HARLEY-DAVIDSON: OUTSIDE IN · PART 2 OF 4

SAME SENTENCE.

Buell and MV Agusta. What the two biggest outside purchases cost, from the filings, and the words used to end both.

HARLEY-DAVIDSON: OUTSIDE IN · THE ROUTE

FOUR PARTS. ONE THESIS.

Sixty-six years of buying what it could build, from the filings. Every figure links to its document in the full brief.

BUELL · 1993–2009

1993 · 49% STAKE

~$500K

SECONDARY SOURCE

2008 · UNITS SHIPPED

13,119

$123.1M REVENUE

14 OCT 2009 · EXIT COST

~$125M

Q3 2009 10-Q, NOTE 19

JOBS

~180

80 HOURLY, 100 SALARIED

~$70M incentives, inventory and operating costs. ~$14M fixed assets. ~$9M severance. ~$32M contracts. **The realized total was never reported on its own.**

KEITH WANDELL · FIVE MONTHS INTO THE JOB · 15 OCTOBER 2009

> *“The fact is we must focus both our effort and our investment on the Harley-Davidson brand, as we believe this provides an optimal path to sustained, meaningful, long-term growth.”*

8-K EX. 99.1 · FILED WITH THE SEC

Erik Buell, eighteen months later: **“They didn’t shut down Buell because they were mean.”** He was right. They shut it because it was a second brand in a building with room for one.

MV AGUSTA · BOUGHT 8 AUGUST 2008

TOTAL CONSIDERATION

€68.3M

$105.1M · INCL. €47.5M OF BANK DEBT

GOODWILL BOOKED

$85.8M

FY2009 10-K, FINAL ALLOCATION

IPR&D WRITTEN OFF ON ARRIVAL

$20.1M

A FIFTH OF THE PRICE, DAY ONE

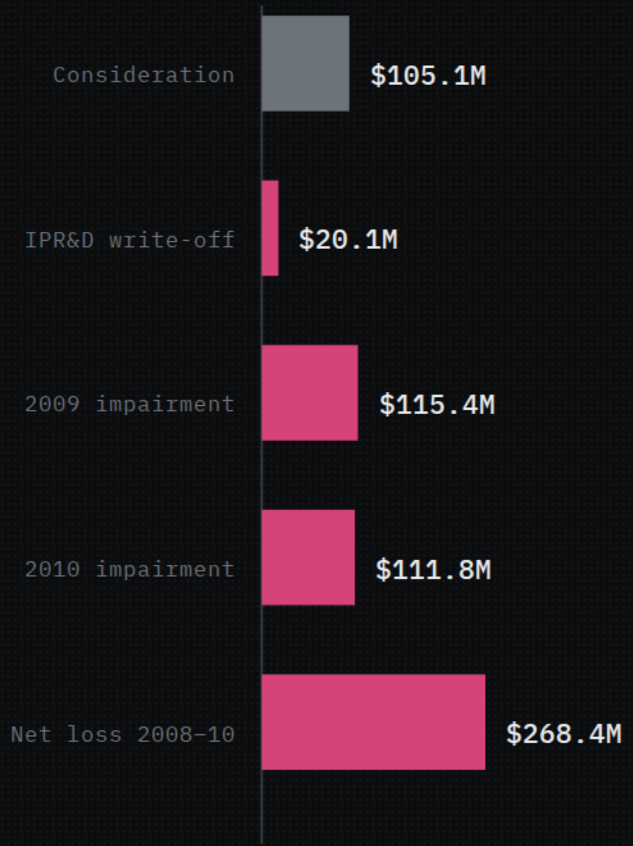
MONTHS OWNED

24

8 AUG 2008 – 6 AUG 2010

Jim Ziemer, announcing it: **“Motorcycles are the heart, soul and passion of Harley-Davidson, Buell and MV Agusta.”** He retired nine months later.

$105 MILLION IN. $268 MILLION OUT.



Loss from discontinued operations, net of tax: $29.5M (2008) + $125.8M (2009) + $113.1M (2010). **2.55 times the purchase price, or $11.2M for every month Harley owned it.** A $51.0M tax reversal in 2011 nets it to $217.4M.

THE SALE · 6 AUGUST 2010 · THE 10-K SAYS "NOMINAL CONSIDERATION"

THE AGREEMENT SAYS WHAT NOMINAL MEANS.

THE SHARES	All 120,000 shares of MV Agusta Motor S.p.A., "for a consideration of Euro 1 (one)."
THE U.S. COMPANY	MV Agusta USA LLC, for US$1.
THE RECEIVABLE	€103,789,617.60 Harley had lent its own subsidiary. Sold for €1.
CASH LEFT INSIDE	A capital increase of €20,000,000, paid into escrow.
THE EARN-OUT	Castiglioni's 2016 payment "finally and irrevocably waived."

€1, €2 OR €3? ALL THREE ARE RIGHT.

THE SHARES	THE U.S. LLC	THE RECEIVABLE
€1	$1	€1

"€1" is the share price. "€3" is the press adding three nominal payments. "€2" counts only the euros.

The 10-K reports **"an immaterial loss on the date of sale."** Also true. By August 2010 there was nothing left to lose.

KEITH WANDELL · 6 AUGUST 2010

> *"Our decision to divest MV Agusta reflects our strategy to focus our efforts and our investment on the Harley-Davidson brand."*

H-D RELEASE · MV AGUSTA SALE

1996: "CORE MOTORCYCLE BUSINESS." 2009, 2010: "THE HARLEY-DAVIDSON BRAND."

The words repeat because the decision does. A second brand that competes with Harley-Davidson for engineering dollars does not survive the next CEO.

MV IS THE ONE TIME HARLEY BOUGHT BIG.

It lost 2.55 times the purchase price in twenty-four months and handed the factory back to the family it bought it from. The same Castiglionis took Aermacchi off Harley's hands in 1978.

The company learned the lesson. Every outside move since has been sized to be forgettable.

Next: the two that were too small to disclose.

NEXT · PART 3 OF 4

TOO SMALL TO SAY.

Alta Motors: one sentence, no number, bounded by Alta's own Form D. StaCyc: $14.9 million, and it outsells LiveWire 33 to 1.

FULL BRIEF, EVERY SOURCE LINKED: WEPPNER58-MOTO.GITHUB.IO/GROUND-TRUTH/GROUNDTRUTH/03/