

The Resurrection of Excelsior: The Rise and Fall of American Motorcycle Companies

Akira NAKAYA

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1. Startup company Excelsior-Henderson

Excelsior-Henderson is a startup company founded in December 1993 by Dan Hanlon, Dave Hanlon, and Dave's wife Jennie. Dan and Dave were longtime Harley-Davidson enthusiasts. Raised on a 160-acre dairy farm in Belle Plaine, Minnesota, the brothers developed a liking for motorcycling. They enjoyed not only tooling on a dirt bike around the family farm but tinkering with motorcycles in a barn. They liked the smell and sound of a machine and the freedom of riding it in a large open space. Motorcycling became their lifelong passion. Dan, 44, had run a packaging-materials company called EverGreen Solutions from 1990 to 1993, whereas Dave, 47, had worked as a general manager of a truck leasing company called Rollins Leasing from 1984 to 1993. They got bored with their jobs and wanted to realize their dream of building their own American cruisers. It was in a hotel room at Sturgis, South Dakota, during the 1993 Bike Week that they seriously thought of starting a new American motorcycle company.

The brothers worked hard to revive a 90-year-old motorcycle legend, a sleek heavyweight cruiser modeled after a classic 1931 Excelsior Super X. The bike got a thoroughly modern V-twin engine, a contemporary design, and a teardrop-shaped fuel tank with the Excelsior-Henderson logo, a large red X. The machine represented an American-made motorcycle heritage, with which the Hanlons planned to capture the heart and soul of the bikers.

The brothers made an extensive search for a suitable company name that would promote

their business. They wanted a historic name with an impact on the biking community and eventually found Excelsior. They felt fortunate to find that the trademark right was already expired. In 1996 their company name was officially changed into Excelsior-Henderson Motorcycle Manufacturing Co. The brand carries a Harley-like tradition that embodies the history of American motorcycling.

2. A brief history of American motorcycle industry

2.1 The Big Three motorcycle manufacturers

The American motorcycle industry started at the beginning of the twentieth century. Its early years saw more than 100 new entrants emerging, but the 1916 attrition due to war-related inflation and cheap automobiles reorganized the industry into three players — Indian, Harley-Davidson, and Excelsior. Together the big three captured more than 90% of the market.

The second-tier makers Merkel, Pope, and Thor had too limited resources to cope with any hardships caused by the First World War and the growing popularity of cheap cars as a practical mode of transport. They failed because of rising costs, poor management, and defective products. Also gone were such secondary manufacturers as Yale, Minneapolis, and Dayton. Among those that survived the attrition were Reading-Standard, Iver-Johnson, and Emblem. These pioneer makers ceased production by 1925. That put the Big Three in competition with each other.⁽¹⁾

Until 1920, the industry leader was the Hendee Manufacturing Co. of Springfield, Massachusetts, which was officially renamed the Indian Motorcycle Company in 1923. The firm was originally started as a bicycle maker in 1895 by cycle racer George Hendee. In 1901 he persuaded motor pacer engineer Oscar Hedstrom to produce a motor-driven bicycle, the machine known as the first Indian. Hedstrom made three models for that year followed by sales of 143 machines the next year. The annual production reached about 1,700 units in 1906, peaking at 32,000 (about 45% of the total U.S. production) in 1913. Indian became the world's largest motorcycle manufacturer by producing reliable high-performance machines. However, its preeminence was challenged in 1915 when it lost the Dodge City 300, a crucial dirt track race, to Harley-Davidson.

The first H-D machine was produced by William S. Harley and Arthur Davidson in 1903. Arthur's brother Walter joined them to increase production in 1904. Their business was incorporated in 1907, with annual production reaching 150 units. Walter became president and his eldest brother William A. Davidson vice president of the Milwaukee-based Harley-Davidson Motor Company. Arthur traveled a lot to establish H-D franchises and win commercial contracts while the others concentrated on improving the utilitarian models, which were later dubbed "The Silent Gray Fellow." In 1914 the company started to participate in racing and instantly succeeded in winning major races the following year, which changed the maker's image and contributed to sales increases at H-D dealers.

The 1921 season witnessed a sudden decline in motorcycle sales due to the widespread use and the improved dependability of the automobile as a medium of public transport. The survival race put Indian behind H-D in production. The former was too much committed to war efforts to provide enough machines to its dealers. World War I left it with disappointing profits and a disorganized dealer network. The latter kept a higher level of civilian production during the war and maintained more satisfied dealers. Meanwhile, Excelsior managed to overcome the crisis thanks to its product focus and strong bicycle business.

The first prototype for Excelsior was designed in 1905 by Walther Heckscher, a French immigrant who had some engineering experience with De Dion engines.⁽²⁾ The capital raised by his auto cycle friends enabled him to begin a small manufacturing operation in Chicago. The company produced approximately 300 single-cylinder machines in 1907 and introduced its first 50 cubic inch V-twin in 1910. In the meantime, Ignatz Schwinn, who owned a booming bicycle business in the same city, supplied Heckscher with motorcycle frames and the name "Excelsior" for the 1907 machines, prior to the eventual purchase of his bankrupt firm in 1911. In 1912 the Schwinn company launched a 61 cu. in. version of the 1910 twin, which became the first motorcycle ever to break the 100-mile-per-hour speed barrier⁽³⁾ in 1913. Schwinn's other successful business moves included the 1917 acquisition of the Henderson Motorcycle Co. for the Henderson Four (a powerful four-cylinder machine extremely popular among law enforcement officers) and the 1925 development of the Super X under Arther Constantine, an engine designer defected from H-D. These high performance machines helped the Excelsior Motor Company survive the industry's attrition crises of 1916 and 1921. Faced with the Great Depression, Schwinn made a blunder by switching to inferior parts in an effort to cut down production costs. The resultant defects and the Depression tolled the death knell for Excelsior in 1931, which left to customers only two American brands to choose from.

General interest in motorcycling waned in the thirties. The Great Depression substantially reduced the prices of cars and gasoline, creating a buyers' market for automobiles. This resulted in declining interest in motorcycles as more and more people took interest in cars and substituted them for motorcycles.

The times did not side with Indian. Its war effort in the early forties met with unfortunate consequences — the 1944 cancellation of military orders in favor of the jeep, the further deterioration of production machinery, and the depreciation of vital equipment. The postwar inflationary pressures worsened the company's financial problems. For 1949 Indian introduced two lightweight models: the 220-cc Arrow single and the 440-cc Scout vertical twin. Production was delayed by the soaring costs, material shortages, and various mechanical failures. Also the devaluation of the British currency in 1948 was another blow to the beloved American manufacturer. Mounting financial troubles, technical problems, and British imports forced it to stop production in 1953. Then the firm changed hands a couple of times, obscuring legitimate rights to the Indian trademark. The demise of Indian cleared the road for Harley-Davidson, the last of the Big Three.

2.2 The predominance of Harley-Davidson

Despite the initial postwar material procurement difficulties and worn-out production facilities, Harley-Davidson managed to produce its popular and reliable big twins and enjoyed a sellers' market from 1945 to 1955 thanks to war veterans' pent-up demand for recreation. The H-D management provided the models that would appeal to the American rider while Indian was concentrating its resources on the development and production of light-weights. With Indian gone, Harley took advantage of an increased interest in motorcycling in the late fifties as America's only domestic motorcycle manufacturer, although the light to middleweight category was dominated by British makers.

The growing popularity of Japanese machines in the 1960s changed the American motorcycle scene. The Big Four Japanese makers (Honda, Suzuki, Yamaha, and Kawasaki) entered the U.S. market and helped create a boom in motorcycling by luring educated young people. Step by step they expanded its market base and took a large chunk of the light and middleweight market largely because of their product features, superior quality, and low price. Next they started to enter the heavyweight market and posed a formidable challenge to Harley-Davidson. While the Japanese competition was getting keener, H-D found itself badly in need of capital. The Milwaukee company wanted to capitalize on the motorcycle boom, but lacked the means to expand production. Its new business in pleasure boats and golf carts in the early 1960s depleted its financial resources. In 1965 H-D went public, ending its 60-year-old private family ownership. It raised some capital from its stock sales, but not enough to meet the Japanese challenge. To strengthen its financial position, top management put the company up for sale.

Eventually in 1969, H-D was acquired by the American Machine and Foundry Company, which expanded motorcycle production just in time for the growing demand by the baby boomers. H-D's output tripled from 14,000 machines in 1969 to more than 50,000 in 1973 thanks to its parent company's financial strength. However, the rapid expansion was carried out at the expense of quality control, resulting in product defects. Then customer claims led to disputes between H-D and its dealers over warranty.

Saddled with the predominant Japanese threats, labor disputes, rising interest rates, and declining sales, AMF sold its motorcycle operation in 1981 to the Motorcycle Division president Vaughn Beals and twelve executives including chief designer Willie G. Davidson. They restored an autonomous Harley-Davidson company and focused on a market segment in which they could excel. The most important structural change the independent Harley-Davidson pursued was to shift its focus onto the nostalgia heavyweight market and introduce new models with traditional looks.

Faced with Japanese motorcycle dumping due to the 1980-82 recession at home, H-D sought government protection in the form of tariffs against the Japanese heavyweight imports. The result was the regular rate of 4.4% plus additional tariffs of 45% the first year down to 5% the fifth year imposed on all imported bikes over 700 cc. In an effort to improve

quality and efficiency, H-D adopted Japanese manufacturing methods and came up with updated and enhanced models. The tariff protection and model change triggered an increase in sales and led to the establishment of a viable and profitable business. The Milwaukee company regained the status of the market leader in the heavyweight class in 1986 and had the fifth-year tariffs removed. Helped by the resurgence of interest in the American motorcycle heritage, H-D continued to increase sales even during the 1991 recession. Its heavyweight market share jumped from 15% in 1983 to 60% in 1992. As the sole U.S. survivor, the Milwaukee brand now stood in an exclusive position to exploit the targeted market.

3. New entrants

3.1 The new Super X

Such a lucrative market naturally attracted new domestic entrants, such as the Hanlons among others. The brothers planned to achieve the annual production goal of 20,000 motorcycles by 2003. It was estimated that they needed to sell 5,000 units to stay in business. Fortunately the heavyweight-cruiser market had been expanding since 1994 – a 31% increase in cruiser sales between 1994 and 1996. With the pie getting bigger, the new Super X designed by the Hanlons should find enough customers. In fact, there were waiting lists for the machine at some dealers before production even started. The soaring sales of Excelsior accessories (\$100,000 for 1996) were a strong indication of growing interest in the Excelsior brand. With its creation of excitement and unique value, Excelsior-Henderson had a good chance to begin a successful business.

Two of the main challenges for new entrants in the motorcycle industry are raising capital and gaining competitive advantage. The amount of capital required for the start of motorcycle manufacturing exceeds \$50 million. Being capital intensive, the industry has seen many startup companies vanish in the early stages. The history of rivalry between Indian and H-D speaks volumes about the potential degree of competitiveness in this business. Without some competitive advantage, new entrants would fall flat when faced with the incumbent's retaliation.

The first task for the Hanlons was to solve the cash problem. Unable to woo venture capitalists, they turned to private-equity investors and raised \$15 million. They collected \$27.6 million through an initial public offering in July 1997. When they chose their hometown of Belle Plaine as a site for their \$30-million factory and corporate headquarters, they received a \$2.3-million grant from the town and a \$7-million loan from the state of Minnesota. In this way Excelsior managed to clear the first hurdle.

The next challenge facing the Hanlons now was to establish competitive advantage and win the hearts of potential customers. Competitive advantage is gained through the creation of superior value for the target audiences. And value is added mainly by offering a good price and achieving a product differentiation.

Excelsior had no intention of waging a price war. The Super X initially costed a little

over \$18,000, which was about \$3,500 more than the price of Harley's popular custom model. By positioning its product as being more premium-priced Excelsior opted not to make costs its primary strategic target. This move sounded OK in the premium market, but not if it was made due to difficulty in production or vulnerability to suppliers. In reality, the company was in a rather weak position in terms of pricing, and offered a high margin of about 25% to attract dealers.

Then it became all the more important for Excelsior to provide greater non-price value to the customer than its rival. What unique value does it have to offer? First of all, its brand name 'Excelsior' stands a good chance of providing an exciting history. Launched in 1925, the original 'Super X' instantly became a best seller as the first American V-twin middleweight and won all the major national races of this class in 1930 and 1931. With a 61 cu. in. version added, it left a lingering impact on the American motorcycle racing scene. Well aware of this historical value, the Hanlons tried to establish an Excelsior-Henderson cult. They caused quite a sensation at the 1997 Sturgis Rally and Races, the biggest unofficial H-D gathering held annually at Sturgis, South Dakota. Attracting more than 25,000 H-D enthusiasts to the Excelsior tent during the week-long rally, the Super X prototype won acceptance and street credibility as a reborn American icon.⁽⁴⁾

No doubt the Super X's contemporary design is another big plus. With chrome aluminum wheels, a low-slung seat, and a sleek teardrop tank, the modern-day Super X looks stunning. *The 1386 cc V-twin machine has neatly exposed front-end spring shocks and forks piercing the front fender, retaining an important styling feature of the 1929 Super X; that is, the fork tubes and the fully valanced front fender are crossed to form the Excelsior logo "X".* The styling would certainly appeal to those bikers bored with a Harley.

How about the Super X's performance? The engine was developed from the ground up by Neil Wright, a talented motorcycle engineer scouted from the British maker Triumph Motorcycles Ltd. Manufacturing was directed by Allan Hurd, former Triumph manager of production engineering. Hiring talent and executing a well-designed plan, the Hanlons were confident that their technology would deliver high performance. By using proprietary technology, they distinguished themselves from such Harley-clone makers as Titan, Big Dog, and California Motorcycle Co. that employed after-market parts for production. And the Super X prototype made its debut at Sturgis in 1996 and left a favorable impression on hard-core Harley riders. It was tested and refined, but the real test would come in the marketplace.

3.2 Renewed competition

In recent years, the American-heritage cruiser market Harley has a monopoly on has been promising enough to absorb new players. H-D's annual production jumped to 133,000 units in 1997 from 119,000 in 1996. The demand is so strong that H-D is expanding its production capacity, juggling resources at its new Kansas City, Missouri, plant for Sportster motorcycles and its York, Pennsylvania, plant for larger machines. The Milwaukee-based company is planning to boost its annual production volume to 200,000 units by 2003. It definitely has the

incumbent's advantage over new entrants, but there must be some customers that want to see a few more alternatives on the market.

Excelsior was not alone in entering the market. Polaris Industries Inc., a 46-year-old snowmobile manufacturer based in Minneapolis, Minnesota, launched a mid-priced heavy-weight bike named Victory and entered the American-heritage cruiser market in 1998 more than one year before Excelsior's entry plan materialized. Cycle World magazine chose Victory as "Best Cruiser" in 1998, and Motorcycle Cruiser magazine gave it honorable recognition as "Cruiser of the Year" in 1999. Being the world's top maker of snowmobiles and personal watercraft with 2,000 dealers in North America, Polaris achieved a 12.4% annual sales growth and made a net income of \$76 million for 1999. Based on this financial strength, its Victory Motorcycles division has been moving fast in introducing new models. It has already made more than 200 engineering changes and improvements on its three models for 2001 and is expecting to have a sales increase at more than 300 dealers in the United States, Canada, and the United Kingdom.⁶⁵ Priced slightly below the cost of Harleys, Victory motorcycles look promising.

Competition is likely to heat up. If it can create fresh excitement about American motorcycling, the pie will grow big enough for everyone to enjoy. If not, there will be tough sales. And Excelsior will be hard pressed to mark down the Super X.

Here is a frightening case for the startups. Since the demise of Indian, there have been several failed attempts to revive its marques. Among the recent ones is that of Wayne Baughman of Albuquerque, New Mexico. He formed an Indian manufacturing company and came up with Indian prototypes, but failed because of capital draining. That was in 1994. The same fate was awaiting Excelsior.

Used to be known as the smallest of the Big Three, revived Excelsior has had a hard time building unique customer value and securing a firm foothold in its targeted segment. Co-founders Dan, Dave and Jennie Hanlon sought to attract high-income customers interested in the American motorcycling heritage. For this, they wanted a historic name with an impact on the biking community and changed their original company name Hanlon Manufacturing Co. to Excelsior-Henderson Motorcycle Manufacturing Co. in 1996. The new name carries a Harley-like tradition that embodies the history of American motorcycling. Thus it can provide unique brand name value with an exciting history and prestige. Whatever story comes with it, however, the Hanlons cannot escape from the fact that their company's lineage can be called into question.

4. Bankruptcy

The Hanlons tried to create an Excelsior-Henderson cult through rallies, apparel, and merchandise. They generated a certain degree of interest among some enthusiastic bikers and had waiting lists for the Super X before its assembly began. They sold Excelsior accessories totaling \$100,000 in 1996.

Excelsior-Henderson went public on the NASDAQ in 1997. Its dealer network started

with 12 founding members in June 1997. The number of dealers increased to 80 in 1998 and 135 in 1999. Its \$30 million factory headquarters in Belle Plaine, Minnesota, was completed in late 1997, and the number of employees went up to 180. However, the first Super X came off the assembly line as late as December 30, 1998. They could not make it for the motorcycle peak season.

Delay in production seriously undermined E-H's financial position. The company needed to sell 5,000 units to break even, and it was at the end of July 1999 that the 1,000th bike was shipped. To stay in business, it had to improve its production and distribution channel. For this, it definitely needed more manufacturing and marketing skills. The Hanlons hired a management team from a consultant firm in August 1999, but their efforts were to no avail. Unable to avoid further loss, they had to face the stark reality of business.

As skepticism prevailed among investors regarding E-H's sales plan, the Hanlons found it all the more difficult to secure a further infusion of capital to survive the winter. Among the financial turmoil, the publicly-traded company with over 17,000 shareholders stopped its manufacturing operations and filed for bankruptcy protection under Chapter 11 on December 21, 1999. It submitted its disclosure statement and reorganization plan to the U.S. Bankruptcy Court in Minnesota, and their approval came on May 18, 2000.

When the Hanlons drew up a plan to start a motorcycle manufacturing company, they figured that \$50 million was the target amount. But the required figure turned out to be \$100 million plus some more. Manufacturing thousands of motorcycles a year in the late 1990s was too capital-intensive a business for a startup to carry on.

It took E-H more than five years to get to the production phase. That was not fast enough. The startup company went bankrupt with less than one year of actual manufacturing operations at its brand-new plant. If started on a much smaller scale using after-market parts, it would have run a profitable business in a market niche. Winning the right to the brand name of Excelsior-Henderson was a right step toward offering an attractive alternative on the market, but developing a premium-priced machine with a proprietary engine from the ground up was not a wise move for a startup. Funding operations through the startup phase was just too costly.

Eventually co-founders Dan, Dave and Jennie Hanlon managed to raise up to \$90 million, but ran short of operating capital in November 1999 when the preferred stockholders investment group refrained from further commitment.⁽⁶⁾ Given a substantial infusion of capital, E-H would have stood to benefit from the five-year-old expansion of the U.S. heavyweight motorcycle market. That chance was wrecked. Now E.H. Partners, Inc. was founded in Florida to acquire the bankrupt company, but uncertainty still prevails about its acquisition. The most difficult problem is how to get funds to resume production.

Under the reorganization plan submitted to the Bankruptcy Court, the acquired company will "focus on the Excelsior-Henderson heritage, offer new models and lines of accessories, make certain engine improvements, and improve the Excelsior-Henderson distribution channel."⁽⁷⁾ Certainly, the biking community would welcome a viable alternative to Harleys, and

the Excelsior-Henderson Super X can be it. For that to happen, the company must appeal to the traditional values of its brand name by conducting a targeted advertising. It needs to have its web site updated, make focused promotional efforts, and increase its contacts with the media. Also it must have its brand name known to the public for enhancing its prestige, which is a difficult proposition judging from the cost of advertising. Next, it should broaden its product line to offer more choices. Its machines need further improvements in engine vibration control and transmission. Finally it has to solve the problem of poor distribution. Its dealer network cannot be maintained without an effective distribution channel. Dealers need products to sell at the right moment. If the restructuring plan is carried out properly, there will be another chance for the success of the bankrupt company since opportunity still abounds to run a profitable motorcycle manufacturing business.

Whatever the outcome, the Hanlons should be praised for what they have accomplished. Starting from scratch, they seized the opportunity to enter the booming American heavy-weight motorcycle market and worked wholeheartedly to resurrect the great trademark of Excelsior-Henderson.

5. Summary

Dan Hanlon, Dave Hanlon, and Dave's wife Jennie founded a motorcycle manufacturing company in December 1993. Longtime Harley-Davidson enthusiasts, they went to the 1993 Sturgis Rally and Races, mingled with Harley riders, and conceived the idea of introducing a genuine Harley alternative to the American heavyweight motorcycle market dominated by Harley-Davidson. Their original company name was Hanlon Manufacturing Co., but it was replaced with Excelsior-Henderson Motorcycle Manufacturing Co. in order to add a Harley-like traditional value. Their business plan called for a brand name with an authentic American motorcycling heritage, and Excelsior-Henderson fit the picture they had in mind.

Excelsior was the name bicycle company owner Ignatz Schwinn gave to Walther Heckscher's 1907 single-cylinder machines. He acquired Heckscher's concern in 1911, applied the name Excelsior to his combined firm, and expanded his motorcycle business with the acquisition of the Henderson Motorcycle Co. in 1917. Schwinn's company grew big and became known as a "Big Three" motorcycle manufacturer although it was smaller than the other Big Three makers Indian and Harley-Davidson. Over 200 motorcycle companies were founded in the United States in the early 1900s, but all except for Harley-Davidson failed by the mid-twentieth century. The Great Depression was a mortal blow to Excelsior, and Schwinn wound it up in 1931.

Sixty-five years later, Excelsior was revived by the Hanlons who, in their search for a prestigious company name, came upon Excelsior and secured its trademark along with that of Henderson. They tried to create an Excelsior-Henderson cult through gathering support from American motorcycle enthusiasts and achieving a product differentiation with the Excelsior brand. However, because of serious delay in production, poor channel of distribution, and difficulty with raising further operating capital, Excelsior-Henderson collapsed

and asked for relief under chapter 11 of the Bankruptcy Code.

[Notes]

- (1) See Sucher (1995: 39).
- (2) The De Dion engine was developed by Count Albert De Dion and his partner George Bouton in 1884. It was a 120 cc lightweight gasoline engine ever produced for lightweight vehicles like motor bicycles and tricycles. With this engine, the two Frenchmen built a commercial motor tricycle in 1895. Incidentally, Gottlieb Daimler of Cannstatt, Germany, came up with the first gasoline-powered motorcycle in 1885, fitting his own single-cylinder engine into a wooden frame. See Wilson (1993: 8-11).
- (3) Lee Humiston rode the Excelsior 61 cu. in. twin for the first 100 mph record in a board race in a Los Angeles suburb. See Sucher (1995: 345).
- (4) See Ballon (1997: 52).
- (5) See PR Newswire (August 09, 2000).
- (6) See the E-H web site: (www.excelsior-henderson.com/press.html).
- (7) See page 32 of the E-H disclosure statement.

[EXHIBITS]

Exhibit 1

Company Profile for 1999

Name: Excelsior-Henderson Motorcycle Manufacturing Co.

Location (of Factory Headquarters): 805 Hanlon Drive, Belle Plaine, MN 56011, U.S.A.

Co-Founders: Daniel L. Hanlon, David P. Hanlon, Jennie L. Hanlon

Employees: 119

Products: Super X models (manufacturer's suggested retail prices – \$18,125 for the Raven Black and Henderson Blue Super X, \$18,690 for the Excelsior Green/Oyster and the Sunburnt Red/Oyster combinations), Deadwood Special model (manufacturer's suggested retail price – \$18,690), related parts, accessories, and branded apparel

Registered trademarks: Super X, X-Twin, Excelsior, Henderson

Registered logos: the X and Bar logo, the Super X logo, The EXperience, Reignite The Glory, FIREITUP, Cloning Is For Sheep, BIGX, Always Makes Good

Main competitors: Harley-Davidson Inc., Polaris Industries Inc.

Main problems: lack of capital, production delay, poor distribution

Exhibit 2

Company History

1993 – Founded as Hanlon Manufacturing Co.

1994 – Started work on designing a proprietary motorcycle

1995 – Preliminary prototypes completed
 1996 – Changed the company name to Excelsior-Henderson Motorcycle Manufacturing Co.
 1997 – Factory Headquarters constructed
 1998 – Dealers numbered 80
 January 1999 – First revenue Super X shipped
 July 1999 – 1000th Super X shipped
 December 1999 – Filed for bankruptcy protection under Chapter 11

Exhibit 3

Excelsior-Henderson Quarterly Income Statement for 1999

(Dollar amounts in million)	Quarter 1 Jan - Mar	Quarter 2 Apr - Jun	Quarter 3 Jul - Sep	Quarter 4 Oct - Dec
Revenue	1.9	11.4	9.0	6.9
Cost of Goods Sold	4.6	12.8	10.1	7.9
Gross Profit	-2.7	-1.4	-1.1	-1.0
Expenses	4.4	3.8	3.2	2.2
Operating Income	-7.1	-5.2	-4.3	-3.2
Total Net Income	-7.8	-6.1	-5.1	-3.6

NB Expenses include research and development, sales and marketing, and general and administrative.

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[Abstract]

**The Resurrection of Excelsior:
The Rise and Fall of American Motorcycle Companies**

Akira NAKAYA

This paper describes how the motorcycle company Excelsior-Henderson came into existence and went bankrupt amid financial turmoil. Securing sufficient funds is a major hurdle for every startup that undertakes a capital-intensive venture like manufacturing and marketing proprietary machines. In its attempt to build a premium-priced bike with a high American content, the American maker, based in Belle Plaine, Minnesota, faced this problem head-on.

In other words, this business case study illustrates some important aspects of a venture business, namely the risky situation three Harley enthusiasts encountered in their venture to enter the American heavyweight cruiser market. Thus it can offer a practical introduction to the world of business, where execution of a business plan is not so easy as it looks.