

CYCLE COUNTRY ACCESSORIES CORP

Form PRER14C

November 01, 2011

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c) of the Securities Exchange Act of 1934 (Amendment No. 1)

Check the appropriate box:

- | | |
|----------------------------------|---|
| <input checked="" type="radio"/> | Preliminary Information Statement |
| <input type="radio"/> | Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2)) |
| <input type="radio"/> | Definitive Information Statement |

CYCLE COUNTRY ACCESSORIES CORP.
(Name of Registrant As Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- | | |
|----------------------------------|---|
| <input type="radio"/> | No fee required |
| <input type="radio"/> | Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11 |
| (1) | Title of each class of securities to which transaction applies:
Common Stock, par value \$.001 per share |
| (2) | Aggregate number of securities to which transaction applies:
6,957,328 |
| (3) | Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
The proposed transaction has an aggregate value of \$9,700,000. The filing fee was determined by multiplying the proposed value of the transaction by 0.0001146. |
| (4) | Proposed maximum aggregate value of transaction:
\$9,700,000. |
| (5) | Total fee paid:
\$1,111.62. |
| <input checked="" type="radio"/> | Fee paid previously with preliminary materials. |
| <input type="radio"/> | Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing. |
| (1) | Amount Previously Paid: |
| (2) | Form, Schedule or Registration Statement No.: |
| (3) | Filing Party: |
| (4) | Date Filed: |
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CYCLE COUNTRY ACCESSORIES CORP.

1701 38th Avenue West

Spencer, IA 51301

NOTICE OF WRITTEN CONSENT OF STOCKHOLDERS

APPROVING ASSET PURCHASE AGREEMENT

AND AMENDMENT TO ARTICLES OF INCORPORATION

To the Stockholders of Cycle Country Accessories Corp.:

NOTICE IS HEREBY GIVEN, in accordance with Nevada Revised Statutes Chapter 78 (Nevada Law) that, on , 2011, the holders of a majority of the outstanding shares of Cycle Country Accessories Corp., a Nevada corporation, entitled to vote thereon, acting by written consent without a meeting of stockholders, took the following actions:

- (1) authorized, adopted and approved the execution, delivery and performance of an Asset Purchase Agreement, dated August 26, 2011 (the Purchase Agreement), by and among Cycle Country Accessories Corp., a Nevada corporation, and its wholly-owned subsidiary, Cycle Country Accessories Corporation, an Iowa corporation, as the Sellers, and Kolpin Outdoors, Inc., as the Buyer, and approved the sale of assets contemplated thereby (the Asset Sale), and
- (2) approved the filing of an amendment to the Company s Articles of Incorporation to change its name to ATC Group Inc. immediately after the closing of the Asset Sale.

As permitted by Nevada Law and the Company s Articles of Incorporation and its Amended and Restated Bylaws, no meeting of the stockholders of the Company is being held to vote on the approval of the Purchase Agreement, the Asset Sale, or the name change because such transactions have been approved by the requisite number of stockholders in an action by written consent.

The terms and conditions of the Purchase Agreement, the Asset Sale and the name change are described in further detail in the enclosed Information Statement.

Stockholders do not have appraisal rights under Nevada Law.

Dated: , 2011

By Order of the Board of Directors,

/s/ Robert Davis
Robert Davis
Chairman and Chief Executive Officer, Chief Financial Officer,
Chief Operating Officer and Secretary

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

THIS IS ONLY FOR YOUR INFORMATION.

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CYCLE COUNTRY ACCESSORIES CORP.

1701 38th Avenue West

Spencer, IA 51301

SCHEDULE 14C INFORMATION STATEMENT

(Pursuant to Regulation 14C of the Securities Exchange Act of 1934, as amended)

, 2011

Dear Stockholder:

On August 25, 2011, Cycle Country Accessories Corp., a Nevada corporation (the "Company"), and its wholly-owned subsidiary, Cycle Country Accessories Corporation, an Iowa corporation (the "Subsidiary" and, together with the Company, the "Sellers" or we, our, or us), entered into an Asset Purchase Agreement (the "Purchase Agreement") for the sale (the "Asset Sale") to Kolpin Outdoors, Inc., a Wisconsin corporation (the "Buyer"), of certain of the assets of the Company and the Subsidiary, which consists of assets related to its business of designing, manufacturing and selling aftermarket accessories for all-terrain vehicles and utility vehicles under the "Cycle Country" brand name (the "Product Line"), for an aggregate purchase price of \$9,700,000, subject to certain adjustments and contingencies set forth in the Purchase Agreement and described more fully in this Information Statement.

Immediately following the closing of the Asset Sale and as required by the Purchase Agreement, the Company will file an amendment to its Articles of Incorporation to change its name to "ATC Group Inc." A copy of the Purchase Agreement is attached as Annex A to this Information Statement.

After careful consideration, the Board of Directors of each of the Company and the Subsidiary have unanimously determined that the Asset Sale is advisable, expedient and in the best interest of the Subsidiary and the Company and the stockholders of the Company. On , 2011, stockholders of the Company holding approximately % of the outstanding shares of the Company's common stock, par value \$0.0001 per share (the "Common Stock"), by written consent approved the Purchase Agreement and the Asset Sale. Action by written consent is sufficient to adopt the Purchase Agreement and approve the Asset Sale without any further action or vote of the stockholders of the Company. In accordance with Nevada law and the Company's Articles of Incorporation and its Amended and Restated Bylaws, you do not have appraisal or dissenters rights in connection with the Asset Sale.

This Information Statement is being provided to you for your information to comply with the requirements of Regulation 14C of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). You are urged to read this entire Information Statement carefully. However, no action is required on your part in connection with the Purchase Agreement or the Asset Sale. This Information Statement is provided to the stockholders of the Company as of , 2011 (the "Record Date") only for informational purposes in accordance with Rule 14c-2 of the Exchange Act.

The Company intends to mail this Information Statement to its stockholders on or about _____, 2011. Under Rule 14c-2(b) of the Exchange Act, the Asset Sale may be consummated no earlier than 20 calendar days after we have mailed the Information Statement to our stockholders. We anticipate that the closing of the Asset Sale will take place as soon as practicable after satisfaction of each of the closing conditions set forth in the Purchase Agreement, but, in any event, under applicable rules of the U.S. Securities and Exchange Commission (the "SEC"), no earlier than 20 calendar days after the mailing of this Information Statement.

Following the Asset Sale, the Company will retain the net proceeds of the Asset Sale and will continue to operate the Company's PlazCo, Imdyne, and Perf-Form businesses (collectively, the "Retained Business"). The Company also expects to manufacture the Cycle Country Product Line products for the Buyer following the closing until at least March 31, 2012. The Company will continue to exist, and its Common Stock will continue to be traded. It is the Board's intention to seek growth through the Retained Business, as well as through potential acquisitions or similar business combinations with other companies unrelated to the Product Line.

Sincerely,

/s/ Robert Davis
Robert Davis
Chairman and Chief Executive Officer, Chief Financial Officer,
Chief Operating Officer and Secretary

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ASSET PURCHASE AGREEMENT AND ASSET SALE

SUMMARY TERM SHEET

This summary term sheet is intended to give you a brief description of the Asset Sale. This summary term sheet is qualified in its entirety by the more detailed information furnished elsewhere in this Information Statement and in the Purchase Agreement, which is attached as Annex A to this Information Statement. We urge you to review this Information Statement and the Purchase Agreement to gain a more complete understanding of these transactions.

Overview of the Asset Sale

On August 26, 2011, we entered into the Purchase Agreement, pursuant to which the Company and the Subsidiary agreed to sell, and the Buyer agreed to purchase, substantially all of the assets of the Company and the Subsidiary relating to the Product Line, which assets constitute most of the Subsidiary's operating business. Such assets include, but are not limited to, the intellectual property related to the Product Line, tooling and fixtures used in the manufacture of the Product Line, customer lists, inventories and fixed assets (collectively, the "Acquired Assets"). The Acquired Assets exclude certain assets held by the Subsidiary, including cash, accounts receivable, the Company's manufacturing plant and associated real property in Spencer, Iowa, assets not related to the Product Line, and certain liquidation inventory. The Company will continue to operate the Retained Business. The Company also expects to manufacture the Cycle Country Product Line products for the Buyer following the closing until at least March 31, 2012.

To fully understand the Asset Sale, you should read this Information Statement and the Purchase Agreement completely. The Purchase Agreement constitutes the legal document that governs the Asset Sale and is attached as Annex A to this Information Statement. For a more complete description of the terms of the Purchase Agreement and the details of the transaction with the Buyer, please see the discussion below entitled "THE ASSET SALE" and "THE ASSET PURCHASE AGREEMENT".

Purchase Price

The purchase price for the Assets is \$9,700,000 (the "Purchase Price"), subject to certain adjustments. At the closing of the Asset Sale (the "Closing"), the Buyer will pay \$3,200,000 to the Company in cash. An additional \$1,000,000 is scheduled to be paid to the Company in three equal installments after the Closing (collectively, the "Deferred Payments") as follows: the first payment of \$333,333 is due 30 days after Closing; the second payment of \$333,333 is due on January 1, 2012; and the final payment of \$333,334 is due on April 1, 2012; in each case subject to the Buyer's right to offset certain claims against such amount. Please see the discussion below entitled "Ancillary Agreements" "Setoff Agreement". The Purchase Price is subject to adjustment, upwards or downwards, on a dollar-for-dollar basis to the extent that the value of the inventory included in the Asset Sale at the Closing (the "Inventory") is greater than or less than \$1,000,000.

The balance of the Purchase Price of \$5,500,000 is contingent (collectively, the "Contingent Payments") and such amount represents the maximum amount the Company may receive under a contingent earn-out provision set forth in the Purchase Agreement. If the Buyer achieves certain net

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sales targets for three one-year periods specified in the Purchase Agreement, thereafter the Sellers will receive a percentage of the net sales generated until the maximum for each such period is reached. The maximum Contingent Payments that the Sellers can be paid under this provision is \$5,500,000. Since the Contingent Payments are dependent on the Buyer's net sales for each applicable period, there can be no certainty how much, if any, of the Contingent Payments will be received by the Sellers.

To secure the Deferred Payments, the Buyer has agreed to deliver a guaranty by FCF Partners, LP, the private equity group that is the majority owner of the Buyer, for the Deferred Payments that make up the \$1,000,000 due to the Company after the Closing. The Contingent Payments are not secured.

Closing

The Closing of the Asset Sale is expected to occur as soon as practicable after satisfaction of each of the closing conditions set forth in the Purchase Agreement, but, in any event, under applicable rules of the SEC, no earlier than 20 calendar days after the mailing of this Information Statement to stockholders.

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Material Terms of the Purchase Agreement

The Purchase Agreement sets forth the various rights and obligations of the Company, the Subsidiary and the Buyer. The Purchase Agreement also contains various representations and warranties by both the Company and the Subsidiary, on the one hand, and the Buyer, on the other hand, and other covenants and agreements including covenants and agreements concerning the conduct of the business of the Subsidiary prior to the consummation of the Asset Sale, the agreement of the Company not to solicit other purchasers before the Closing, and agreements concerning confidentiality.

The Closing of the Asset Sale is subject to certain conditions, including that:

- the Company and the Subsidiary comply with their obligations under the Purchase Agreement;
- the Buyer receives the consent of its lender to the acquisition of the Product Line and confirmation that the Acquired Assets will be added to its eligible borrowing base under the Buyer's loan agreement; and
- the Buyer is satisfied with its due diligence review of the properties, books and records relating to the Product Line.

In the Purchase Agreement, the Company has made a number of agreements that will apply after the Closing of the Asset Sale. The Company, for itself and its affiliates, has agreed not to compete with the Product Line, for a period of five years in the United States or any country in which the Buyer is then conducting business. The Company also may not solicit the Buyer's employees for a period of two years after Closing. The Company also has agreed to certain confidentiality provisions.

The Buyer has agreed to operate the Product Line business in a manner consistent with the Sellers' historic business practices and will not take any actions intentionally designed to reduce the Contingent Payments. The Buyer also has agreed to administer warranty claims and perform warranty repairs for products sold prior to Closing subject to the Buyer's rights under the Setoff Agreement.

The Purchase Agreement contains indemnification obligations from the Company and the Subsidiary in favor of the Buyer, including reimbursement to the Buyer in the event the Buyer is harmed by a breach of the covenants or representations and warranties made by the Company and the Subsidiary in the Purchase Agreement. Most of the Company's and the Subsidiary's indemnity obligations survive for claims brought by the Buyer within eighteen (18) months of the Closing of the Asset Sale (except certain representations, which survive indefinitely or for the applicable statute of limitations), and the indemnity obligation is subject to a cap of \$2,500,000.

Please see the discussion below entitled "ASSET PURCHASE AGREEMENT".

Ancillary Agreements

In connection with the Purchase Agreement, the Company will be entering into the agreements listed below.

Master Supply Agreement

At the Closing, the Company and the Buyer will enter into a Master Supply Agreement (the "Supply Agreement") pursuant to which the Buyer will grant the Company the exclusive right to manufacture for the Buyer the products set forth in the Supply Agreement (the "Supplied Products") at the prices set forth in the Supply Agreement, and the Buyer will be obligated to purchase all of its requirements for such Supplied Products from the Company, subject to the conditions set forth in the Supply Agreement. The Supply Agreement will continue in effect until March 31, 2012, unless earlier terminated in accordance with its terms. Please see the discussion below entitled "Ancillary Agreements" Master Supply Agreement .

Setoff Agreement

At the Closing, the Company, the Buyer and the Subsidiary will enter the Deferred Payments into a Setoff Agreement (the "Setoff Agreement") pursuant to which the Buyer may setoff against the Deferred Payments due to the Company certain damages that may be incurred by the Buyer. In particular, if the Company breaches its manufacturing or warranty

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obligations under the Supply Agreement or if the Buyer is required to pay or honor a rebate, discount or marketing program offered by the Company prior to the Closing but redeemed by the customer after the Closing, the Buyer may setoff the damages incurred by the Buyer by deducting the applicable amount from the Deferred Payments and/or the Contingent Payments remaining due, or, in the case of a Major Breach (as defined in the Supply Agreement), obtain reimbursement of such damages from the Company in the amount of up to \$1,000,000. Regardless of whether the Buyer sustains any actual damages in connection with any pre-closing warranty claims or any actual damages in excess of \$50,000, the Buyer may setoff the amount of \$50,000 against the Deferred Payments. Please see the discussion below entitled Ancillary Agreements Setoff Agreement .

Warehouse and Transition Services Agreement

At the Closing, the Company and the Buyer shall enter into a Warehouse and Transition Services Agreement (the Warehouse Agreement) pursuant to which the Buyer will engage the Company to provide certain warehousing, management and shipping services in exchange for the compensation set forth in the Warehouse Agreement. The Warehouse Agreement will continue in effect until March 31, 2012, unless earlier terminated in accordance with its terms. Please see the discussion below entitled Ancillary Agreements Warehouse and Transition Services Agreement .

Guaranty Agreement

At the Closing, the Company, the Subsidiary and FCF Partners, LP, a Delaware limited partnership and the private equity group that is the majority owner of the Buyer (the Guarantor), will enter into a Guaranty Agreement (the Guaranty) pursuant to which the Guarantor will guarantee the timely, complete and full payment and performance of the Deferred Payments due to the Company as part of the Purchase Price, and all reasonable fees, costs and expenses paid or incurred by either Seller in attempting to collect or enforce the Guaranty. Please see the discussion below entitled Ancillary Agreements Guaranty Agreement .

In connection with the entering into the Purchase Agreement, the Company also entered into certain agreements at the same time that it entered into the Purchase Agreement, including the following:

Sub-License Agreement

On August 26, 2011, the Company and the Buyer entered into side letter agreement (the Sub-License Agreement) pursuant to which the Company sub-licensed to the Buyer the Company's rights to manufacture and sell the X factor and Dixie product line of the Company (collectively, the Licensed Products), which rights the Company obtained under a License Agreement between the Company and Curt Hill, dated as of April 1, 2011 (the License Agreement). Under the Sub-License Agreement, the Company granted the Buyer a worldwide, non-transferable, royalty-free (except as provided below) sub-license to market and sell the Licensed Products under the Buyer's brand name. The term of the Sub-License Agreement is equal to the term of the License Agreement, but will automatically terminate upon the completion of the Closing. Please see the discussion below entitled Ancillary Agreements Sub-License Agreement .

No Fairness Opinion

The Board has not sought a written opinion from any financial advisor as to the fairness of the purchase price to be received by the Company in the Asset Sale. As discussed in "The Asset Sale" Background of the Asset Sale below, the Company received multiple offers for the Company's product line and fabrication capabilities. The Board decided not to obtain a fairness opinion because it believed, in light of these multiple competitive offers, it had received the best offer available for these assets. In addition, in light of the size of the transaction, the Board believed the cost of an opinion was prohibitive and outweighed the potential benefit of a fairness opinion.

Use of Proceeds from the Asset Sale

Following the Asset Sale, the Company will retain the net proceeds of the Asset Sale, and the Company will continue to operate the Retained Business. The Company also expects to manufacture the Cycle Country Product Line products for the Buyer following the Closing until at least March 31, 2012. Approximately \$ of the net proceeds will be used to repay the Company's outstanding line of credit and satisfy certain other obligations of the Company. However, the Company will continue to exist as an operating company, with the operations of the Retained Business. The Company's Common Stock will continue to be traded. It is the Board's intention to seek growth through the Retained Business, as well as through potential acquisitions or similar business combinations with other companies unrelated to the Product Line.

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Reasons for the Asset Sale

The Board approved the Asset Sale because it believed that it was the strategic alternative most likely to maximize value for the stockholders of the Company.

In reaching its conclusion to approve the Asset Sale, the Board reviewed and considered the Company's current condition and future prospects, including its financial condition, results of operations, anticipated capital expenditures and capital structure, the value of the Company's assets, the Company's likely earning potential and other strategic alternatives for the Company, including the risks associated with these alternatives. After considering these factors and alternatives, the Board determined that the Asset Sale was advisable and in the best interests of the Company, its stockholders and creditors, and that the Company should proceed with the Asset Sale. For a more complete description of the history preceding the Board's decision to approve the Asset Sale, please see the discussion below entitled "THE ASSET SALE Background of the Asset Sale".

Appraisal Rights

Under Nevada Law, which governs the Company and the rights of the Company's stockholders, stockholders are not entitled to appraisal rights or other rights to demand fair value for their shares of stock as a result of the Asset Sale.

Certain U.S. Federal Income Tax Consequences

As described in the discussion below entitled "THE ASSET SALE Certain U.S. Federal Income Tax Consequences", and subject to the limitations and qualifications therein, the consolidated group, consisting of the Company and the Subsidiary, will recognize a gain or loss on the disposition of each of the Company's and the Subsidiary's assets pursuant to the Asset Sale. The amount of such gain or loss will be equal to the difference between the portion of the total purchase price allocable to each such asset and the Company's and the Subsidiary's adjusted tax basis in each asset. Any gain recognized by the consolidated group from the Asset Sale generally may be offset by other tax attributes of the consolidated group, such as consolidated net operating losses and/or tax credits to the extent they are available and allowed under the U.S. federal income tax laws.

Risk Factors

The Asset Sale involves a number of risks. You should read and carefully consider the information about such risks set forth the discussion below entitled "THE ASSET SALE Background of the Asset Sale". Since the Purchase Agreement contains certain conditions to the obligations of the Buyer to consummate the Asset Sale, if any of those conditions should not be met, the Buyer would have the ability to terminate the Purchase Agreement and not purchase the Product Line. One of the conditions is a due diligence out, which permits the Buyer to terminate the Purchase Agreement if it is not satisfied in its reasonable discretion as to the results of its due diligence examination, or if it is not satisfied in its reasonable discretion that the representations and warranties made by the Sellers regarding the performance, condition, and prospects of the Product Line business are true and accurate and have been materially substantiated by the Buyer prior to Closing. Further, the Buyer has a

financing contingency out , which permits the Buyer to terminate the Purchase Agreement if it has not received its lender's consent to the acquisition of the Acquired Assets and received confirmation from its lender that the Acquired Assets will be eligible as eligible borrowing base assets under the Buyer's loan agreement with such lender.

Voting Agreement; Written Action of Majority Stockholders

Pursuant to a Voting Agreement, dated August 26, 2011, by and among the Company, the Buyer and certain stockholders who beneficially own and have the right to vote an aggregate of % of the Company's outstanding Common Stock, such stockholders have agreed to vote in favor of the Asset Sale pursuant to the Purchase Agreement. Thus, the Company currently has sufficient stockholder support to approve the Asset Sale.

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Additional Information About the Company

More information about the Company is available from various sources. Please see the discussion below entitled OTHER INFORMATION.

Additional Questions About the Asset Sale

If you have any additional questions about the Asset Sale, or would like additional copies of this Information Statement, you should contact:

Cycle Country Accessories Corp.

1701 38th Avenue West

Spencer, IA 51301

(712) 262-4191

Attention: Chief Financial Officer

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

A number of the matters discussed in this Information Statement relate to future circumstances and expectations, in particular, whether and when the Asset Sale will be consummated. Such matters are subject to risks and uncertainties, and actual results may differ significantly from those discussed herein. Such risks and uncertainties include, among others: the need to satisfy various conditions to the Closing of the Asset Sale, including obtaining third party consents and the risk of the failure of the Buyer to obtain acceptable financing in order to consummate the Asset Sale, and the risks that are described from time to time in the Company's reports filed with the SEC, including its Annual Report on Form 10-K, as amended, for the year ended September 30, 2010 as amended. This Information Statement speaks only as of its date, and the Company disclaims any duty to update the information herein, except as required by law.

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**SECURITY OWNERSHIP OF CERTAIN
BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth the number and percentage of outstanding shares of Common Stock and other classes of the Company's equity securities entitled to vote on all matters submitted to a vote by holders of Common Stock, beneficially owned as of _____, 2011, by (a) each director and named executive officer of the Company, (b) all persons who are known by the Company to be beneficial owners of five percent (5%) or more of the Company's outstanding Common Stock and (c) all officers and directors of the Company as a group. Unless otherwise noted, each of the persons listed below has sole voting and investment power with respect to the shares indicated as beneficially owned by such person.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership(2)	Percentage of Class
Hummingbird Management, LLC		
Hummingbird Value Fund LP		
The Tersier Nanocap Value Fund LP		
Hummingbird Capital, LLC		
Paul D. Sonkin.		
145 East 57th Street - 8th Floor		
New York, New York 10022	412,922(3)	%
Robert Davis Chairman, CEO, COO, CFO, Secretary, Treasurer and Director	1,005,809(4)	14.46%
Paul DeShaw Director	2,293,260(5)	32.96%
Lance Morgan Chairman of the Audit Committee, Director	95,528(6)	1.37%
John P. Bohn Member of the Audit Committee, Director	0	
All Officers and Directors as a Group (4 persons)	3,299,069	48.79%

(1) The address for each stockholder unless otherwise noted is c/o Cycle Country Accessories Corp., 1701 38th Avenue West, Spencer, IA 51301.

(2) Pursuant to the rules of the SEC, shares of common stock which an individual or group has a right to acquire within sixty (60) days pursuant to the exercise of options or warrants are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

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- (3) As reported in the Schedule 13D filed May 11, 2010, this includes 101,000 shares owned by Hummingbird Value Fund, LP and 311,922 shares owned by The Tarsier Nanocap Value Fund, L.P. Hummingbird Management, LLC serves as the investment manager of each of Hummingbird Value Fund, LP and Tarsier Nanocap Value Fund, LP.
- (4) Includes 402,324 shares that have not yet vested, but for which Mr. Davis has voting rights. Such shares will vest upon consummation of the Asset Sale.
- (5) Includes 8,700 shares owned by Mr. DeShaw's spouse.
- (6) Includes shares owned by Ho-Chunk Inc., an entity in which Mr. Morgan serves as its CEO.

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THE ASSET SALE

General

On August 24, 2011, the Board approved the Asset Sale and adopted the Purchase Agreement, subject to obtaining stockholder approval.

The full text of the Purchase Agreement is set forth in Annex A attached to this Information Statement.

Contact Information of Each Party to the Purchase Agreement

The Company's and the Subsidiary's principal executive offices are located at 21701 38th Avenue West, Spencer, IA 51301. The Company's telephone number is (712) 262-4191.

The Buyer's principal executive offices are located at 205 N. Depot Street, Fox Lake, WI 53933. Buyer's telephone number is (920) 928-3118.

Business Conducted by the Parties to the Purchase Agreement

The Company was formed in 1981, and over the past thirty years has become a leading innovator, marketer and manufacturer in the category of aftermarket accessories for ATV's and UTV's sold exclusively through the Powersports distribution channel.

The Buyer was formed in 1943 and is a leading innovator and marketer of aftermarket accessories for ATVs and UTV's primarily sold to various powersports channels.

Background of the Asset Sale

As part of its regular evaluation of our business, our Board regularly considers opportunities for business combinations, strategic transactions, and financing transactions in order to enhance shareholder value. In the late Spring of 2011, we were approached by the Buyer during an unrelated meeting regarding licensing of products, and they expressed an interest in having a discussion about a potential transaction. We met again in May of 2011, and began a gradually more serious discussion about their purchasing our Product Line. The Company had had previous discussions going back to at least 2008 with the Buyer about a potential transaction.

Over the course of the summer, we were approached by another party with a similar interest. Also over the course of the summer, we found ourselves in two additional discussions, each with a current supplier that had interest in acquiring our product line and fabricating capabilities.

Concurrent with these discussions, we were actively searching for new financing to replace our existing lender. To do so, our Board engaged Black Torch Capital LLC ("Black Torch"), an investment advisor, to assist us in evaluating options for both financing and a potential strategic divestiture.

The Board met on May 31, 2011 with our executive management team to discuss the current situation of the business and its future prospects. During that meeting, the executive management team gave the Board an overview of the status of our sales programs, prospects, strengths, weaknesses, and opportunities, looking out over the next 1-3 year time horizon.

On July 19, 2011, the Board met to discuss the options that had been presented by management regarding the divestiture and financing opportunities. The Board decided to continue the discussions with the current parties, but no decision was made at that time as to a specific direction. The Board discussed the idea of creating an auction or otherwise proactively shopping the Company to identify other alternative interests, but decided that due to the small, competitive nature of the industry, such activity would create substantial risk to the prospective opportunities under discussion.

The Board met again on August 3, August 8 and August 15, 2011, to continue to discuss the merits of the various transactions before it. During these meetings, the Board discussed the factors that it believed were relevant in the Asset Sale. The Board discussed how the efforts of management had improved the operations and reestablished important

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relationships and credibility of the Company, but also decided that it was necessary to consider alternatives to our current business model to protect stockholder value.

In particular, the discussion focused on the continued cash constraints of the Company, and the limited options we faced in the credit and equity markets, conditions which were becoming clearer through the work with Black Torch. Further, the Board discussed and understood the relevant cost of equity for the Company at this time. The Board discussed the limited opportunities for growth without additional capital, whether debt or equity.

The Board also discussed the drawbacks of entering into the Asset Sale. Most notably, the Board discussed the risks and contingencies related to the announcement and pendency of the sale, including the impact on our customers, employees, suppliers, and relationships with other third parties. In addition, the Board addressed the followin