



Ownership & Financial Requirement Statement (OFRS)

I. INTRODUCTION

Momentum MotorWerks was borne out of the idea of providing a new way for people to enjoy their free time through the ownership of all-electric recreational vehicles. We feel our dealers are the face of Momentum MotorWerks to our customers, and to ensure we provide them the greatest experience we can, we need to have the best dealership owners we can. The dealers are the keepers of our culture and our products.

There is a special relationship among Momentum MotorWerks, our dealers, and our mutual customers. This is what can separate the Momentum experience from all others. We need to ensure that our future customers have the opportunity to develop a relationship with their dealer, and that they enjoy the same Momentum experience throughout our entire dealer network.

Through this OFRS, Momentum MotorWerks will document its expectations and requirements for any Individual that would like to become a Momentum dealer/owner.

II. DEFINITIONS

Dealer. The entity that owns and operates a Momentum MotorWerks dealership and is the party to the Dealer Agreement.

Dealer Agreement. The Momentum MotorWerks Dealer Agreement authorizes a dealership to purchase and resell at retail new Momentum vehicles and related Momentum products sold through the dealership. The Momentum MotorWerks General Conditions of Sales and Service are referenced and expressly made as a part of the Dealer Agreement, along with the policies and procedures required by Momentum. The Dealer Agreement is on a 2-year term unless terminated due to performance.

Dealer Operator. Notwithstanding Section IV below, for purposes of this requirement statement, the "Dealer Operator" means an individual, usually an Owner, that oversees and is directly involved in the operations of a dealership.

Momentum. Momentum MotorWerks, LLC, a South Dakota-based Limited Liability Company. Anywhere "we," "us," and "our" are used in this requirement statement refers to Momentum.

Owner. Any individual who owns any interest in or controls a dealership, either directly or indirectly through a business entity or trust. To "own an interest in" a dealership, business entity, or trust means having any legal or beneficial interest in the dealership, business entity, or trust. For purposes of this policy, a marital property or community property interest in a dealership, business entity, or trust is not considered an ownership interest.

OFRS: This Ownership & Financial Requirement Statement, effective June 1, 2019, and applicable to all U.S. dealerships.

III. OWNERSHIP ENTITIES

A Momentum MotorWerks Dealer must be a legal entity (e.g., corporation, LLC, limited partnership) that is certified to do business in the state where the dealership facilities are located. The entity can be a part of an already established entity or a part of a newly formed entity. The entity status must be approved by the President/CEO of Momentum. The dealership may be ultimately owned by a single individual or by a group of individuals, including a private equity firm and/or trust(s). The dealership may not be owned directly or indirectly by a publicly traded company or any affiliate thereof.

A dealer or prospective dealer must provide the requisite documentation (as determined by Momentum) to prove the corporate structure to the level of the ultimate individual ownership and control of the dealership.

IV. OWNER REQUIREMENTS

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 complete, sign, and submit a Dealer Application and provide all other required information if the Prospective Dealer Inquiry form is accepted.

C. Momentum has the right to perform background checks on all Owners. This background check can reveal any material problems (financial, personal, legal, or otherwise) that could adversely affect the ownership, operation, management, reputation, business, goodwill or interests of Momentum or the dealership.

D. An Owner cannot (a) be or have been convicted of or plead guilty or have plead no contest to any crime or have or have had any civil or administrative liability found against him or her, which in any case may adversely affect the ownership, operation, management, reputation, business, goodwill, or interests of the dealership, Momentum, or (b) be or have been convicted of or plead or have plead no contest to any felony crime.

E. No person may be an Owner if such ownership creates a conflict of interest (e.g., is unable to work for a competitor of a previous employer, supplier, or a company in direct competition with Momentum or an affiliate, etc.) that has the potential of adversely affecting Momentum's or the dealership's reputation, business, goodwill, or interests. Momentum will evaluate these situations on a case-by-case basis. (For clarity, ownership in or of a powersports or golf cart dealership shall not be deemed a conflict.)

F. Individuals with 10% or greater ownership interest must personally guarantee all obligations of the Dealer owed to Momentum and/or its affiliates. In certain cases, an individual with less than 10% ownership may also be required to sign a personal guarantee.

G. An Owner must comply with all applicable anti-bribery laws and regulations and conform to Momentum's policy on anti-bribery specific to dealers and distributors.

H. An Owner must be disclosed as an Owner on the Dealer Agreement(s).

I. An Owner must conform his or her conduct (whether personal or business) with the Dealer Agreement, Momentum's Mission and Values, standards of good citizenship, and generally acceptable behavior in contemporary society, in a way that does not adversely affect the ownership, operation, management, reputation, business, goodwill or interests of Momentum or the dealership.

V. FINANCIAL REQUIREMENTS

A. The Owner/Prospective Dealer, or if more than one, the Owners, collectively, of a dealership must meet a minimum personal financial position consisting of Net Worth and Liquidity. The Prospective Dealer's personal balance sheet will be reviewed by the President/CEO of Momentum and require his/her approval.

Notwithstanding the minimum financial requirements, the actual financial investment required for each individual Owner and the dealership overall will be based on the needs required to successfully operate the dealership in the territory selected.

B. Momentum requires an unencumbered or non-debt investment of at least 30% for the capitalization of the dealership collectively by the proposed Owners, including the Dealer Operator. In addition, the Beginning Balance Sheet of the Dealer must have a satisfactory debt/equity ratio, preferably no more than 2:1. It must also have sufficient start-up cash flow to support 6 months of expenses. Ultimately, the dealership's budget must be based on realistic sales numbers; if not, additional funds will need to be invested in the dealership.

C. If multiple territories are being secured/purchased at the same time, the above financial requirements will apply to each dealership territory and to the overall transaction.

D. Working capital standards as determined by Momentum must be maintained at all times by each owned dealership. Unaudited financials must be provided to Momentum within 30 days of every quarterly end date and annual financials must be provided within 60 days of year-end.

VI. RETAIL EXPERIENCE

An individual with day-to-day management responsibility of the dealership – at the Dealer Operator or General Manager level – must have at least 3 years of successful motorcycle, powersports, golf cart, and/or automotive retail management experience unless approved by the President/CEO of Momentum.

VII. MANAGEMENT OF THE DEALERSHIP

The management structure for a dealership is critical to its success. Our expectation is that an individual Owner will be involved in the operation and management of the dealership and will be accessible to Momentum representatives. If the ownership involves a large group of owners (or a private equity firm or trust), there must be a Board of Directors and a Dealer Operator overseeing the dealership(s)' operations, and a dedicated, onsite General/Operations Manager at each owned territorial dealership. Momentum must always be aware of the management structure and the decision-making hierarchy, including legal/full control and operational control, of each Dealer and dealership.

VIII. DEALERSHIP REQUIREMENTS

Any Owner who wishes to have an ownership interest in one or more dealerships must meet all the following requirements and conditions:

- A. If the Owner/Dealer is an existing owner of a Momentum dealership, each existing dealership must be in "Good Standing" with Momentum and in compliance with its Dealer Agreement, including the General Conditions of Sales and Service, and all other Momentum and its affiliates' policies, procedures, and requirements at each currently-owned dealership.
- B. If the Dealer is acquiring another dealership, it can be held by and operated under a separate legal entity from other dealerships, or as an additional dealership under the current dealership entity.
- C. A business plan acceptable to Momentum must be submitted that shows how the person and/or entity intends to purchase, operate, and grow each dealership on their own and not be significantly reliant on any other outside owned businesses.
- D. No publicly traded company or any affiliate thereof may have any direct or indirect ownership interest in or control of any dealership.
- E. The facility to be acquired for a new dealership and all existing or acquired Momentum dealership facilities owned or purchased by the Owner/Dealer must be approved by Momentum and reflect the standards and values of Momentum.
- F. Must comply with the Financial Requirements (noted above) and receive approval.
- G. If the Dealer is making an acquisition or applying for an additional territory, they must meet the following requirements: (1) Has not been on "credit-hold" with Momentum during the previous 12 months, (2) has submitted all required financial statements on time, and (3) has signed and submitted all applicable financing and security documents required by Momentum.
- H. Each Owner, and each dealership owned by the Owner/Dealer, must always be in compliance with all Momentum agreements and/or obligations and any third-party financing agreements.
- I. The assets of all dealerships owned by the Owner/Dealer must be cross-collateralized as security for all obligations owed to Momentum.
- J. Must maintain minimum working capital and operating cash for each dealership at all times.
- K. Exclusive of major metro areas, individual Owners or Dealers will have an exclusive territory assigned that restricts other dealers from establishing a location within 50 miles of another Dealer. However, Momentum has the sole right to extend that protection beyond 50 miles. For a major metro area (i.e., a metropolitan statistical area (MSA) with a population >500,000), multiple territories may be made available within a singular MSA and a dealership location must be located within each territory even if multiple territories are owned by the same Dealer.
- L. Momentum believes that only Owners/Dealers who own and operate high-performing dealerships should be able to acquire additional dealership. Therefore, to be eligible to purchase an additional dealership, Momentum requires that all dealerships currently owned by an individual Owner or Dealer must be ranked in the top 25% in the nation. These performance requirements may be changed from time to time or due to special circumstances at the discretion of Momentum. All special circumstance will be published to all affected Dealers bordering the territory.

M. In the case of a new Owner(s) to Momentum, the prospective new Owner(s) must provide evidence of past successful business performance, including customer service references, where available and appropriate.

N. The expectation of Momentum is that all Owners/Dealers (at each owned dealership) will fully participate in Momentum-sponsored programs within their territories. Momentum will give strong preference to any Owner/Dealer proposing to acquire another dealership when they actively participate in and fully supports any and all Momentum products, programs, and services. Conversely, any Owner/Dealer that does not support Momentum products, programs, and services will not be considered favorably for future dealership purchases. Momentum has the right to deny any proposed transfer if the purchaser acts in a manner deemed harmful or potentially harmful to Momentum or any of its other dealerships.

IX. MULTIPLE DEALERSHIP ACQUISITIONS

Acquiring more than one Momentum dealership at a time requires significant financial and management resources. Momentum will place considerable scrutiny on a transaction involving purchasing or opening multiple dealerships and will generally disapprove any proposed transaction that does not meet all requirements of the OFRS specific to each dealership.

X. SUCCESSION & ESTATE PLANNING

It is imperative for any business to have a comprehensive succession plan. Whether a small family business or a larger company encompassing many businesses, succession planning provides for the continued success of any business through a succession event. Momentum recommends that all Dealers employ succession and estate planning to ensure a smooth and orderly transition of their dealership assets and management responsibility and to minimize estate and/or gift taxes.

XI. "NOT IN GOOD STANDING" STATUS WITH MOMENTUM

Any willful violation of this OFRS, including the submittal to Momentum for approval of any fully executed agreement(s) that will place the proposed buyer in violation of this OFRS, will result in the individual Owner or Dealer (applicable to all currently owned dealership locations) being placed on "Not in Good Standing" status with Momentum for a specified period of time, generally for a period of 12 months, as determined by Momentum. The consequences of "Not in Good Standing" status will be evaluated and decided on by Momentum.