



**BMW
MOTORRAD**

Ownership Policy for BMW Motorrad USA Dealers

I. INTRODUCTION

The purpose of BMW Motorrad is to “MAKE LIFE A RIDE” for people around the world. For 100 years, we have produced BMW motorcycles, and making life a ride for our customers is now at the heart of everything we do. It is our network of BMW Motorrad Dealers that help us achieve our goals. Our Dealers carry the torch of BMW's history and are BMW Motorrad's primary connection with that most important group: our customers, the people who love BMW Motorrad motorcycles!

The relationship among BMW Motorrad USA, our Dealers, and our mutual customers is critical to our business. The retail experience and our relationships with our customers are what separate the BMW Motorrad experience from the competition. Both current customers and future customers of BMW Motorrad expect the same thing: a premium experience that one associates with the brand. BMW Motorrad's ability to provide this premium experience is dependent on BMW Motorrad USA having a Dealer network aligned with these same goals and outlook.

Through this **Ownership Policy**, BMW Motorrad USA, a division of BMW of North America, LLC (“BMW NA”), documents its expectations and requirements for all prospective (and current) dealer owners and dealer groups (in this document, referred to as the “Owner(s)” and as further defined below).

BMW NA views all BMW Motorrad Dealer Agreements as personal service contracts. The consuming public is best served, and BMW NA best represented, through the establishment and maintenance of qualified and committed Owners, Dealer Principals, and General Managers. BMW NA seeks Owners and Dealer Principals that have the outstanding operational experience, financial resources, and good moral character necessary to further BMW NA as an industry leader in providing high quality products and services to its customers.

These policies are intended as guidelines. They are not intended to limit BMW NA's decisions in reviewing a particular proposal because, for example, BMW NA cannot anticipate all potential ownership structures and financing arrangements.

Also, the circumstances of a particular market or the circumstances of a proposed transaction or transferee may cause BMW NA, in the exercise of its business judgment, not to approve a particular proposal.

BMW NA's ability to review a proposal is affected by the scope and quality of the documents and information presented. As a result, BMW NA requires all information provided during the application process be true, accurate and complete. BMW NA relies upon such materials with the understanding that it is true, accurate, and complete and that any material change will be brought to BMW NA's attention in writing immediately.

II. DEFINITIONS

Dealer or Dealership: The entity that owns and operates the BMW Motorrad dealership and is the party to a fully executed BMW Motorrad Dealer Agreement.

Dealer Agreement: The BMW Motorrad Dealer Agreement that sets forth the rights and responsibilities of both BMW NA and Dealer in providing BMW Motorcycle Products and services to the consuming public. The Dealer Agreement also incorporates the BMW Motorrad Sales and Service Standards, along with other currently published policies and procedures. References to specific sections of the Dealer Agreement refer to the BMW Motorrad Dealer Agreement rolled out to the network in 2021-2022, but this Ownership Policy and its requirements apply to all Dealers and Owners.

Dealer Group: A group consisting of more than one Dealer, where there is corporate affiliation between the Dealers. The Dealers may be owned by the same individual, entity, or combination of individuals and/or entities directly or indirectly via common ownership or management, or they may otherwise share resources or work in concert for a common purpose or interest. This includes, but is not limited to, a management company that provides the Dealers with management expertise, funding, accounting services, or other benefits.

BMW NA: BMW of North America, LLC, a Delaware limited liability company, having its principal place of business at 300 Chestnut Ridge Road, Woodcliff Lake, New Jersey 07677. BMW Motorrad USA is a division of BMW NA. The terms "we," "our," and "us" are used in this Ownership Policy to refer to BMW NA.

Owner: Any individual or entity that owns any interest in or controls a Dealer, either directly or indirectly through a business entity or trust. "Owns an interest in" means having any legal or beneficial interest in the Dealer, business entity, or trust.

III. TYPES OF OWNERSHIP ENTITIES

A BMW Motorrad Dealer must be a legal entity (e.g., limited liability company, corporation, or limited partnership) that is certified to do business in the state where the Dealership facilities are located.

IV. REQUIREMENTS FOR OWNERS

- A. An Owner must be at least 18 years of age and be a U.S. citizen or have lawful permanent resident status in the United States (i.e., green card holder).
- B. An Owner must submit a BMW Motorrad Dealer Application Package and provide all other information required by BMW NA.
- C. BMW NA performs background checks on its Owners. This background check must not reveal any material problems (legal, personal, financial, etc.) that could adversely affect the reputation, business, goodwill, or interests of BMW NA, BMW Group intellectual property, or the Dealership. An Owner cannot have been convicted of or plead or have pleaded no contest to any felony or for any material violation of law if BMW NA has reason to believe that such conviction or plea may adversely affect the conduct of Dealer's BMW Motorrad Dealer Operations or would tend to be harmful to the BMW Group, BMW Motorrad, the reputation of BMW Motorcycle Products, or the marketing of BMW Motorcycle Products.
- D. An Owner's other endeavors must not create a conflict of interest with BMW Motorrad USA (e.g., a company that is incompatible with the BMW Motorrad brand, employment by a competing manufacturer or a company in direct competition with BMW NA or an affiliate, etc.) that has the potential of adversely affecting reputation, business, goodwill, or interests of BMW NA, BMW Group intellectual property, or the Dealership. Ownership or operation of another powersports Dealership shall not be deemed a conflict, subject to the performance requirements contained in this Policy.
- E. Owners must personally guarantee all obligations of the Dealer owed to BMW NA and/or its affiliates. In the case of corporate Owners, private equity firms, trusts, or publicly traded companies, a corporate guarantee will be required.
- F. An Owner must comply with all applicable federal, state, and local laws and regulations, including anti-bribery laws.
- G. All Owners must be approved by BMW NA and listed as Owners on the Dealer Agreement(s), should a Dealer Agreement be executed between the Parties.
- H. Owners (and their Dealer Principals and General Managers) must perform their duties and conduct themselves – whether in business or personal matters – in an

ethical and socially acceptable manner that reflects well on the reputation, business, and interests of the BMW Motorrad brand and the Dealership.

V. FINANCIAL REQUIREMENTS

- A. The Owner or Owners (collectively) of a Dealer are required to meet the following personal financial thresholds, at a minimum: (1) \$1,000,000 net worth, and (2) \$500,000 in liquid assets (excluding any real estate equity). Notwithstanding these minimum requirements, the actual financial investment required for each individual Owner and the Dealership overall is based on the circumstances of the particular Dealership and market, including the purchase price of the Dealership and other factors. BMW NA may require different personal financial requirements based on financing arrangements, local market conditions, the details of a particular transaction, financial health of all dealerships of the Owner, and other factors. In cases involving a purchase or asset transfer, BMW NA requires an unencumbered or non-debt investment of at least 30% for the capitalization of the Dealership collectively by the proposed Owners. This investment should represent a 20% down payment on the Dealership purchase and 10% of the total purchase price as beginning operating cash for the Dealership. Working capital standards as determined by BMW NA must be maintained at all times by each owned Dealership. Sufficient working capital is critical to maintain a financially stable, consistent operation of the Dealership.
- B. For open points, the Pro Forma Balance Sheet of the Dealer must have a satisfactory debt/equity ratio, preferably no more than 2:1 although an acceptable ratio may vary depending on the circumstances of the particular Dealership. BMW NA reserves the right to adjust its requirements depending on projected sales, the strength of the Balance Sheet, the economic environment, and other factors.
- C. Should Owners wish to purchase multiple Dealers, the financial requirements listed above apply to each Dealership and to the overall transaction at a minimum. In situations involving multiple Dealerships, BMW NA may require additional security, such as Irrevocable Letters of Credit or other guarantees.

VI. RETAIL EXPERIENCE

An individual with management responsibility – either the Dealer Principal, or, the General Manager if not the Dealer Principal – must have at least three (3) years of successful motorcycle, powersports, and/or automotive retail management experience.

VII. MANAGEMENT OF THE DEALERSHIP

Proper management of a Dealership is key to its success, and BMW NA expects that an individual Owner will be involved in the operation and management of the Dealership as Dealer Principal and will be accessible to BMW Motorrad representatives; in some cases, an Owner and Dealer Principal may be approved if his or her General Manager meets the experience requirements of this Ownership Policy. If the ownership involves a group of owners (or a private equity firm, trust, or publicly traded company), there must still be a Dealer Principal, as well as a structured management team, overseeing the Dealer's operations, and a dedicated, onsite General Manager at each owned Dealership. BMW NA must be informed of and approve the management structure of Dealers and Dealer Groups, including position titles, authority, and responsibility for each Dealer and the Dealer Group as a whole. Further detail is included in the Dealer Agreement.

VIII. REQUIREMENTS FOR OWNING MULTIPLE DEALERSHIPS

Any Owner – whether an individual, Dealer Group, or otherwise – who seeks an ownership interest in more than one Dealer or to acquire an additional Dealer must meet all the following terms, conditions, and requirements:

Dealer Agreement Compliance.

- A. If the Owner or Dealer Group owns an existing BMW NA Dealer or Dealers, each individual, current Dealer must not be in breach of any Dealer Agreement provision and must be compliant with BMW Motorrad's related policies and procedures.
- B. Each Dealer must be in compliance with 80% of the conditions of the Dealer Sales and Service Standards.
- C. Each Dealer must not have an Improvement Addendum in effect; however, BMW NA may waive this requirement if the Dealer is compliant with all milestones in an Improvement Addendum.
- D. Each Dealership to be acquired must be directly held by and operated under a separate legal entity from any other dealership. Any new Dealership entity must be newly formed and may not have any other business interests or assets under it.
- E. For any new Dealer to be acquired or opened, a business plan acceptable to BMW Motorrad must be submitted indicating how the individual, entity, or Dealer Group intends to acquire, operate, and manage each Dealership, leading each Dealership to profitable growth.

Facility Compliance.

- F. The facility for the Dealer to be acquired or opened, and all existing BMW Motorrad USA Dealer facilities owned by the Owner or Dealer Group, must meet current Corporate Identity standards and be compliant with the current Sales and Service Standards. Each Dealer must also meet BMW Motorrad USA's facility requirements as described in the Dealer Agreement and related policies and procedures.

Financial.

- G. The Owner(s) or Dealer Group are required to comply with the Financial Requirements listed in Section V above.
- H. The Owner(s) or Dealer Group (1) must not have been in default or serious delinquency with its floor plan lender, or any other lenders or creditors, during the previous 24 months, (2) have submitted all required financial statements, (3) if utilizing BMW FS for its floor plan or other financing, have signed and submitted all applicable financing and security documents required by BMW FS, and (4) have demonstrated an ability to maintain profitability (or a positive trend to profitability) at the existing Dealerships.
- I. All Owners, and each Dealership owned by the Owner(s) or Dealer Group, must consistently be in compliance with all BMW FS agreements and obligations as well as any third-party financing agreements.
- J. In addition to a personal guarantee, Owner(s) may need to provide a cross-corporate guarantee covering all Dealerships and Dealership assets.
- K. The Owner(s) or Dealer Group must maintain minimum working capital and operating cash for each Dealership at all times as required by BMW NA.

Training and Customer Experience.

- L. All existing Dealerships owned and operated by the Owner(s) or Dealer Group must currently be in compliance with BMW Motorrad training schedules and certifications. For non-technical training, 80% of relevant employees must have been completed 100% for all assigned Dealership training; for technical training, each Dealer must employ at least one Level 1 and one Level 3 technician;
- M. At all existing Dealerships, all VOC (Voice of the Customer) must currently be acted on the first day and solved within five (5) days.

Ownership Limitations and Multiple Point Markets.

- N. Owners shall abide by the ownership limitations as described in Section 3.4 of the Dealer Agreement.

Performance Requirements.

- O. The performance of the BMW Motorrad Dealer network is critical, and BMW NA strongly believes that only Owners or Dealer Groups who own and operate high-performing Dealerships should acquire an additional Dealership. As a result, BMW NA requires that all Dealerships currently owned by an individual Owner or Dealer Group must meet or exceed certain performance requirements and/or metrics set by BMW Motorrad, prior to becoming eligible to acquire any additional Dealership(s). Specifically, all Dealerships owned by a Dealer must be ranked in the top 50% of the nation in the then-current calendar year performance rankings in order to be eligible to acquire any additional Dealership(s). These performance requirements may be changed from time to time at the discretion of BMW Motorrad, and such changes will be effective when published to the Dealer network. In the case of a new Owner(s) or Dealer Groups to BMW Motorrad, the prospective new Owner(s) must provide evidence of past successful business performance, including customer service indices, where available and appropriate.

IX. MULTIPLE DEALERSHIP ACQUISITIONS

Owners or Dealer Groups that acquire multiple BMW Motorrad Dealerships at the same time must have significant management capabilities and financial resources, particularly where Dealerships are geographically dispersed. BMW NA will closely examine proposed transactions related to more than one Dealership and will generally disapprove any proposed transaction that does not meet all requirements of this Policy specific to each Dealership. BMW NA may condition approval on an Owner agreeing to an Improvement Addendum, Construction Letters of Intent, and/or other documents pertaining to the acquired or existing Dealerships.

X. ONGOING COMPLIANCE REQUIREMENT

Any violation of this Policy, including submitting buy-sell packages or other proposals to BMW NA for approval that contain materials or elements that place the proposed Owner or Dealer group in violation of this Policy, will result in the individual Owner or Dealer Group (applicable to all currently owned Dealership

locations) being placed on Ownership Policy Non-Compliance status with BMW NA for a specified period of time, as determined by BMW NA. Violations may also constitute breaches of existing Dealers Agreements.