricted stock or restricted stock unit award directly rather than electing to defer delivery of such award. Similarly, unless otherwise determined by the Committee, the dividend (or distribution) credits that are made in the form of additional Stock Units in accordance with subsection (b), shall be subject to the same vesting or forfeiture conditions as apply with respect to the Stock Unit on which the dividend (or distribution) credit is based.

(d) In the event of any merger, share exchange, reorganization, consolidation, recapitalization, stock dividend or stock split involving Harley-Davidson, Inc. common stock, or other event in which Harley-Davidson, Inc. common stock is subdivided or combined, or a cash dividend is declared the amount of which, on a per share basis, exceeds fifteen percent (15%) of the fair market value of a share of Harley-Davidson, Inc. common stock, at the time the dividend is declared, or Harley-Davidson, Inc. shall effect any other dividend or other distribution of Harley-Davidson, Inc. common stock that the Board determines by resolution is extraordinary or special in nature or that is in connection with a transaction that Harley-Davidson, Inc. characterizes publicly as a recapitalization or reorganization of Harley-Davidson, Inc. common stock or words of similar import, or 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 this Plan, the Committee shall make appropriate equitable adjustments with respect to the Stock Units (if any) credited to the Account of each Participant. The nature of any such adjustment shall be determined by the Committee, in its discretion.

(e) Shares of Harley-Davidson, Inc. common stock distributed in settlement of a Participant's Stock Units, including the shares distributed in settlement of dividend (or distribution) credits that were made in the form of additional Stock Units, shall be charged against the pool of available shares under the Incentive Stock Plan.

Section 3.04. Matching Contribution Credits .

The Administrator will also credit to the Account of each Participant a Matching Contribution Credit (denominated in cash) on amounts deferred under this Plan as Base Compensation Deferrals and/or Annual Bonus Deferrals, as determined by the Administrator. The Matching Contribution Credit will be in the same relative amount as the matching contribution that is made to the Participant's pre-tax savings account under the Retirement Savings Plan for Salaried Employees of Harley-Davidson ("Retirement Savings Plan") on amounts the Participant has elected to defer under that plan. This Matching Contribution Credit will be made as of the last day of the calendar year quarter in which the employer matching contribution is deposited to the Retirement Savings Plan for a year. The Matching Contribution Credit, and the earnings attributed to it, are subject to the vesting rules of the Retirement Savings Plan so that a Participant who terminates employment prior to becoming vested in his or her matching contributions under the Retirement Savings Plan shall forfeit the portion of his or her Account under this Plan that is attributable to Matching Contribution Credits, and earnings thereon. Matching Contribution Credits to this Plan shall not be deemed to be an employer matching contribution to the Retirement Savings Plan for any nondiscrimination testing purposes. A Participant will not, under any circumstances, be credited with aggregate Matching Contribution Credits under this Plan and matching contributions under the Retirement Savings Plan that exceeds the rate of matching applicable for the year under the Retirement Savings Plan multiplied by six percent (6%) of the Participant's Base Compensation and Annual Bonus for such year, without regard to any deferrals of such amounts made hereunder.

Section 3.05. Employer Retirement Contribution Restoration Credits .

(a) Unless the Administrator determines otherwise, a Participant (whether or not designated for participation in other aspects of the Plan) who is hired on or after August 1, 2006 and who is covered under the Employer Retirement Contribution feature of the Retirement Savings Plan for Salaried Employees of Harley-Davidson or the Buell Motorcycle Company Retirement Savings Plan (collectively, the "Retirement Savings Plan") will be eligible to receive an additional credit to his or her Account for each year, in accordance with the rules of this Section, if the Participant's Employer Retirement Contribution under the Retirement Savings Plan is limited because of the limitations of Code Section 401(a)(17) or 415.

(b) With respect to each Participant whose Employer Retirement Contribution is limited in the manner described in subsection (a), the Participant shall receive an additional credit under this Plan equal to the difference between (i) the Employer Retirement Contribution that would have been allocated to the Participant for the year under the Retirement Savings Plan if the Code Section 401(a)(17) and 415 limitations did not apply and if Base Compensation and Annual Bonus Deferrals made by the Participant under this Plan are treated as if they had been paid to the Participant in cash, and (ii) the Employer Retirement Contribution to which the Participant is actually entitled for such year under the Retirement Savings Plan.

(c) A Participant will have a vested and non-forfeitable right to the credits made under this Section, and any deemed investment gains or losses on such credits, if the Participant is vested in the Employer Retirement Contributions made to his or her account under the Retirement Savings Plan. If the Participant terminates employment prior to obtaining a vested right to the Employer Retirement Contributions under the Retirement Savings Plan, the credits made on the Participant's behalf under this Section, together with all deemed investment gains or losses on such credits, shall be forfeited.

Section 3.06. Other Deferrals and Credits.

The Administrator or the Committee, in their discretion, may, with respect to any Participant, determine that the Participant is eligible to make Deferrals with respect to additional components of the Participant's remuneration or receive employer contribution credits in addition to the credits described herein. In no event, however, shall the Administrator or Committee authorize such additional Deferrals or credits unless the Administrator or Committee has first determined that the Deferrals or credits have been elected or authorized in a manner that will not result in the imposition of tax under Code Section 409A.

Section 3.07. Effect of Unforeseeable Emergency or Hardship.

Notwithstanding the general timing rules under Sections 3.01 and 3.02 that govern Participant Deferral elections, if a Participant receives a distribution on account of (a) "unforeseeable emergency" under Section 5.04 or (b) a distribution on account of "hardship"

under the Retirement and Savings Plan or any other qualified plan maintained by the Company or an Affiliate that includes a qualified cash or deferred arrangement under Code Section 401(k) where such plan requires the Participant to cease qualified and non-qualified deferrals as a condition of receiving the distribution, then the Participant's then-existing Base Compensation Deferral election, Annual Bonus Deferral election, and any Restricted Stock Deferral election may be terminated (and not merely suspended) to the extent this Administrator so determines. Any Deferral election made after a termination of a Deferral election due to hardship or unforeseeable emergency will be considered an "initial deferral election" that is subject to the rules of Code Section 409A and the regulations promulgated thereunder with respect to "initial deferral elections."

Section 3.08. Involuntary Termination of Deferral Elections .

Subject to Code Section 409A, a Participant's Deferral election will terminate, or contribution credits to a Participant's Account will cease, if the Administrator or the Committee determines that the Participant is no longer eligible to participate in the Plan or that revocation of a Participant's eligibility is necessary or desirable in order for the Plan to qualify under ERISA as a plan of deferred compensation for a select group of management or highly compensated employees.

ARTICLE IV. ACCOUNTING AND HYPOTHETICAL INVESTMENT ELECTIONS

Section 4.01. Investment Options .

The Administrator may designate two or more Investment Options. The Administrator's designation of an Investment Option does not imply any obligation on the part of the Participating Employers to set aside or otherwise invest funds in the designated Investment Option. The Investment Option serves merely as a device for determining the amount of deemed investment gain or loss to be credited or charged to the Participant's Account. Further, the Administrator may at any time modify the roster of available Investment Options, including the elimination of any Investment Option that was previously available under the Plan.

Section 4.02. Participant Investment Elections .

(a) This Section applies to the deemed investment of a Participant's Account, other than the portion attributable to Restricted Stock Deferrals and the portion that is credited with interest at the Plan Interest Rate in accordance with Section 4.05. The portion of a Participant's Account that is attributable to Restricted Stock Deferrals is deemed to be invested in Stock Units, and the Participant is not permitted to exercise investment discretion with respect to this portion.

(b) In accordance with uniform rules prescribed by the Administrator, which shall permit Participants to make investment directions at least annually, each Participant shall designate, in writing or in such other manner as the Administrator may prescribe, how his or her Account (other than the portion of the Account attributable to Restricted Stock Deferrals) shall be deemed to be invested among the Investment Options. A Participant's investment designation, when effective, shall operate both (i) to reallocate the Participant's existing Account balance (other than the portion of the Account attributable to Restricted Stock Deferrals) in the percentages specified by the Participant in his or her investment election, and (ii) as a direction with respect to the deemed investment of future Deferrals or other credits (other than Restricted Stock Deferrals) made while the designation is in effect. If the Participant fails to make a timely and complete investment designation, he or she shall be deemed to have elected that 100% of his or her Account credited to the default Investment Option specified by the Administrator.

(c) When selecting more than one Investment Option, the Participant shall designate, in whole multiples of 1% or such other percentage determined by the Administrator, the percentage of his or her eligible Account (and of future eligible Deferrals or credits) to be allocated to each Investment Option.

(d) A Participant's investment election or deemed investment election shall become effective on the date established by the Administrator for this purpose, and shall remain in effect unless and until modified by a subsequent election that becomes effective in accordance with the rules of this Section.

(e) Other than a reallocation of a Participant's eligible Account pursuant to a revised investment election submitted by the Participant, the deemed investment allocation of a Participant will not be adjusted to reflect differences in the relative investment return realized by the various hypothetical Investment Options that the Participant has designated, i.e., the Participant's Account will not be periodically "rebalanced" to return the investment allocation of the Participant's account to the investment allocation in effect on the effective date of the Participant's most recent investment election.

Section 4.03. Allocation of Deemed Investment Gain or Loss .

As of the last day of each calendar quarter, or at such other times as the Administrator may prescribe (each, a "Valuation Date"), and except as provided in Section 4.05, the Account of each Participant will be credited (or charged) based upon the investment gain (or loss) that the Participant would have realized with respect to his or her Account since the immediately preceding Valuation Date had the Account been invested in accordance with the terms of the Plan and the Participant's actual or deemed investment election.

Section 4.04. Accounts are For Record Keeping Purposes Only .

Plan Accounts and the record keeping procedures described herein serve solely as a device for determining the amount of benefits accumulated by a Participant under the Plan, and shall not constitute or imply an obligation on the part of a Participating Employer to fund such benefits. In any event, a Participating Employer may, in its discretion, set aside assets and/or contribute to a trust assets equal to part or all of such account balances and invest such assets in life insurance or any other investment deemed

appropriate. Any such assets held by a Participating Employer or in a trust shall be and remain the sole property of the Participating Employer or the trust, as applicable, and a Participant shall have no proprietary rights of any nature whatsoever with respect to such assets.

Section 4.05. Pre-2000 Deferrals Under Program A.

(a) Notwithstanding anything to the contrary herein, this Section applies to deferrals made prior to January 1, 2000 that are credited under the Life Insurance Investment Program (sometimes referred to herein as "Program A")

(b) The Life Insurance Investment Program was the original investment program that has been available under the Plan since 1988. Under the Life Insurance Investment Program or Program A, a Participant's deferred compensation amounts were credited to a special Account (the "Program A Account") that is credited with interest at the Plan Interest Rate, and with respect to which a potential death benefit (described in subsection (d) below) may become payable. The Life Insurance Investment Program is closed to new deferrals effective January 1, 2000. A Participant may elect that the Participant's Program A Account shall cease being deemed credited with interest at the Plan Interest Rate and shall thereafter be deemed to be invested in accordance with Sections 4.01 through 4.04 above.

(c) For each twelve (12) consecutive month period beginning on September 1 of each year and ending on August 31 of the following year, the Plan Interest Rate is the Moody's Long Term Bond Rate in effect on such September 1 (or the last business day immediately preceding such date if September 1 is a Saturday, Sunday or legal holiday).

(d) Upon the death of a Participant prior to termination of employment, and before any benefit payments have been made or have started, the Company will pay to the designated Beneficiary of a Participant with a Program A, Account, as compensation for services rendered prior to the date of death, a benefit equal to the Participant's Program A Account measured as of the last day of the calendar year quarter in which the date of death occurred or, if greater, a death benefit determined as follows:

Age at Deferral	Multiple of Program A Deferral Commitments Determined Separately as to Each Deferral Commitment
Through 45	5.0
46	4.8
47	4.6
48	4.4
49	4.2
50	4.0
51	3.8
52	3.6
53	3.4
54	3.2
55	3.0
56	2.8
57	2.6
58	2.4
59	2.2
60	2.0
61	1.8
62	1.6
63	1.4
64	1.2
65 and over	1.0

(e) Following the Participant's death, no additional earnings are credited on the portion of any death benefit amount that is determined as a multiple of a Participant's Program A deferral commitment.

(f) If there is a reduction in a Program A Account, including a premature distribution from a Program A Account due to hardship, the Administrator will advise the Participant as to the corresponding effect on the Participant's death benefit. If a Participant has made more than one deferral commitment under Program A, the Participant's death benefit will be separately determined for each commitment. A special rule applies, however, for any Participant who was not insurable for a death benefit larger than the "guaranteed issue" amount available to the Company at standard rates when the Participant, prior to January 1, 2000, completed a deferred compensation agreement calling for a deferral commitment to Program A. In that case, the affected Participant's death benefit with respect to such deferral commitment is limited to the greater of (i) the balance in the participant's Program A Account attributable to such deferral commitment, or (ii) an amount of death benefit able to be insured by the Company at standard rates at the time the Participant completed his or her deferred compensation agreement providing for such Program A deferral commitment.

ARTICLE V. DISTRIBUTION OF ACCOUNTS

Section 5.01. Distribution of Account .

Except as provided in Section 5.07, distribution of a Participant's vested Account will be made, in accordance with this Article V, following the date on which the Participant incurs a Separation from Service. The manner in which a Participant's Account will be distributed depends on whether the Participant has attained age fifty-five (55) on or prior to the date on which the Participant incurs a Separation from Service.

(a) If the Participant incurs a Separation from Service prior to attaining fifty-five (55) years of age, the Participant's vested Account will be distributed in a single sum cash payment notwithstanding any contrary distribution election made by the Participant in accordance with Section 5.02 below. The distribution shall be made within thirty (30) days following the Valuation Date that is coincident with or next follows the Participant's Separation from Service; provided that if the Participant is a Specified Employee at the time of the Participant's Separation from Service, the distribution shall be made within thirty (30) days following the Valuation Date that is coincident with or next follows the six (6) month anniversary of the Participant's Separation from Service. Distribution shall be made in cash, except that with respect to the portion of the Participant's Account that is attributable to Restricted Stock Deferrals, the Participant shall receive one (1) share of Harley-Davidson, Inc. common stock for each whole Stock Unit credited to the Participant's Account, and cash in lieu of any fractional Stock Unit.

(b) If the Participant's Separation from Service occurs on or after the Participant's attainment of fifty-five (55) years of age, the Participant's vested Account balance will be distributed in one (1) to fifteen (15) annual installments, as elected by the Participant in accordance with Section 5.02 below. The first installment will be paid within thirty (30) days following the Valuation Date that is coincident with or next follows the Participant's Separation from Service; provided that if the Participant is a Specified Employee at the time of the Participant's Separation from Service, the distribution shall be made within thirty (30) days following the Valuation Date that is coincident with or next following the six (6) month anniversary of the Participant's Separation from Service. Each subsequent installment shall be made in June of each calendar year subsequent to the year the initial installment was paid, during the

installment period. Distributions shall be made in cash, except that with respect to the portion of any installment that is attributable to the Participant's Restricted Stock Deferrals, the Participant shall receive one (1) share of Harley-Davidson, Inc. common stock for each whole Stock Unit that is being settled/distributed, and cash in lieu of any fractional Stock Unit. The cash portion of a Participant's annual distribution amount shall be determined by dividing (A) the Participant's aggregate vested balance in the Account (other than the portion attributable to Restricted Stock Deferrals) as of the Valuation Date immediately preceding the installment distribution date by (B) the number of installment payments remaining to be made under the distribution period selected by the Participant. The stock portion of the Participant's annual distribution amount shall be determined by dividing (A) the Participant's vested Stock Units in the Account by (B) the number of installment payments remaining to be made under the distribution period selected by the Participant. During the installment payment period, the undistributed Account will continue to be credited or charged with deemed investment gains or losses in the same way that deemed gains or losses are credited or charged while the Participant is employed.

Section 5.02. Distribution Election .

(a) Distribution Election . A Participant shall elect the number of annual installments, from one (1) to fifteen (15), over which his or her Account is to be distributed following the Participant's Separation from Service. The election shall be in such form as the Administrator shall prescribe.

(b) Timing of Distribution Election and Default Distribution Election . An Eligible Employee shall make a distribution election at the same time as the Participant first makes a Deferral election under the Plan. A Participant who fails to make a distribution election with respect to the Participant's Account (or any portion thereof) shall be deemed to have elected distribution in ten (10) annual installments. Except as described in subsection (c) below, a Participant's election or deemed distribution election is irrevocable.

(c) Modification of Distribution Election . On or before December 31, 2008, a Participant may revise his or her distribution election or deemed distribution election; provided that a revised distribution election made during calendar years 2006, 2007 or 2008

(including the election described in Section 5.07) will not be given effect, and the Participant's immediately prior valid distribution election (or deemed election) will continue in effect, if the revised election would operate to cause amounts that would otherwise be distributable in the calendar year in which the revised distribution election is made to be deferred for distribution in a subsequent calendar year, or to cause amounts that would otherwise be distributable in a subsequent calendar year to become distributable in the calendar year in which the revised election is made. On and after January 1, 2009, a Participant may modify his or her distribution election (or deemed distribution election) only if (i) the Participant's application to modify the Participant's distribution election is approved by the Administrator, (ii) the revised distribution election is submitted to the Administrator at least twelve (12) months prior to the first scheduled payment date under the Participant's then-current distribution election and the revised election is not given effect for twelve (12) months after the date on which the revised election is submitted, and (iii) except as permitted under Code Section 409A, payment pursuant to the revised distribution election is deferred for at least five (5) years from the date payment would otherwise have been made under the Participant's prior distribution election. For purposes of applying the rules of Code Section 409A, a series of installment payments will be considered a single payment form.

(d) Effectiveness of Distribution Election. A Participant's distribution election will be given effect only if the Participant's Separation from Service occurs on or after the date on which the Participant attains age fifty-five (55). If the Participant's Separation from Service occurs prior to attainment of age fifty-five (55), the Participant's distribution election will be null and void, and the Participant's vested Account will be distributed, in accordance with Section 5.01(a), in a single payment.

(e) Distribution Election Procedures. A distribution election or modified distribution election shall be deemed made only when it is received and accepted as complete by the Administrator.

(f) Acceleration of Payments. Notwithstanding any other provision of the Plan, if the Administrator determines that all or any portion of a Participant's Account is required to be included in the Participant's income as a result of a failure to comply with the

requirements of Code Section 409A and the regulations promulgated thereunder, the Company or applicable Affiliate shall immediately make distribution from the Plan to the Participant or Beneficiary, in one lump sum, of the amount (but not exceeding the amount) that is so taxable.

Section 5.03. Death Benefit Payments.

(a) Death Prior to Separation from Service. Upon the death of a Participant prior to the Participant's Separation from Service, the Participant's Beneficiary will receive a single sum benefit equal to the Participant's vested undistributed Account balance, the cash portion of which shall be valued as of the Valuation Date coincident with or immediately preceding the date of the Participant's death. The distribution will be made within ninety (90) days following the Participant's death. The six (6) month payment delay for Participants who are Specified Employees will not apply. Distribution shall be made in cash, except that with respect to the portion of the Participant's Account that is attributable to Restricted Stock Deferrals, the Beneficiary shall receive one (1) share of Harley-Davidson, Inc. common stock for each whole Stock Unit credited to the Participant's Account, and cash in lieu of any fractional Stock Unit.

(b) Death After Separation from Service. Upon the death of a Participant following the Participant's Separation from Service but prior to completion of distribution of the Participant's vested Account, the Participant's Beneficiary will receive a single sum benefit equal to the Participant's undistributed vested Account balance, the cash portion of which shall be valued as of the Valuation Date coincident with or immediately preceding the date of the Participant's death. The distribution will be made within ninety (90) days following the Participant's death. The six (6) month payment delay for Participants who are Specified Employees will not apply. Distribution shall be made in cash, except that with respect to the portion of the Participant's Account that is attributable to Restricted Stock Deferrals, the Beneficiary shall receive one (1) share of Harley-Davidson, Inc. common stock for each whole Stock Unit credited to the Participant's Account, and cash in lieu of any fractional Stock Unit.

Section 5.04. Hardship Withdrawals.

A Participant who has incurred an “unforeseeable emergency” may request, and the Administrator may (but need not) approve a distribution of part or all of the Participant’s vested Account balance, in accordance with and subject to the limitations set forth in this Section. An “unforeseeable emergency” means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant’s spouse, or the Participant’s dependent (as defined in Code Section 152(a) without regard to Sections 152(b)(1), (b)(2), and (d)(1) (B)), loss of the Participant’s property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The amount authorized by the Administrator for distribution with respect to an emergency may not exceed the amounts necessary to satisfy the emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant’s assets, to the extent that liquidation of such assets would not itself cause severe financial hardship.

Section 5.05. Automatic Single Sum Distribution.

In the case of any Participant or Beneficiary whose vested Account (when added to the balance of any other account under a non-qualified deferred compensation arrangement that is required to be aggregated with this Plan under Code Section 409A) has a value equal to or less than the applicable dollar amount under Code Section 402(g)(1)(B), e.g., \$15,500 for 2008, the Account will be distributed in the form of a single sum payment on the date on which distributions would otherwise commence, and such single sum payment shall be in lieu of any installment distribution period that would otherwise apply. Distribution shall be made in cash, except that with respect to the portion of the Participant’s Account that is attributable to Restricted Stock Deferrals, the Participant shall receive one (1) share of Harley-Davidson, Inc. common stock for each whole Stock Unit credited to the Participant’s Account, and cash in lieu of any fractional Stock Unit.

Section 5.06. Acceleration of Payments Upon a Change of Control.

Notwithstanding anything herein to the contrary, upon a change of control event (within the meaning of Code Section 409A) with respect to Harley-Davidson, Inc, the vested Account of each Participant shall be paid to the Participant or Beneficiary, as applicable, as soon as practicable, but in no event more than 30 days, after the change of control event in a single sum payment, regardless of any distribution election then in effect.

Section 5.07. Election of Distribution at a Stated Date. Notwithstanding anything in the Plan to the contrary and in accordance with transition rules published by the Internal Revenue Service for purposes of Code Section 409A, on or before December 31, 2008, a Participant who is actively employed may elect to have the portion of his or her vested Account (exclusive of any portion credited to the Program A Account) as of December 31, 2008, together with deemed gains or losses from December 31, 2008 through the Valuation Date selected by the Participant, distributed to the Participant in a single sum payment. Distribution will be made within thirty (30) days following the Valuation Date designated by the Participant. The Valuation Date selected by a Participant must be the last day of a calendar quarter no earlier than June 30, 2009. Because distribution is being elected a stated date unrelated to the Participant's Separation from Service, the six (6) month payment delay applicable to Specified Employees for distributions on account of Separation from Service will not apply. A Participant's election shall not be recognized if the effect of the election would be to defer amounts that would otherwise be distributable in 2008 for distribution into 2009 or subsequent years.

ARTICLE VI. GENERAL PROVISIONS

Section 6.01. Administration .

The Administrator shall administer and interpret the Plan and supervise preparation of Participant elections, forms, and any amendments thereto. The Administrator may, in its discretion, delegate any or all of its authority and responsibility, and to the extent of any such delegation, any references herein to the Administrator shall be deemed references to such delegee; provide that any such delegee shall not act in any non-ministerial fashion in a matter affecting the delegee's own participation or interest in the Plan. Interpretation of the Plan shall be within the sole discretion of the Administrator or the Committee and shall be final and binding upon each Participant and Beneficiary. The Administrator or the Committee may adopt and modify rules and regulations relating to the Plan as it deems necessary or advisable for the administration of the Plan. Further, the Administrator shall not act in any non-ministerial fashion in any matter that affects one or more of the members of the committee that is the Administrator (unless such action affects all Participants uniformly) and any such action will be taken or decision made by the Committee.

Section 6.02. Restrictions to Comply with Applicable Law .

Notwithstanding any other provision of the Plan, the Participating Employers shall have no obligation to make any payment under the Plan unless such payment is in accordance with the terms of the Plan and will comply with all applicable laws and the applicable requirements of any securities exchange or similar entity. The Administrator or the Committee shall have the right to restrict any transaction, or impose other rules and requirements, to the extent it deems necessary or desirable in order to comply with any law or exemption.

Section 6.03. Claims Procedures .

(a) If a Participant or Beneficiary (the "claimant") believes that he is entitled to a benefit under the Plan that is not provided, the claimant or his or her legal representative shall file a written claim for such benefit with the Administrator, not later than ninety (90) days after the payment (or first payment) is made (or should have been made) in accordance with the terms of the Plan or in

accordance with regulations issued by the Secretary of the Treasury under Code Section 409A. Any such claim shall be filed in writing stating the nature of the claim, and the facts supporting the claim, the amount claimed and the name and address of the claimant. The Administrator shall review the claim. If the Administrator denies the claim, it shall deliver, within one hundred thirty-five (135) days of the date the first payment was made (or should have been made) in accordance with the terms of the Plan or in accordance with regulations issued by the Secretary of the Treasury under Code Section 409A, a written notice of such denial decision. If the claimant's claim is denied in whole or part, the Administrator shall provide written notice to the claimant of such denial. The written notice shall include the specific reason(s) for the denial; reference to specific Plan provisions upon which the denial is based; a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and a description of the Plan's review procedures (as set forth in subsection (b)) and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse determination upon review.

(b) The claimant has the right to appeal the Administrator's decision by filing a written appeal to the Administrator within 180 days after the payment (or first payment) is made (or should have been made) in accordance with the terms of the Plan or in accordance with regulations issued by the Secretary of the Treasury under Code Section 409A. The claimant will have the opportunity, upon request and free of charge, to have reasonable access to and copies of all documents, records and other information relevant to the claimant's appeal. The claimant may submit written comments, documents, records and other information relating to his or her claim with the appeal. The Administrator will review all comments, documents, records and other information submitted by the claimant relating to the claim, regardless of whether such information was submitted or considered in the initial claim determination. The Administrator shall make a determination on the appeal within 60 days after receiving the claimant's written appeal; provided that the Administrator may determine that an additional 60-day extension is necessary due to circumstances beyond the Administrator's control, in which event the Administrator shall notify the claimant prior to the end of the initial period that an extension is needed, the reason therefor and the date by which the Administrator expects to render a decision. If the claimant's appeal is denied in whole or part, the Administrator shall provide written notice to the claimant of such denial. The written notice shall

include the specific reason(s) for the denial; reference to specific Plan provisions upon which the denial is based; a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claimant's claim; and a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA.

Section 6.04. Participant Rights Unsecured.

(a) Unsecured Claim. The right of a Participant or the Participant's Beneficiary to receive a distribution hereunder shall be an unsecured claim, and neither the Participant nor any Beneficiary shall have any rights in or against any amount credited to his or her Account or any other specific assets of a Participating Employer. The right of a Participant or Beneficiary to the payment of benefits under this Plan shall not be assigned, encumbered, or transferred, except by will or the laws of descent and distribution. The rights of a Participant hereunder are exercisable during the Participant's lifetime only by the Participant or his or her guardian or legal representative.

(b) Contractual Obligation. The Company may authorize the creation of a trust or other arrangements to assist it in meeting the obligations created under the Plan. However, any liability to any person with respect to the Plan shall be based solely upon any contractual obligations that may be created pursuant to the Plan. No obligation of a Participating Employer shall be deemed to be secured by any pledge of, or other encumbrance on, any property of a Participating Employer. Nothing contained in this Plan and no action taken pursuant to its terms shall create or be construed to create a trust of any kind, or a fiduciary relationship between a Participating Employer and any Participant or Beneficiary, or any other person.

Section 6.05. Distributions for Tax Withholding and Payment.

(a) Notwithstanding the time or schedule of payments otherwise applicable to the Participant, the Administrator may direct that distribution from a Participant's vested Account be made (i) to pay the Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2) with respect to compensation deferred under the Plan, (ii) to pay the income tax at source on wages imposed under Code Section 3401 or the corresponding withholding provisions of applicable state, local, or foreign tax laws as a result of the payment of FICA taxes, and (iii) to pay the additional income tax at source on wages attributable to the "pyramiding" of Code Section 3401 wages and taxes; provided that the total amount distributed under this provision must not exceed the aggregate of the FICA tax and the income tax withholding related to such FICA tax.

(b) The amount actually distributed to the Participant in accordance with the time or schedule of payments applicable to the Participant will be reduced by applicable tax withholding except to the extent such withholding requirements previously were satisfied in accordance with subsection (a) above.

Section 6.06. Amendment or Termination of Plan .

(a) There shall be no time limit on the duration of the Plan.

(b) The Company, by action of the Human Resources Committee of the Board, may at any time amend the Plan, including but not limited to modifying the terms and conditions applicable to (or otherwise eliminating) Deferrals or contribution credits to be made on or after the amendment date; provided, however, that no amendment or termination may reduce or eliminate any Account balance accrued to the date of such amendment or termination (except as such Account balance may be reduced as a result of investment losses allocable to such Account).

(c) The Company, by action of the Human Resources Committee of the Board, may terminate the Plan at any time. Upon termination of the Plan, Accounts may be paid to Participants and Beneficiaries in a single sum payment, without regard to any distribution election then in effect, but only if the following are met:

- (i) The Plan is terminated within twelve (12) months of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A), and the amounts accrued under the Plan but not yet paid are distributed to the Participants or Beneficiaries, as applicable, by the latest of: (A) the last day of the calendar year in which the Plan termination and liquidation occurs, (B) the last day of the calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (C) the last day of the first calendar year in which payment is administratively practicable.

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- (ii) The Plan is terminated at any time during the period that begins thirty (30) days prior and ends twelve (12) months following a change of control event (within the meaning of Code Section 409A), provided that all arrangements required to be aggregated with the Plan (within the meaning of Code Section 409A) sponsored by the Company or an Affiliate are terminated and liquidated with respect to each Participant that experienced the change of control event, so that all participants under similar arrangements are required to receive all amounts of compensation deferred under the terminated arrangements within twelve (12) months of the date of termination of the arrangements.
 - (iii) The Plan is terminated at any other time, provided that such termination does not occur proximate to a downturn in the financial health of the Company or an Affiliate. In such event, all amounts accrued under the Plan but not yet paid will be distributed to all Participants or Beneficiaries, as applicable, no earlier than twelve (12) months (and no later than twenty-four (24) months) after the date of termination. This provision shall not be effective unless all other plans required to be aggregated with this Plan under Code Section 409A are also terminated and liquidated. Notwithstanding the foregoing, any payment that would otherwise be paid during the twelve (12)-month period beginning on the Plan termination date pursuant to the terms of the Plan shall be paid in accordance with such terms.

In addition, the Company or any Affiliate shall be prohibited from adopting a similar arrangement within three (3) years following the date of the Plan's termination, unless any individual who was a Participant under this Plan is excluded from participating thereunder for such three (3) year period.

Except as provided in Paragraphs (i), (ii) and (iii) above or as otherwise permitted in regulations promulgated by the Secretary of the Treasury under Code Section 409A, any action that purports to terminate the Plan shall instead be construed as an amendment to discontinue further benefit accruals, but the Plan will continue to operate, in accordance with its terms as from time to time amended and in accordance with applicable Participant elections, with respect to the Participant's benefit accrued through the date of termination, and in no event shall any such action purporting to terminate the Plan form the basis for accelerating distributions to Participants and Beneficiaries.

Section 6.07. Administrative Expenses .

Costs of establishing and administering the Plan will be paid by the Participating Employers.

Section 6.08. Successors and Assigns .

This Plan shall be binding upon and inure to the benefit of the Participating Employers, their successors and assigns and the Participants and their heirs, executors, administrators, and legal representatives.

Section 6.09. Right of Offset .

The Participating Employers shall have the right to offset from the benefits payable hereunder (and at the time such benefit would otherwise be payable) any amount that the Participant owes to the Company or an Affiliate or other entity in which the Company or an Affiliate maintains an ownership interest. The offset shall be applied so as to include, but shall not be limited to, any

finances, penalties, damages or any other amounts (including attorneys' fees) imposed on or paid by the Company or Affiliate as a result of any conduct of the Participant during the Participant's employment. The Company may effectuate the offset without the consent of the Participant (or the Participant's spouse or Beneficiary, in the event of the Participant's death).

Section 6.10. Not a Contract of Employment.

This Plan may not be construed as giving any person the right to be retained as an employee of the Company or any Affiliate.

Section 6.11. Miscellaneous Distribution Rules.

(a) Accelerated Distribution Following Section 409A Failure. If an amount under this Plan is required to be included in a Participant's income under Code Section 409A prior to the date such amount is actually distributed, the Participant shall receive a distribution, in a lump sum, within ninety (90) days after the date it is finally determined that the Plan fails to meet the requirements of Code Section 409A. The distribution shall equal the amount required to be included in the Participant's income as a result of such failure.

(b) Permitted Delay in Payment. If a distribution required under the terms of this Plan would jeopardize the ability of the Company or of an Affiliate to continue as a going concern, the Company or the Affiliate shall not be required to make such distribution. Rather, the distribution shall be delayed until the first date that making the distribution does not jeopardize the ability of the Company or of an Affiliate to continue as a going concern. Further, if any distribution pursuant to the Plan will violate the terms of Section 16(b) of the Securities Exchange Act of 1934 or other Federal securities laws, or any other applicable law, then the distribution shall be delayed until the earliest date on which making the distribution will not violate such law.

(c) Disregard of Six Month Delay. Notwithstanding anything herein to the contrary, if at the time of a Participant's Separation from Service, the stock of Harley-Davidson, Inc. or any other related entity that is considered a "service recipient" within the meaning of Section 409A of the Code is not traded on an established securities market or otherwise, then the provisions of the Plan requiring

that payments for Specified Employees be delayed for six months shall cease to apply. In such event, the payment (if a lump sum) or initial payment (if installments) shall be made within ninety (90) days following the event triggering the benefit payment(s).

HARLEY-DAVIDSON MOTOR COMPANY GROUP,
INC.

By: /s/ Gail A. Lione

Title: Executive Vice President

Date: December 29, 2008

HARLEY-DAVIDSON**PENSION BENEFIT RESTORATION PLAN****(As Amended and Restated Effective January 1, 2009)**

HARLEY-DAVIDSON MOTOR COMPANY GROUP, INC., a Wisconsin corporation, maintains the Harley-Davidson Pension Benefit Restoration Plan (the "Plan") to provide benefits as follows:

1. Purpose.

The purpose of the Plan is to provide the benefits which a Participant would have been entitled to receive under the Funded Plan except for (a) the statutory maximum annual benefit limitations of Code Section 415, (b) the statutory maximum limitations on pensionable pay provided for in Code Section 401(a)(17), and (c) the exclusion from the definition of pensionable compensation in the Funded Plan for amounts contributed as a pretax contribution to a nonqualified plan of deferred compensation.

2. Definitions.

The following terms have the following meanings unless the context clearly indicates otherwise:

(a) "Affiliate" means each corporation, trade or business that, with the Company, constitutes a controlled group of corporations, or group of trades or businesses under common control, within the meaning of Code Sections 414(b) or (c); provided that for purposes of determining when a Participant has incurred a Separation from Service, the phrase "at least 50 percent" shall be used in place of "at least 80 percent" each place it appears in Code Section 414(b) and (c) and the regulations thereunder.

(b) "Applicable Interest Rate" means the product of (i) one (1.0) minus the applicable maximum tax rate at the Participant's Determination Date, with such rate expressed as a decimal, and (ii) the discount rate used by the Company to value the obligations of the Funded Plan, as set forth in the Company's disclosure for purposes of Statement of Financial Accounting Standard No. 87 (or any successor) for the fiscal year of the Company that includes the first day of the month coincident with or next following the Participant's Separation from Service for any reason other than death, with such rate also expressed as a decimal. The product shall then be rounded up to the nearest hundredth. The "applicable maximum tax rate" means the total of the maximum federal individual income tax, the maximum State of Wisconsin individual income tax, and the Hospital Insurance (Medicare) payroll tax, taking into account the deductibility of state income taxes for federal income tax purposes, to the extent permitted by law and tax rates as they are legally in effect at the Participant's Determination Date. Any subsequent adjustments which may be made to tax rates or to the Funded Plan's expected rate of return on plan assets, even if having retroactive effect to such date, shall be disregarded.

(c) "Board" means the Board of Directors of Harley-Davidson, Inc.

(d) "Change of Control Event" means a "change in control event" (as such term is defined for purposes of Code Section 409A) with respect to Harley-Davidson, Inc.

(e) "Code" means the Internal Revenue Code of 1986, and the ruling and regulations issued thereunder, all as amended and in effect from time to time.

(f) "Committee" means the Retirement Plans Committee appointed by the Board or, if such Committee is unable to fulfill its duties under the Plan, the Board.

(g) "Company" means Harley-Davidson Motor Company Group, Inc., or any successor thereto.

(h) "Determination Date" means:

(1) With respect to a vested Participant whose benefit is payable as a monthly annuity benefit, the later to occur of (i) the first day of the month coincident with or next following the Participant's attainment of age fifty-five (55), or (ii) the first day of the month coincident with or next following the Participant's Separation from Service; or

(2) With respect to a vested Participant whose benefit is payable as a single sum, the first day of the month coincident with or next following the Participant's Separation from Service for any reason other than death.

(i) "Employee" means a common-law employee of the Company or an Affiliate who was hired prior to August 1, 2006 and who is a participant in the Funded Plan.

(j) "Funded Plan" means the Retirement Annuity Plan for Salaried Employees of Harley-Davidson, as from time to time amended and in effect.

(k) "Normal Retirement Date" means, with respect to any Participant, the Participant's normal retirement date for purposes of the Funded Plan.

(l) "Participant" means an Employee who becomes a Participant in accordance with Section 3. Where the context so requires, a Participant also means a former employee entitled to receive a benefit hereunder.

(m) "Payment Date" means the date on which payment of a Participant's vested benefit is made (if a single sum) or commences (if a monthly annuity), as determined in accordance with Sections 6 and 7.

(n) "Pension Restoration Benefit" means the benefit described in Section 5. The fact that a Participant has accrued a Pension Restoration Benefit under this Plan does not suggest or require that a contract from an insurance company will be obtained to provide such benefit.

(o) "Separation from Service" means the date on which a Participant separates from service (within the meaning of Code Section 409A) from the Company and all Affiliates. A Separation from Service occurs when the Company and the Participant reasonably anticipate that no further services will be performed by the Participant for the Company and its Affiliates after that date or that the level of *bona fide* services the Participant will perform after such date as an employee of the Company or an Affiliate will permanently decrease to no more than 20% of the average level of *bona fide* services performed by the Participant (whether as an employee or independent contractor) for the Company and its Affiliates over the immediately preceding 36-month period (or such lesser period of services). The Participant is not considered to have incurred a Separation from Service if the Participant is absent from active employment due to military leave, sick leave or other *bona fide* reason if the period of such leave does not exceed the greater of (i) six months, or (ii) the period during which the Participant's right to reemployment by the Company or an Affiliate is provided either by statute or by contract; provided that if the leave of absence is due to a medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than six months, where such impairment causes the Participant to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, the leave may be extended for up to 29 months without causing the Participant to have incurred a Separation from Service.

(p) "Spouse" means the surviving spouse of a deceased Participant.

(q) "Unrestricted Benefit" means the hypothetical benefit to which a Participant would be entitled under the Funded Plan if the Funded Plan benefit were calculated in accordance with the assumptions set forth in Section 5.

Other terms, if not defined herein but defined in the Funded Plan, shall have the same meaning as under the Funded Plan.

3. Participation.

An Employee, if then still employed by the Company or an Affiliate, will become a Participant in this Plan on January 1 of the calendar year following the calendar year in which the Employee's Unrestricted Benefit is greater than the Employee's actual benefit accrued under the Funded Plan. Notwithstanding the foregoing, the Committee shall limit the group of employees who become Participants in the Plan to a select group of management and highly compensated employees, as determined by the Committee in accordance with ERISA.

4. Vesting.

A Participant's entitlement to Pension Restoration Benefits hereunder vests and becomes nonforfeitable concurrently, to the extent accrued hereunder, with the vesting in the Participant's benefit entitlement under the Funded Plan. If a Participant is not vested under the Funded Plan, the Participant is not vested under this Plan.

5. Pension Restoration Benefit.

(a) Eligibility. A Pension Restoration Benefit is payable to the Participant only if (1) the Employee has become a Participant in accordance with Section 3, (2) the Participant is vested in accordance with Section 4, and (3) the Participant is living on the Determination Date. Following the Participant's death, the only benefits payable shall be those, if any, payable in accordance with Sections 10 and 11.

(b) Formula Benefit. The amount of a Participant's Pension Restoration Benefit, when expressed in the form of a monthly single life annuity, without survivor benefits, with payment commencing on the Participant's Normal Retirement Date, is equal to the difference between (1) and (2) below:

(1) Unrestricted Benefit. The monthly benefit to which the Participant would have been entitled under the Funded Plan, if (A) such benefit was expressed in the form of a single life annuity, without survivor benefits, with payment commencing on the Participant's Normal Retirement Date, (B) such benefit was calculated (i) by disregarding the maximum compensation limitation of Code Section 401(a)(17), (ii) by disregarding the maximum benefit limitation of Code Section 415, and (iii) by assuming that all amounts voluntarily deferred by the Participant into a non-qualified deferred compensation plan of the Company or an Affiliate were instead paid to the Participant, in the year of the deferral, as current cash compensation; and

(2) Actual Funded Plan Benefit. The monthly benefit to which the Participant is actually entitled under the Funded Plan, when such benefit is expressed in the form of a single life annuity, without survivor benefits, with payment commencing on the Participant's Normal Retirement Date. The form or time of payment actually applicable to the Participant under the Funded Plan is disregarded.

6. Initial Payment Election.

(a) Payment Election as to Form of Payment. Each Employee who becomes a Participant prior to January 1, 2009 shall make a payment election whether to receive his or her vested benefit as (1) a single sum cash payment, or (2) an annuity distribution. A Participant who has elected (or is deemed to have elected) the annuity payment option is not required to elect the specific form of annuity at the time of making the initial payment election, so long as the available forms of annuity distribution are actuarially equivalent, with actuarial equivalence determined using factors that are reasonable for purposes of Code Section 409A. If the available forms of annuity distribution are actuarially equivalent for purposes of Code Section 409A, the Participant may choose the specific form of monthly annuity prior to the Determination Date, in accordance with rules prescribed by the Committee.

(b) Date of Initial Payment Election.

(i) In the case of an Employee who became a Participant prior to January 1, 2009, the initial payment election must be made on or before December 31, 2008. Except as provided in Section 7, the last election on file with the Company on December 31, 2008 shall be irrevocable.

(ii) In the case of an Employee who becomes a Participant after December 31, 2008, the Participant shall be deemed to have elected a single sum cash payment.

(c) Default Initial Payment Election. If an Employee who became a Participant prior to January 1, 2009 has not made an initial payment election within the prescribed period, the Participant will be deemed to have elected to receive an annuity distribution.

(d) Payment Date. If payment is being made pursuant to a Participant's initial payment election, i.e., the Participant has not submitted an effective revision to his or her initial payment election, then:

(1) If payment is being made in a single sum, the Payment Date will be the first day of the seventh (7th) month following the month in which occurs the Participant's Separation from Service.

(2) If payment is being made as a monthly annuity, the Payment Date will be the later to occur of (A) the first date of the month coincident with or next following the Participant's attainment of age fifty-five (55), or (B) the first day of the seventh (7th) month following the month in which occurs the Participant's Separation from Service.

7. Revised Payment Election.

In its sole discretion, the Committee may (but need not) permit a Participant who has in effect a payment election (or deemed election) to receive a single sum distribution to elect the annuity payment option, or a Participant who has in effect a payment election of the annuity payment option to elect the single sum payment option. However, the Participant's revised election will be given effect only if (1) the Participant's revised payment election is submitted and accepted by the Committee at least twelve (12) months prior to what would have been the Payment Date under the Participant's immediately prior valid election, and (2) the revised Payment Date is the later of (i) five years from the Payment Date under the Participant's immediately prior valid election, or (ii) the Payment Date that would otherwise apply under Section 6(d) above if the Participant's revised benefit election were the Participant's initial payment election. For purposes of Code Section 409A, an annuity payment option is considered to be a single payment rather than a series of independent payments.

8. Distribution of Single Sum Benefits (For Participants Electing the Single Sum Form of Payment).

(a) Time of Payment. The single sum benefit will be calculated as of the Determination Date but paid on the Payment Date.

(b) Amount of Single Sum Payment. The amount of the Participant's single sum cash payment shall be equal to (A) the present value of the Participant's monthly Pension Restoration Benefit as of the Determination Date, and (B) interest for the period from Determination Date through the last day of the month preceding the Payment Date. The present value determination shall be made on the assumption that two hundred forty (240) consecutive monthly Pension Restoration Benefit payments in the form of a single life annuity would otherwise have been made to the Participant and further assuming that payment of the benefit commenced on the later of the first day of the month following the Participant's attainment of age fifty-five (55) or the Participant's Determination Date. The Applicable Interest Rate shall be used to determine present value, including, when the assumed benefit commencement date is later than the Determination Date, discounting the present value determined as of the assumed commencement date to the Determination Date, and for crediting interest from the Determination Date to the Payment Date.

9. Distribution of Monthly Annuity Benefits (For Participants Electing the Annuity Form of Payment).

(a) Monthly Benefits Commencing Prior to January 1, 2009. The Pension Restoration Benefit of a Participant whose benefit commences to be paid, in an annuity form, prior to January 1, 2009, will be paid in the same form of payment applicable to the payment of benefits to the Participant under the Funded Plan and such payments shall commence at the same time as payments commence to the Participant under the Funded Plan; provided that to the extent required under Code Section 409A, any distribution of the Pension Restoration Benefit that would otherwise occur during the six month period following the Participant's Separation from Service shall be withheld and paid to the Participant (with interest at the Applicable Interest Rate) upon the conclusion of such six month period. If a periodic payment method other than a single life annuity form of payment is in effect under the Funded Plan, the Participant's benefit under this Plan shall be converted to an actuarially equivalent benefit in the form in which payment is being made under the Funded Plan on the basis of the Funded Plan's method of determining actuarial equivalency. In addition, if the Participant's benefit commencement date under this Plan is prior to the Participant's Normal Retirement Date, the benefit under this Plan shall be subject to reduction on the same basis that the benefit would be subject to reduction for early commencement if the benefit were being paid from the Funded Plan.

(b) Monthly Benefits Commencing After December 31, 2008. The Pension Restoration Benefit of a Participant whose benefit commences to be paid, in an annuity form, after December 31, 2008, shall be calculated and paid as follows:

(1) Form of Payment. The Participant may elect, in accordance with such conditions as may be established by the Committee, to receive payment in any form of annuity that would be available to the Participant under the Funded Plan if the Pension Restoration Benefit were being paid under the Funded Plan rather than under this Plan; provided that the spousal consent requirements under the Funded Plan will not apply.

(2) Calculation of Payment Amount. The monthly annuity will be calculated as if payment of the Pension Restoration Benefit commenced on the Determination Date, even though actual payment of the benefit will commence on the Payment Date in accordance with subparagraph (3) below. If a periodic payment method other than a single life annuity form of payment is elected, the Participant's benefit under this Plan shall be converted to an actuarially equivalent benefit in the form in which payment is being made under the Funded Plan on the basis of the Funded Plan's method of determining actuarial equivalency. In addition, if the Participant's Determination Date is prior to the Participant's Normal Retirement Date, the benefit under this Plan shall be subject to reduction on the same basis that the benefit would be subject to reduction for early commencement if the benefit were being paid from the Funded Plan. The Participant's election of the specific form of annuity must be made prior to the Determination Date, and the election becomes irrevocable on the Determination Date.

(3) Time of Payment. The monthly benefit shall be paid beginning with a payment on the Payment Date. The payment for the month that includes the Payment Date will include (i) the regular monthly payment for the month that includes the Payment Date, (ii) a catch-up payment for each such month from the month that includes the Determination Date through the month preceding the Payment Date, together with simple (non-compounded) interest on each installment of the catch-up payment, at the Applicable Interest Rate, from the date on which the monthly payment otherwise would have been made if payment of the monthly Pension Restoration Benefit had commenced on the Determination Date, to the last day of the month preceding the Payment Date. Thereafter, the payment for each month will be the regular monthly payment amount.

10. Death On or After Separation from Service.

If a vested Participant dies on or after the date of his or her Separation from Service, the only benefits that are payable under the Plan shall be those, if any, that are payable in accordance with the form of benefit payment applicable to the Participant. Thus:

(a) In the case of a Participant who has in effect an election of the single sum payment form, the single sum benefit, to the extent not paid prior to the Participant's death, will be paid to the Participant's Spouse, or if none, to the Participant's estate, within 90 days of the Participant's death.

(b) In the case of a Participant who has not elected the single sum payment form, the death benefits shall be those, if any, that are payable under the form of annuity distribution applicable to the Participant under this Plan. Benefit payments to the Spouse or other recipient shall commence on the Payment Date that would have been applicable to the Participant if he or she had survived.

11. Death Prior to Separation from Service.

(a) Death of Married Participant With Monthly Annuity Benefit Election. Except as provided below with respect to a Participant who had in effect an election of the single sum payment, if a vested Participant dies before the Participant's Separation from Service and the Participant has a Spouse who is eligible to receive a preretirement surviving spouse benefit under the Funded Plan, such Spouse shall be entitled to receive a preretirement surviving spouse benefit under this Plan. The preretirement surviving spouse benefit provides monthly payments for the life of the surviving Spouse commencing on the later to occur of (i) the first day of the month following the Participant's death, or (ii) the first day of the month following the month in which the Participant would have attained age fifty-five (55) had the Participant lived. The monthly preretirement surviving Spouse benefit will be equal to the monthly preretirement surviving Spouse benefit to which the Spouse would have been entitled, at the benefit commencement date described in the preceding sentence, if the Participant's Pension Restoration Benefit under this Plan had instead been accrued under and payable from the Funded Plan using the Funded Plan's methodology for determining preretirement surviving spouse benefits, other than the Code Sections 401(a)(17) and 415 limitations.

(b) Optional Lump Sum Payment. If a vested Participant dies before the Participant's Determination Date and the Participant has a Spouse who is eligible to receive a preretirement surviving spouse benefit under the Funded Plan, and if the Participant had in effect at the time of his or her death a valid election to receive the Participant's Pension Restoration Benefit as a single sum payment, any preretirement surviving spouse benefit which is otherwise payable under this Plan shall be paid to the Participant's surviving Spouse in the form of a single sum cash amount. The single sum cash amount shall be equal to the present value of the monthly benefits described in subsection (a), above, and shall be determined on the assumption that two hundred forty (240) consecutive monthly benefit payments would otherwise be made, commencing on the later of the first day of the month following the date the deceased Participant would have attained age fifty-five (55) or the deceased Participant's Determination Date. The Applicable Interest Rate shall be used to determine present value, including, when the assumed benefit commencement date is later than the Determination Date, discounting the present value determined as of the assumed commencement date to the Determination Date. Payment of the optional lump sum amount shall be completed within ninety (90) days following the Participant's death.

(c) No Death Benefits in Other Circumstances. If the Participant dies before the Participant is vested in the Pension Restoration Benefit, or if the Participant dies prior to the Participant's Separation from Service and the Participant does not have a surviving Spouse, no benefits are payable hereunder.

12. Effect of Change of Control Event.

(a) Prior to Separation from Service. If a Change of Control Event occurs while a Participant is actively employed by the Company or an Affiliate, the Company may, in its sole discretion, establish an irrevocable grantor trust, to be entered into by the Company and the trustee thereof, for the purpose of holding assets sufficient to fund some or all of the liability or contingent liability of the Company or applicable Affiliate to pay benefits hereunder to the Participant. Funding of such irrevocable grantor (“rabbi”) trust shall be in the discretion of the Board, subject to the restrictions on funding imposed by Code Section 409A(b)(3).

(b) After Separation From Service. If, after a Participant incurs a Separation from Service, a Change of Control Event occurs (which shall be considered an intervening event for purposes of Code Section 409A that permits an acceleration of payments), and the Participant has not yet received all amounts due under the Plan, then the Company shall (i) with respect to a Participant who has a single sum payment election in effect, pay the single sum payment amount, as calculated in accordance with the foregoing provisions of the Plan, as soon as practicable (but not more than 90 days) following the date of the Change in Control Event, or (ii) with respect to a Participant (or surviving Spouse or other beneficiary of a deceased Participant where the form of benefit applicable to the Participant provides for the designation of a beneficiary) who is receiving or entitled to receive periodic benefits under the Plan, cash out, in single lump sum payment amount, the present value of any remaining payments yet to be made to or on behalf of the Participant. The present value of the periodic payments that would otherwise be made shall be determined as of the first day of the month following the month in which the Change of Control Event occurred. Present value shall be based on the assumption that the recipient of the monthly payments being cashed out has the life expectancy assigned to a person of similar age under the Funded Plan’s general mortality assumptions used for funding purposes. If payments on behalf of the Participant have not yet commenced as of the date of this determination of present value, it shall be further assumed that payments would have commenced on the later of such date of determination of present value or the first day of the month following the fifty-fifth birthday of the Participant. The Applicable Interest Rate shall be used to determine present value, including, when the assumed benefit commencement date is later than the date as of which present value is determined, discounting present value determined as of the payment commencement date to the date as of which it is being determined.

13. Administration of the Plan.

The Committee shall administer and interpret the Plan, and supervise its operation. Interpretation of the Plan by the Committee shall be final and binding upon the Participant and any other person or entity claiming benefits by virtue of the Participant’s participation in the Plan.

14. Claims Procedures.

(a) Initial Claim. If a Participant, Spouse or beneficiary (the “claimant”) believes that he or she is entitled to a benefit under the Plan that is not provided, the claimant or his legal representative shall file a written claim for such benefit with the Committee within

ninety (90) days of the date payment could have been timely made in accordance with the terms of the Plan or under Regulations issued by the Secretary of the Treasury under Code Section 409A. The Committee shall review the claim and render its decision with respect to the claim within one hundred thirty-five (135) days of the date payment could have been timely made in accordance with the terms of the Plan or under Regulations issued by the Secretary of the Treasury under Code Section 409A. If the claimant's claim is denied in whole or part, the Committee shall provide written notice to the claimant of such denial. The written notice shall include the specific reason(s) for the denial; reference to specific Plan provisions upon which the denial is based; a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and a description of the Plan's review procedures (as set forth in subsection (b)) and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse determination upon review. If the claimant does not receive a written decision within the time period(s) described above, the claim shall be deemed denied on the last day of such period(s).

(b) Request for Appeal. The claimant has the right to appeal the Committee's decision by filing a written appeal of the Committee's decision or deemed denial within one hundred eighty (180) days of the date payment could have been timely made in accordance with the terms of the Plan or under Regulations issued by the Secretary of the Treasury under Code Section 409A. The claimant will have the opportunity, upon request and free of charge, to have reasonable access to and copies of all documents, records and other information relevant to the claimant's appeal. The claimant may submit written comments, documents, records and other information relating to his claim with the appeal. The Committee will review all comments, documents, records and other information submitted by the claimant relating to the claim, regardless of whether such information was submitted or considered in the initial claim determination. The Committee shall make a determination on the appeal within sixty (60) days after receiving the claimant's written appeal; *provided* that the Committee may determine that an additional sixty (60)-day extension is necessary due to circumstances beyond the Committee's control, in which event the Committee shall notify the claimant prior to the end of the initial period that an extension is needed, the reason therefor and the date by which the Committee expects to render a decision. If the claimant's appeal is denied in whole or part, the Committee shall provide written notice to the claimant of such denial. The written notice shall include the specific reason(s) for the denial; reference to specific Plan provisions upon which the denial is based; a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claimant's claim; and a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA. If the claimant does not receive a written decision within the time period(s) described above, the appeal shall be deemed denied on the last day of such period(s).

(c) Special Rules. If the claimant is a member of the Committee, consideration of the claim, whether the initial claim or a request for review, and the decision with respect to any such claim, shall be made by the Human Resources Committee of the Board.

15. Amendment.

The Company, by action of the Human Resources Committee of the Board, may at any time amend the Plan, including but not limited to modifying the terms and conditions applicable to (or otherwise eliminating) accrual of benefits on or after the amendment date; *provided, however*, that no amendment may reduce or eliminate any vested accrued benefit accumulated to the date of such amendment (except as the benefit may be reduced as a result of increases in the amount payable under the Funded Plan) without a Participant's consent, except as otherwise specifically provided herein. In addition, the Committee may at any time amend the Plan to make administrative changes, ministerial changes, changes necessary to comply with applicable law, or other changes that do not materially affect the level of benefits provided under the Plan.

16. Termination.

The Company, by action of the Human Resources Committee of the Board, may terminate the Plan. Upon termination of the Plan, future accrual of benefits shall cease. In addition, upon termination of the Plan, Participant benefits may be cashed-out in a manner consistent with Section 12(b), but only if one of the following are met.

(a) The Plan is terminated within twelve (12) months of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A), and the amounts accrued under the Plan but not yet paid are distributed to the Participants, Spouses or beneficiaries, as applicable, in a single sum payment, regardless of any distribution election then in effect, by the later of: (A) the calendar year in which the Plan termination and liquidation occurs or (B) the first calendar year in which an amount is no longer subject to a substantial risk of forfeiture, or (C) the first calendar year in which the payment is administratively practicable.

(b) The Plan is terminated at any time during the period that begins thirty (30) days prior and ends twelve (12) months following a Change of Control Event, *provided* that all arrangements required to be aggregated with the Plan (within the meaning of Code Section 409A) sponsored by the Company or an Affiliate are terminated and liquidated with respect to each Participant that experienced the Change in Control Event, so that all participants under similar arrangements are required to receive all amounts of compensation deferred under the terminated arrangements within twelve (12) months of the date of termination of the arrangements.

(c) The Plan is terminated at any other time, provided that such termination does not occur proximate to a downturn in the financial health of the Company or an Affiliate. In such event, all amounts accrued under the Plan but not yet paid will be distributed to all Participants, Spouses or beneficiaries, as applicable, in a single sum payment no earlier than twelve (12) months (and no later than twenty-four (24) months) after the date of termination, regardless of any distribution election then in effect. This provision shall not be effective unless all other plans required to be aggregated with this Plan under Code Section 409A are also terminated and liquidated. Notwithstanding the foregoing, any payment that would

otherwise be paid during the twelve (12)-month period beginning on the Plan termination date pursuant to the terms of the Plan shall be paid in accordance with such terms. In addition, the Company or any Affiliate shall be prohibited from adopting a similar arrangement within three (3) years following the date of the Plan's termination, unless any individual who was a Participant under this Plan is excluded from participating thereunder for such three (3) year period.

17. Coordination of Pension Benefit Restoration Benefits with SERP.

The Pension Restoration Benefit hereunder and any benefit entitlements of the Participant under the Harley-Davidson Pension Supplemental Executive Retirement Plan shall be coordinated so as to have the effect of being benefits provided by a single plan or program. As a result, the same form of benefit payment is required for benefits under each program, and the benefits payable under each program may be combined into one payment or check.

18. Unfunded Agreement.

The Plan is unfunded and is maintained by the Company primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees. Nothing contained in the Plan and no action taken pursuant to its terms shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company or an Affiliate and the Participant, or any other person. The right of the Participant or any other person or entity to receive benefits hereunder shall be an unsecured claim against the general assets of Company or applicable Affiliate and neither the Participant nor any other person or entity shall have any rights in or against any amounts which may be earmarked by the Company or an Affiliate in order to implement the Plan or any other specific assets of the Company or an Affiliate.

19. Additional Section 409A Provisions.

(a) Accelerated Distribution Following Section 409A Failure. If an amount under this Plan is required to be included in a Participant's income under Code Section 409A prior to the date such amount is actually distributed, the Participant shall receive a distribution, in a lump sum, within ninety (90) days after the date it is finally determined that the Plan fails to meet the requirements of Code Section 409A. The distribution shall equal the amount required to be included in the Participant's income as a result of such failure.

(b) Permitted Delay in Payment. If a distribution required under the terms of this Plan would jeopardize the ability of the Company or of an Affiliate to continue as a going concern, the Company or the Affiliate shall not be required to make such distribution. Rather, the distribution shall be delayed until the first date that making the distribution does not jeopardize the ability of the Company or of an Affiliate to continue as a going concern. Further, if any distribution pursuant to the Plan will violate the terms of Section 16(b) of the Securities Exchange Act of 1934 or other Federal securities laws, or any other applicable law, then the distribution shall be delayed until the earliest date on which making the distribution will not violate such law.

(c) Disregard of Six Month Delay. Notwithstanding anything herein to the contrary, if at the time of a Participant's Separation from Service the stock of Harley-Davidson, Inc. or any other related entity that is considered a "service recipient" within the meaning of Section 409A of the Code is not traded on an established securities market or otherwise, then the provisions of the Plan requiring that payments be delayed until the first day of the seventh month following Separation from Service shall cease to apply. In such event, the payment (if a lump sum) or initial payment (if an annuity) shall be made within ninety (90) days following the event triggering the benefit payment(s).

20. Additional ERISA Provisions.

The Committee is the named fiduciary. The Plan is unfunded. Direct payment is the basis of payment of benefits under the Plan.

21. Tax Withholding.

The Company shall have the right to deduct from any benefit payment made hereunder, or from any other amount due a Participant, the amount of cash sufficient to satisfy the Company's or Affiliate's foreign, federal, state or local income tax withholding obligations with respect to such deferral (or vesting thereof) or payment. In addition, if prior to the date of distribution of any amount hereunder, the Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2), where applicable, becomes due, the Committee may direct that the Participant's benefit be reduced by an actuarially equivalent amount to reflect the amount needed to pay the Participant's portion of such tax.

22. Offset.

To the maximum extent permitted under Code Section 409A, the Company shall have the right to offset, without the requirement of obtaining the consent of the Participant (or his Spouse or beneficiary, in the event of the Participant's death), from the benefits payable hereunder any amount that the Participant owes to the Company or any Affiliate.

23. Assignment.

The right of an employee or any other person to the payment of benefits under this Agreement shall not be assigned, transferred, pledged or encumbered except to the extent provided in a qualified domestic relations order within the meaning of Article XII of the Funded Plan.

24. Effect on Retirement Plans .

Any benefits accrued pursuant to the Plan shall not be deemed compensation to the Participant for the purpose of computing benefits under any qualified retirement plan or other benefit plan, whether qualified or nonqualified, which may be maintained by the Company or an Affiliate.

25. Severability .

If any of the provisions of the Plan shall be held to be invalid, the remainder of the Plan shall not be affected thereby.

26. Binding upon Successors .

This Agreement shall be binding upon and inure to the benefit of the Company, and its successors and assigns, and the Participant and the Participant's heirs, executors, administrators, and legal representatives.

27. Governing Law .

The Plan shall be construed in accordance with and governed by the laws of the State of Wisconsin, without reference to conflict of law principles thereof, to the extent not preempted by federal law.

HARLEY-DAVIDSON MOTOR COMPANY GROUP,
INC.

By: /s/ Gail A. Lione

Title: Executive Vice President

Date: December 29, 2008

HARLEY-DAVIDSON
RETIREE INSURANCE ALLOWANCE PLAN
Effective January 1, 2009

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HARLEY-DAVIDSON

RETIREE INSURANCE ALLOWANCE PLAN

Pursuant to resolutions adopted by the Human Resources Committee of the Board of Directors of Harley-Davidson, Inc., certain executives may become eligible for a lump sum retiree insurance allowance. This benefit was originally implemented as a payment in lieu of post-retirement life insurance.

To comply with the requirements of Code Section 409A, it is desirable to adopt a formal plan document, as set forth herein. The Plan is intended to promote the best interests of the Company and its Affiliates by attracting and retaining key management employees possessing a strong interest in the successful operation of the Company and its Affiliates and encouraging their continued loyalty, service and counsel to the Company and its Affiliates.

ARTICLE I. DEFINITIONS AND CONSTRUCTION

Section 1.01. Definitions .

The following terms have the meanings indicated below unless the context in which the term is used clearly indicates otherwise:

(a) Administrator: The Retirement Plans Committee appointed by the Board.

(b) Affiliate: Each corporation, trade or business that, with the Company, forms part of a controlled group of corporations or group of trades or businesses under common control within the meaning of Code Sections 414(b) or (c); provided that for purpose of determining when a Participant has incurred a Separation from Service, the phrase “at least fifty percent (50%)” shall be used in place of “at least eighty percent (80%)” each place it appears in Code Section 414(b) and (c) and the regulations thereunder.

(c) Base Compensation: A Participant’s annual base salary rate, prior to reduction for pre-tax or after-tax contributions by the Participant Employee to any qualified or non-qualified employee benefit plan maintained by a Participating Employer, but exclusive of extraordinary payments such as overtime, bonuses, meal allowances, reimbursed expenses, termination pay, moving pay, commuting expenses, severance pay, non-elective deferred compensation payments or accruals, stock options, restricted stock or restricted stock units, or the value of employer-provided fringe benefits or coverage, all as determined in accordance with such uniform rules, regulations or standards as may be prescribed by the Administrator.

(d) Beneficiary: The person or entity designated by a Participant to be his or her beneficiary for purposes of this Plan. If a beneficiary dies before receiving all payments due such beneficiary, any remaining payments will be made to the designated beneficiary’s estate unless a contingent beneficiary was designated by the Participant as to such amounts. If there is a contingent beneficiary payments will be made to the contingent beneficiary and, if such contingent beneficiary dies, any remaining payments will be made to the contingent beneficiary’s estate. If there is no beneficiary designation in force when Plan benefits become payable upon the death of a Participant, payment shall be made to the Participant’s current spouse, or if the Participant is not married or the spouse is not then living, to the Participant’s estate. Beneficiary designations shall be in writing, filed with the Administrator, be in such form as the Administrator may prescribe for this purpose, and shall become effective only upon acknowledgement by the Administrator.

(e) Board: The Board of Directors of the Company.

(f) Code: The Internal Revenue Code of 1986, as interpreted by regulations and rulings issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of the Code shall be deemed to include reference to any successor provision thereto.

(g) Committee: The Human Resources Committee of the Board of Directors of Harley-Davidson, Inc.

(h) Company: Harley-Davidson, Inc., or any successor thereto.

(i) ERISA: The Employee Retirement Income Security Act of 1974, as interpreted by regulations and rulings issued pursuant thereto, all as amended and in effect from time to time. Any reference to a specific provision of ERISA shall be deemed to include reference to any successor provision thereto.

(j) Participant: An employee who becomes a participant in the Plan in accordance with Section 2.01.

(k) Participating Employer: The Company and each Affiliate that, with the consent of the Administrator or the Committee, participates in the Plan for the benefit of one or more Participants.

(l) Retiree Insurance Allowance: The benefit described in Section 3.01(a), consisting of both the Retiree Insurance Base Amount and the tax gross-up payment.

(m) Retiree Insurance Base Amount: The portion of the Retiree Insurance Allowance described in clause (i) of Section 3.01(a), exclusive of the tax gross-up payment.

(n) Separation from Service: The date on which a Participant separates from service (within the meaning of Code Section 409A) from the Company and all Affiliates. A Separation from Service occurs when the Company and the Participant reasonably anticipate that no further services will be performed by the Participant for the Company and its Affiliates after that date or that the level of bona fide services the Participant will perform after such date as an employee of the Company or an Affiliate will permanently decrease to no more than 20% of the average level of bona fide services performed by the Participant (whether as an employee or independent contractor) for the Company and its Affiliates over the immediately preceding 36-month period (or such lesser period of services). The Participant is not considered to have incurred a Separation from Service if the Participant is absent from active employment due to military leave, sick leave or other bona fide reason if the period of such leave does not exceed the greater of (i) six months, or (ii) the period during which the Participant's right to reemployment by the Company or an Affiliate is provided either by statute or by contract; provided that if the leave of absence is due to a medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than six months, where such impairment causes the Participant to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, the leave may be extended for up to 29 months without causing the Participant to have incurred a Separation from Service.

(o) Specified Employee: A Participant who, as of the date of the Participant's Separation from Service, is treated as a Specified Employee in accordance with Code Section 409A and the rules below. The Plan will identify Specified Employees each year as of December 31, which shall be the Plan's Specified Employee identification date. A Participant who is identified as of December 31 as satisfying the requirements for classification as a Specified Employee will be treated as a Specified Employee for the entire 12 month period that begins on the April 1 following the December 31 Specified Employee identification date and ends on the following March 31. A Participant satisfies the requirements for classification as a Specified Employee if the Participant, at any time during the 12-month period ending on the Specified Employee identification date, is (i) an officer of the Company or an Affiliate having annual compensation from the Company and its Affiliates of greater than \$130,000, as indexed; provided that no more than 50 employees, or if lesser, the greater of three or 10 percent of all employees, shall be treated as officers, (ii) a five percent owner of the Company or an Affiliate, or (iii) a one percent owner of the Company or an Affiliate having annual compensation from the Company and its Affiliates of greater than \$150,000, as indexed, in all cases applied in accordance with the regulations issued by the Secretary of the Treasury under Code Section 409A.

Section 1.02. Construction and Applicable Law.

(a) Wherever any words are used 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 use in the singular or the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply. Titles of articles and sections are for general information only, and the Plan is not to be construed by reference to such items.

(b) This Plan is intended to be a plan of deferred compensation maintained for a select group of management or highly compensated employees as that term is used in ERISA, and shall be interpreted so as to comply with the applicable requirements thereof. In all other respects, the Plan is to be construed and its validity determined according to the laws of the State of Wisconsin (without reference to conflict of law principles thereof) to the extent such laws are not preempted by federal law, and any action for benefits under the Plan or to enforce the terms of the Plan shall be heard in the State of Wisconsin by the court with jurisdiction over the claim. In case any provision of the Plan is held illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of the Plan, but the Plan shall, to the extent possible, be construed and enforced as if the illegal or invalid provision had never been inserted.

**ARTICLE II. PARTICIPATION AND ELIGIBILITY FOR
RETIREE INSURANCE ALLOWANCE**

Section 2.01. Participation .

Unless the Committee has promulgated different eligibility rules, a common law employee of a Participating Employer shall be a Participant if the employee is (a) classified by the Participating Employer as a General Manager or Vice President, and (b) employed at the S80 career band level and above.

Section 2.02. Eligibility for the Separation Allowance Benefit .

A Participant will be entitled to receive the Retiree Insurance Allowance if:

(a) The Participant satisfies the participation requirements set forth in Section 2.01 above immediately prior to his or her retirement for reasons other than death;

(b) The Participant retires from active employment with the Company and its Affiliates on or after attainment of age fifty-five (55) and completion of five (5) or more years of service. For this purpose, a Participant's service means (i) in the case of a Participant hired prior to August 1, 2006, the Participant's service for vesting purposes that is recognized under the Retirement Annuity Plan for Salaried Employees of Harley-Davidson, and (ii) in the case of a Participant hired on or after August 1, 2006, the Participant's service for vesting purposes that is recognized under the Retirement Savings Plan for Salaried Employees of Harley-Davidson, or any successor to such plans.

(c) If the Participant dies after retirement but prior to receipt of the Retiree Insurance Allowance, the Retiree Insurance Allowance will be paid to the Participant's Beneficiary. If the Participant dies prior to retirement, even if the Participant is eligible to retire, no benefit is payable under the Plan.

(d) The Retiree Insurance Allowance shall not duplicate any other program of the Company or an Affiliate under which the Executive may be entitled to a payment in lieu of post-retirement life insurance.

**ARTICLE III. CALCULATION AND PAYMENT OF
RETIREE INSURANCE ALLOWANCE**

Section 3.01. Amount of Retiree Insurance Allowance.

(a) Amount. The Retiree Insurance Allowance shall be an amount equal to the sum of (i) one times the Participant's Base Compensation immediately prior to the Participant's retirement (the Retiree Insurance Base Amount), and (ii) the tax gross-up amount determined under subsection (b) below.

(b) Tax Gross Up Amount. The tax gross-up amount is an additional amount such that the net amount retained by the Participant, after deduction for federal and state income taxes and FICA and Medicare employment taxes on the Retiree Insurance Base Amount, and any federal and state income taxes and FICA and Medicare employment taxes on the additional payment, shall equal the Retiree Insurance Base Amount. For purposes of determining the tax gross-up amount, the Participant shall be deemed to pay federal and state income taxes at the highest marginal rate of federal and state income taxation in the calendar year in which the payment is to be made.

Section 3.02. Payment.

The Retiree Insurance Allowance shall be paid, in a single cash payment, within ninety (90) days following the Participant's Separation from Service; provided that if the Participant is a Specified Employee at the time of the Participant's Separation from Service, the distribution shall be made on the first business day of the month following the month in which occurs the six month anniversary of the date of the Participant's Separation from Service. Notwithstanding anything herein to the contrary, if at the time of a Participant's Separation from Service the stock of Harley-Davidson, Inc. or any other related entity that is considered a "service recipient" within the meaning of section 409A of the Code is not traded on an established securities market or otherwise, then the provisions of the Plan requiring that payments be delayed for six months shall cease to apply, and in such event, the payment shall be made within ninety (90) days following the date of the Participant's Separation from Service.

ARTICLE IV. GENERAL PROVISIONS

Section 4.01. Administration .

The Administrator shall administer and interpret the Plan. The Administrator may, in its discretion, delegate any or all of its authority and responsibility, and to the extent of any such delegation, any references herein to the Administrator shall be deemed references to such delegee; provide that any such delegee shall not act in any non-ministerial fashion in a matter affecting the delegee's own participation or interest in the Plan. Interpretation of the Plan shall be within the sole discretion of the Administrator or the Committee and shall be final and binding upon each Participant and Beneficiary. The Administrator or the Committee may adopt and modify rules and regulations relating to the Plan as it deems necessary or advisable for the administration of the Plan. Further, the Administrator shall not act in any non-ministerial fashion in any matter that affects one or more of the members of the committee that is the Administrator (unless such action affects all Participants uniformly) and any such action will be taken or decision made by the Committee.

Section 4.02. Claims Procedures .

(a) If a Participant or Beneficiary (the "claimant") believes that he is entitled to a benefit under the Plan that is not provided, the claimant or his or her legal representative shall file a written claim for such benefit with the Administrator, not later than ninety (90) days after the payment (or first payment) is made (or should have been made) in accordance with the terms of the Plan or in accordance with regulations issued by the Secretary of the Treasury under Code Section 409A. Any such claim shall be filed in writing stating the nature of the claim, and the facts supporting the claim, the amount claimed and the name and address of the claimant. The Administrator shall review the claim. If the Administrator denies the claim, it shall deliver, within one hundred thirty-five (135) days of the date the first payment was made (or should have been made) in accordance with the terms of the Plan or in accordance with regulations issued by the Secretary of the Treasury under Code Section 409A, a written notice of such denial decision. If the claimant's claim is denied in whole or part, the Administrator shall provide written notice to the claimant of such denial. The written notice shall include the specific reason(s) for the denial; reference to specific Plan provisions upon which the denial is based; a description of any additional material or information necessary for the claimant to perfect the claim and an

explanation of why such material or information is necessary; and a description of the Plan's review procedures (as set forth in subsection (b)) and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse determination upon review.

(b) The claimant has the right to appeal the Administrator's decision by filing a written appeal to the Administrator within 180 days after the payment (or first payment) is made (or should have been made) in accordance with the terms of the Plan or in accordance with regulations issued by the Secretary of the Treasury under Code Section 409A. The claimant will have the opportunity, upon request and free of charge, to have reasonable access to and copies of all documents, records and other information relevant to the claimant's appeal. The claimant may submit written comments, documents, records and other information relating to his or her claim with the appeal. The Administrator will review all comments, documents, records and other information submitted by the claimant relating to the claim, regardless of whether such information was submitted or considered in the initial claim determination. The Administrator shall make a determination on the appeal within 60 days after receiving the claimant's written appeal; provided that the Administrator may determine that an additional 60-day extension is necessary due to circumstances beyond the Administrator's control, in which event the Administrator shall notify the claimant prior to the end of the initial period that an extension is needed, the reason therefor and the date by which the Administrator expects to render a decision. If the claimant's appeal is denied in whole or part, the Administrator shall provide written notice to the claimant of such denial. The written notice shall include the specific reason(s) for the denial; reference to specific Plan provisions upon which the denial is based; a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, and other information relevant to the claimant's claim; and a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA.

Section 4.03. Participant Rights Unsecured.

(a) Unsecured Claim. The right of a Participant or the Participant's Beneficiary to receive a distribution hereunder shall be an unsecured claim, and neither the Participant nor any Beneficiary shall have any rights in or against any amount credited to his or her Account or any other specific assets of a Participating Employer. The right of a Participant or Beneficiary to the payment of benefits under this Plan shall not be assigned, encumbered, or transferred, except by will or the laws of descent and distribution. The rights of a Participant hereunder are exercisable during the Participant's lifetime only by the Participant or his or her guardian or legal representative.

(b) Contractual Obligation. The Company may authorize the creation of a trust or other arrangements to assist it in meeting the obligations created under the Plan. However, any liability to any person with respect to the Plan shall be based solely upon any contractual obligations that may be created pursuant to the Plan. No obligation of a Participating Employer shall be deemed to be secured by any pledge of, or other encumbrance on, any property of a Participating Employer. Nothing contained in this Plan and no action taken pursuant to its terms shall create or be construed to create a trust of any kind, or a fiduciary relationship between a Participating Employer and any Participant or Beneficiary, or any other person.

Section 4.04. Distributions for Tax Withholding and Payment.

(a) Notwithstanding the time or schedule of payments otherwise applicable to the Participant, the Administrator may direct that distribution from a Participant's vested Account be made (i) to pay the Federal Insurance Contributions Act (FICA) tax imposed under Code Sections 3101, 3121(a) and 3121(v)(2) with respect to compensation deferred under the Plan, (ii) to pay the income tax at source on wages imposed under Code Section 3401 or the corresponding withholding provisions of applicable state, local, or foreign tax laws as a result of the payment of FICA taxes, and (iii) to pay the additional income tax at source on wages attributable to the "pyramiding" of Code Section 3401 wages and taxes; provided that the total amount distributed under this provision must not exceed the aggregate of the FICA tax and the income tax withholding related to such FICA tax.

(b) The amount actually distributed to the Participant in accordance with the time or schedule of payments applicable to the Participant will be reduced by applicable tax withholding except to the extent such withholding requirements previously were satisfied in accordance with subsection (a) above.

Section 4.05. Amendment or Termination of Plan .

(a) There shall be no time limit on the duration of the Plan.

(b) The Company, by action of the Human Resources Committee of the Board, may at any time amend or terminate the Plan; provided, however, that no amendment or termination may reduce or eliminate the undistributed benefit payable to or on behalf of a Participant who retired with an entitlement to a Retiree Insurance Allowance prior to the date on which such action to amend or terminate the Plan is adopted. Termination of the Plan will not operate to accelerate distribution in violation of Code Section 409A.

Section 4.06. Administrative Expenses .

Costs of establishing and administering the Plan will be paid by the Participating Employers.

Section 4.07. Successors and Assigns .

This Plan shall be binding upon and inure to the benefit of the Participating Employers, their successors and assigns and the Participants and their heirs, executors, administrators, and legal representatives.

Section 4.08. Right of Offset .

To the extent that such action does not violate Code Section 409A, the Participating Employers shall have the right to offset from the benefits payable hereunder (and at the time such benefit would otherwise be payable) any amount that the Participant owes to the Company or an Affiliate or other entity in which the Company or an Affiliate maintains an ownership interest. The offset shall be applied so as to include, but shall not be limited to, any fines, penalties, damages or any other amounts (including attorneys' fees) imposed on or paid by the Company or Affiliate as a result of any conduct of the Participant during the Participant's employment. The Company may effectuate the offset without the consent of the Participant (or the Participant's spouse or Beneficiary, in the event of the Participant's death).

Section 4.09. Not a Contract of Employment .

This Plan may not be construed as giving any person the right to be retained as an employee of the Company or any Affiliate.

Section 4.10. Miscellaneous Distribution Rules .

(a) Accelerated Distribution Following Section 409A Failure . If an amount under this Plan is required to be included in a Participant's income under Code Section 409A prior to the date such amount is actually distributed, the Participant shall receive a distribution, in a lump sum, within ninety (90) days after the date it is finally determined that the Plan fails to meet the requirements of Code Section 409A. The distribution shall equal the amount required to be included in the Participant's income as a result of such failure.

(b) Permitted Delay in Payment . If a distribution required under the terms of this Plan would jeopardize the ability of the Company or of an Affiliate to continue as a going concern, the Company or the Affiliate shall not be required to make such distribution. Rather, the distribution shall be delayed until the first date that making the distribution does not jeopardize the ability of the Company or of an Affiliate to continue as a going concern. Further, if any distribution pursuant to the Plan will violate the terms of Section 16(b) of the Securities Exchange Act of 1934 or other Federal securities laws, or any other applicable law, then the distribution shall be delayed until the earliest date on which making the distribution will not violate such law.

HARLEY-DAVIDSON MOTOR COMPANY GROUP,
INC.

By: /s/ Gail A. Lione

Title: Executive Vice President

Date: December 29, 2008

HARLEY-DAVIDSON, INC.
DEFERRED COMPENSATION PLAN FOR NONEMPLOYEE DIRECTORS

(As Amended and Restated Effective January 1, 2009)

Concept

Harley-Davidson, Inc. (the “Company”) created this Plan, effective as of May 1, 1995, to assist nonemployee directors of the Company to defer income, other than income payable under the Harley-Davidson, Inc. Director Stock Plan (the “Stock Plan”), until retirement, death, or other cessation of service as member of the Board of Directors of the Company. The Plan is amended and restated effective January 1, 2009, to conform the terms of the Plan with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”).

Administrator

The Nominating and Corporate Governance Committee of the Board of Directors of the Company is the Administrator of the Plan.

Definitions

a. *Affiliate* : Each corporation, trade or business that, with the Company, forms part of a controlled group of corporations or group of trades or businesses under common control within the meaning of Code Sections 414(b) or (c); provided that for purpose of determining when a nonemployee director has incurred a Separation from Service, the phrase “at least fifty percent (50%)” shall be used in place of “at least eighty percent (80%)” each place it appears in Code Section 414(b) and (c) and the regulations thereunder.

b. *Board* : The Board of Directors of the Company.

c. *Change of Control Event* : A change of control event as defined in regulations promulgated by the Secretary of the Treasury for purposes of Code Section 409A, with respect to Harley-Davidson, Inc.

d. *Separation from Service* : The date on which a nonemployee director ceases service as a director of the Company and all Affiliates, provided that such cessation of service constitutes a separation from service for purposes of Code Section 409A.

Eligibility

Directors of the Company who are not employees of the Company (“nonemployee directors”) are eligible under the Plan.

Participation Requirements

A nonemployee director must complete a Deferred Compensation Agreement in order to defer compensation under the Plan. A nonemployee director who executes a Deferred Compensation Agreement is referred to as a participant until all of his or her benefits hereunder are paid in full.

Compensation Deferral

A Deferred Compensation Agreement under the Plan will not apply to compensation that a nonemployee director elects to receive in the form of shares of common stock of the Company under Section 7.1 of the Stock Plan. Each Deferred Compensation Agreement must specify the percentage of the participant's Annual Retainer Fee that would otherwise be paid in cash and that is to be deferred, which percentage may be one hundred percent (100%), fifty percent (50%), or none. For purposes of the Plan, the term "Annual Retainer Fee" means the annual retainer fee then in effect for service by the participant as a director, board committee chair and/or committee member.

a. *Initial Deferral Election* . A nonemployee director may make an initial deferral election within 30 days of the date on which he or she first becomes a nonemployee director. If a nonemployee director does not make a deferral election during this period, the director will be deemed to have made a deferral election to defer none of the cash portion of the director's Annual Retainer Fee. A nonemployee director's initial deferral election (i) must be in writing and delivered to the Treasurer of the Company, (ii) shall apply with respect to the portion of the director's Annual Retainer Fee that is to be paid in cash and that will be earned on and after the date the Treasury of the Company receives the election, and (iii) shall remain in effect from year-to-year thereafter unless modified or revoked by a subsequent deferral election that becomes effective in accordance with the provisions hereof.

b. *Revised Deferral Election* . Except to the extent that the Company is permitted and elects to give earlier effect to a nonemployee director's modification or revocation to his or her deferral election in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A, a nonemployee director's deferral election, once effective with respect to a calendar year, may not be revoked or modified for that calendar year. A nonemployee director may revoke or modify his or her then current deferral election by filing a revised deferral election form, properly completed and signed, with the Treasurer of the Company. However, except to the extent that the Company is permitted and elects to give earlier effect to a nonemployee director's revised election in accordance with regulations promulgated by the Secretary of the Treasury under Code Section 409A, the revised deferral election will become effective on January 1 of the calendar year following the calendar year during which the revised deferral election is received and accepted by the Treasurer of the Company, or as soon thereafter as is administratively practicable. A nonemployee director's revised deferral election, once effective, shall remain in effect until again modified by the nonemployee director or otherwise revoked in accordance with the provisions hereof.

Deferred Benefit Account

The Company will establish on its books a Deferred Benefit Account for each nonemployee director executing a Deferred Compensation Agreement. Deferred compensation shall be credited to this account as of the date on which such compensation is deemed to accrue to the nonemployee director. Distributions shall be charged to this account as they are made.

Participant Investment Directions

Prior to July 1, 2001, interest at the Plan's interest rate was credited to the account of each nonemployee director as of the last day of each month. Interest was calculated by applying the Plan's interest rate to the balances of the account on such date including distributions to be deducted on that date. The Plan's interest rate meant, for each 12 consecutive calendar months ending after September 1, the Moody's Long Term Bond Rate in effect on such September 1 (or the last business day immediately preceding such date if it is a Saturday, Sunday, or holiday) divided by 12.

Effective July 1, 2001, each nonemployee director's Deferred Benefit Account shall be deemed to be invested in investment options made available by the Administrator and selected by the nonemployee director, in accordance with Administrator rules and procedures uniformly applied.

The Administrator shall select and may prospectively change the investment options to be available for participant investment direction under the Plan and the number of times each year (not less than one) that participants may change investment directions. Any new or revised participant investment direction, completed in accordance with Administrator rules, shall apply to a participant's entire Deferred Benefit Account. The authorized representative of a deceased participant's estate may provide investment directions after the death of the participant and in accordance with the provisions of the Plan.

No Trust Fund Created

A participant's Deferred Benefit Account is a means of measuring the value of the participant's deferred compensation. The account does not create a trust fund of any kind. Any assets earmarked by the Company to pay benefits under the Plan do at all times remain with the Company. A participant has no property interest in specific assets of the Company because of the Plan. The rights of the participant, or an estate, to benefits under the Plan shall be solely those of an unsecured creditor of the Company.

Statement of Account

Following the close of each year the Company will provide statements of account to each participant.

Distribution of Deferred Benefit Account

Except as provided in Paragraph d, upon a nonemployee director's Separation from Service for any reason, or upon the occurrence of a Change of Control Event, the Company will make payments to the nonemployee director (or, in the case of the death of the nonemployee director, to his or her beneficiary designated in accordance with the Plan or, if no such beneficiary is designated, to his or her estate), as compensation for prior service as a director, in respect of the nonemployee director's Deferred Benefit Account.

a. *Form of Payments:* At the time that a nonemployee director first makes a deferral election under this Plan or first makes a deferral election under the Stock Plan, whichever occurs earlier, the nonemployee director shall make a payment election which shall govern distribution of both the nonemployee director's Deferred Benefit Account under this Plan and the nonemployee director's Deferral Share Account under the Stock Plan. In such payment election, the nonemployee director may elect to have payments made either in (i) a single payment, or (ii) annual installments. Under the installment payment option, the nonemployee director may select the number of years over which benefits are to be paid to the nonemployee director, up to a maximum of 5 years. The payment option elected shall apply to the nonemployee director's entire Deferred Benefit Account under this Plan and the nonemployee director's entire Deferral Share Account under the Stock Plan. The installment payment option does not apply upon the occurrence of a Change of Control Event. A nonemployee director who fails to make a payment election with respect to the nonemployee director's Deferred Benefit Account under this Plan and the nonemployee director's Deferral Share Account under the Stock Plan (or any portion of such accounts) shall be deemed to have elected the single payment option. Prior to January 1, 2009, a nonemployee director may change his or her payment election by filing a revised payment election form, properly completed and signed, with the Treasurer of the Company; provided that a revised election submitted during calendar year 2006, 2007 or 2008 (including the election described in Paragraph d. below) may not operate to defer into a subsequent calendar year the distribution of amounts that otherwise would have been paid in the calendar year in which the revised election is submitted, or to accelerate into the calendar year in which the revised election is submitted amounts that otherwise were scheduled for distribution in a subsequent calendar year. On and after January 1, 2009, a nonemployee director may modify his or her distribution election (or deemed distribution election) only if (i) the revised distribution election is submitted to the Treasurer of the Company at least twelve (12) months prior to the first scheduled payment date under the nonemployee director's then-current distribution election and the revised election is not given effect for twelve (12) months after the date on which the revised election is submitted, and (ii) except as permitted under Code Section 409A, payment pursuant to the revised distribution election is deferred for at least five (5) years from the date payment would otherwise have been made under the nonemployee director's prior distribution election. For purposes of applying the rules of Code Section 409A, a series of installment payments will be considered a single payment form.

b. If the nonemployee director has elected the single payment option, then the Company will make payment to the nonemployee director in respect of the nonemployee director's Deferred Benefit Account within 30 days after the end of the calendar quarter in which occurs the nonemployee director's Separation from Service. In addition, the Company will make payment to the nonemployee director in respect of the nonemployee director's Deferred Benefit Account within 30 days following the occurrence of a Change of Control Event.

c. If the nonemployee director has elected the installment payment option, then the first installment will be made within 30 days after the end of the calendar quarter in which occurs the nonemployee director's Separation from Service, and each subsequent installment shall be paid in July of each calendar year following the calendar year in which the first installment is paid to the nonemployee director during the installment period. The annual installment payment amount for any calendar year shall be determined by dividing the value of the nonemployee director's Deferred Benefit Account (or applicable portion) as of January 1 of the year for which the payment is being made 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 dollar; provided that the final installment shall be the entire undistributed balance in the nonemployee director's Deferred Benefit Account. The Post-2004 Deferred Benefit Account shall remain subject to participant investment direction (and adjustment for deemed investment gain or loss) during the installment payment period.

d. Notwithstanding anything in the Plan to the contrary and in accordance with transition rules published by the Internal Revenue Service for purposes of Code Section 409A, on or before December 31, 2008, a nonemployee director who is in active service on the Board of Directors may elect to have the portion of his or her vested Deferred Benefit Account under this Plan and the portion of the nonemployee director's Deferral Share Account under the Stock Plan as of December 31, 2008, together with deemed gains or losses from December 31, 2008 through the last day of the calendar quarter (the "valuation date") selected by the nonemployee director, distributed to the nonemployee director in a single sum payment. Distribution will be made within thirty (30) days following the valuation date designated by the nonemployee director. The valuation date selected by a nonemployee director must be the last day of a calendar quarter no earlier than June 30, 2009. A nonemployee director's election shall not be recognized if the effect of the election would be to defer amounts that would otherwise be distributable in 2008 for distribution into 2009 or subsequent years.

Hardship Payments

The Administrator may, in its sole discretion, upon the finding that the nonemployee director has suffered an "unforeseeable emergency" , distribute to the nonemployee director part or all of the nonemployee director's Deferred Benefit Account, as needed to meet the nonemployee director's need. An "unforeseeable emergency" means a severe financial hardship to the nonemployee director resulting from an illness or accident of the nonemployee director, the nonemployee director's spouse, or the nonemployee director's dependent (as defined in Internal Revenue Code Section 152(a) without regard to Sections 152(b)(1), (b)(2), and (d)(1)(B)), loss of the nonemployee director's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the nonemployee director. The amount authorized by the Administrator for distribution with respect to an emergency may not exceed the amounts necessary to satisfy the emergency plus amounts necessary to pay taxes reasonably

anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the nonemployee director's assets, to the extent that liquidation of such assets would not itself cause severe financial hardship.

Designation of Beneficiary

Each participant entitled to any payments from his or her Deferred Benefit Account from time to time may designate a beneficiary or beneficiaries to whom any such payments are to be paid in case of the participant's death before receipt of any or all of such payments. Any designation will revoke all prior designations by the participant, shall be in a form prescribed by the Company and will be effective only when filed by the participant, during his or her lifetime, in writing with the Treasurer of the Company. References in the Plan to a participant'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 a participant's Deferred Benefit Account at the time of the participant's death shall be paid to such participant's estate.

Assignment

A participant may not assign the right to receive benefits under the Plan.

Not a Contract to Continue as Director

This Plan may not be construed as giving any person the right to be retained as a director of the Company.

Taxes

The Company may withhold from all benefit payments any amounts which may be required to be withheld under applicable tax laws.

Amendment and Termination

The Company may, at any time, by action of the Nominating Committee of the Board of Directors of the Company, amend the Plan, with prospective effect, or terminate the Plan. The Company may not, however, reduce any benefit payments to or on behalf of a nonemployee director based on deferrals already made, without the nonemployee director's consent.

Distribution of Benefits Following Plan Termination

Termination of the Plan will operate to accelerate distribution of benefits only to the extent permitted under Code Section 409A, including:

- a. The Plan is terminated within twelve (12) months of a corporate dissolution taxed under Code Section 331, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A), and the amounts accrued under the Plan but not yet paid are distributed to nonemployee directors or their beneficiaries, as applicable, in a single sum payment, regardless of any

distribution election then in effect, by the latest of: (1) the last day of the calendar year in which the Plan termination and liquidation occurs, (2) the last day of the calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (3) the last day of the first calendar year in which payment is administratively practicable.

b. The Plan is terminated at any other time, provided that such termination does not occur proximate to a downturn in the financial health of the Company or an Affiliate. In such event, all amounts accrued under the Plan but not yet paid will be distributed to all nonemployee directors and their beneficiaries, as applicable, in a single sum payment no earlier than twelve (12) months (and no later than twenty-four (24) months) after the date of termination, regardless of any distribution election then in effect. This provision shall not be effective unless all other plans required to be aggregated with this Plan under Code Section 409A are also terminated and liquidated. Notwithstanding the foregoing, any payment that would otherwise be paid during the twelve (12)-month period beginning on the Plan termination date pursuant to the terms of the Plan shall be paid in accordance with such terms. In addition, the Company or any Affiliate shall be prohibited from adopting a similar arrangement within three (3) years following the date of the Plan's termination, unless any individual who was eligible under this Plan is excluded from participating thereunder for such three (3) year period.

Except as provided in Paragraphs a. and b. above or as otherwise permitted in regulations promulgated by the Secretary of the Treasury under Code Section 409A, any action that terminates the Plan but that does not qualify for accelerated distribution under Code Section 409A shall instead be construed as an amendment to discontinue further benefit accruals, but the Plan will continue to operate, in accordance with its terms as from time to time amended and in accordance with applicable elections by the nonemployee director, with respect to the nonemployee director's benefit accrued through the date of termination, and in no event shall any such action purporting to terminate the Plan form the basis for accelerating distributions to the nonemployee director or a beneficiary.

Construction

The Plan is to be construed under the laws of the State of Wisconsin, without reference to conflict of law principles thereof.

Binding Agreement

This Plan is binding upon the Company and participants and their respective successors, assigns, heirs, executors, and beneficiaries.

Miscellaneous Section 409A Rules

a. *Accelerated Distribution Following Section 409A Failure*. If an amount under this Plan is required to be included in a nonemployee director's income under Code Section 409A prior to the date such amount is actually distributed, the nonemployee director shall receive a distribution, in a single sum, within ninety (90) days after the date it is finally determined that the Plan fails to meet the requirements of Code Section 409A. The distribution shall equal the amount required to be included in the nonemployee director's income as a result of such failure.

b. *Permitted Delay in Payment*. If a distribution required under the terms of this Plan would jeopardize the ability of the Company or of an Affiliate to continue as a going concern, the Company or the Affiliate shall not be required to make such distribution. Rather, the distribution shall be delayed until the first date that making the distribution does not jeopardize the ability of the Company or of an Affiliate to continue as a going concern. Further, if any distribution pursuant to the Plan will violate the terms of Section 16(b) of the Securities Exchange Act of 1934 or other Federal securities laws, or any other applicable law, then the distribution shall be delayed until the earliest date on which making the distribution will not violate such law.

This amended and restated Plan is executed pursuant to authorization of the Board of Directors of the Company.

HARLEY-DAVIDSON, INC.

By: /s/ Gail A. Lione

Title: Executive Vice President

Date: December 29, 2008

HARLEY-DAVIDSON, INC.
SUBSIDIARIES

<u>Name</u>	<u>State/Country Of Incorporation</u>
H-D Michigan, LLC	Michigan
Harley-Davidson Motor Company Group, LLC	Wisconsin
Harley-Davidson Motor Company Operations, Inc.	Wisconsin
H-D Franklin, LLC	Wisconsin
H-D Tomahawk Somo, LLC	Wisconsin
H-D Tomahawk Industrial Park, LLC	Wisconsin
H-D Tomahawk Kaphaem Road, LLC	Wisconsin
H-D Capitol Drive, LLC	Wisconsin
H-D Pilgrim Road, LLC	Wisconsin
Harley-Davidson Motor Company, Inc.	Wisconsin
Harley-Davidson Museum, LLC	Wisconsin
Buell Distribution Company, LLC	Wisconsin
H-D F&R, LLC	Wisconsin
HASC, LLC	Wisconsin
MV Agusta USA LLC	Pennsylvania
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 Singapore Inc.	Delaware
Harley-Davidson Australia Pty. Limited	Australia
H-D 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
Harley-Davidson Middle East and Africa Pty. Limited	South Africa
H-D Varese Holding Co. S.r.l.	Italy
Harley-Davidson Italia S.r.l.	Italy
MV Agusta Motor S.p.A.	Italy

C.R.C. SA	Italy
Cagiva Motor Suisse SA	Switzerland
MVA Motor Deutschland GmbH	Germany
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 Warehouse Funding Corp.	Nevada
Harley-Davidson Financial Services International, Inc.	Delaware
Harley-Davidson Financial Services Europe Limited	England
Harley-Davidson Financial Services Canada, Inc.	Canada
H-D Aircraft Financial Services, Inc.	Delaware

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 33-335311) of Harley-Davidson, Inc. pertaining to the Harley-Davidson Retirement Savings Plan for Salaried Employees, the Harley-Davidson Retirement Savings Plan for Milwaukee and Tomahawk Hourly Bargaining Unit Employees, and the Holiday Rambler LLC Employees Retirement Plan;
- (2) Registration Statement (Form S-8 No. 333-07551) pertaining to the Harley-Davidson, Inc. 1995 Stock Option Plan;
- (3) Registration Statement (Form S-8 No. 333-51741) pertaining to the Harley-Davidson, Inc. Director Stock Plan;
- (4) Registration Statement (Form S-8 No. 333-75347) pertaining to the Harley-Davidson, Inc. 1998 Non-Exempt Employee Stock Option Plan;
- (5) Registration Statement (Form S-8 Nos. 333-93879 and 333-123406) of Harley-Davidson, Inc. pertaining to the Harley-Davidson Retirement Savings Plan for Salaried Employees, the Harley-Davidson Retirement Savings Plan for Milwaukee and Tomahawk Hourly Bargaining Unit Employees, the Harley-Davidson Retirement Savings plan for Kansas City Hourly Bargaining Unit Employees, the Harley-Davidson Retirement Savings Plan for York Hourly Bargaining Unit Employees and the Buell Motorcycle Company Retirements Savings Plan;
- (6) Registration Statement (Form S-8 No. 333-60840) pertaining to the Harley-Davidson, Inc. 2001 York Hourly-Paid Employees Stock Option Plan;
- (7) Registration Statement (Form S-8 No. 333-123405) pertaining to the Harley-Davidson, Inc. 2004 Incentive Stock Plan; and
- (8) Registration Statement and (Form S-3 No. 333-156060) of Harley-Davidson, Inc. and in the related Prospectus

of our reports dated February 16, 2009, 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, 2008.

/s/ Ernst & Young LLP

Milwaukee, WI

February 16, 2009

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 17, 2009

/S/ James L. Ziemer
James L. Ziemer, President and
Chief Executive Officer

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 17, 2009

/S/ Thomas E. Bergmann

Thomas E. Bergmann

Executive Vice President and Chief Financial Officer

Written Statement of the Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. sec. 1350

Solely for the purpose of complying with 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned President and Chief Executive Officer and the 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, 2008 (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 17, 2009

/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