

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:

- Preliminary Information Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14c-5(d)(2))
 Definitive Information Statement

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

Payment of Filing Fee (Check the appropriate box):

- No fee required
 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.
- Fee paid previously with preliminary materials.
 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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THIS IS ONLY FOR YOUR INFORMATION.

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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 in 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 following potential risks associated with the proposed transaction:

- The conditions to the Buyer's obligation to complete the asset sale and the right of the Buyer to terminate the purchase agreement prior to closing;
- The risks and cost to the Company if the Asset Sale did not close, including the diversion of management and employee attention, potential employee and customer attrition, and the potential impact on the Company's business;
- The possibility of delays due to unforeseen circumstances and the impact of any such delays on the ultimate terms and timing for the completion of the transaction; and
- The period of time in which Buyer may make claims for indemnification under the purchase agreement.

On August 15, 2011, the Board approved the material terms of the Asset Sale to Kolpin subject to its final approval and negotiation of documents.

On August 24, 2011, the Board met telephonically to review the draft documents and directed management to continue to finalize and refine those documents with legal counsel.

On August 26, 2011, the parties signed the definitive transaction documents.

Required Approval of the Asset Sale

The Closing of the Asset Sale is subject to the approval by a majority vote of the outstanding shares of the Company's Common Stock. Pursuant to the Voting Agreement by and among the Company, the Buyer and certain stockholders, the Company has the requisite vote to approve the

Asset Sale. Stockholders representing % in interest have executed a written action in lieu of meeting approving the Asset Sale and the Purchase Agreement.

Accounting Treatment of the Asset Sale

The Asset Sale will be accounted for as a sale of assets transaction. At the Closing of the Asset Sale, any excess in the purchase price received by the Subsidiary, less transaction expenses, over the net book value of the net assets sold will be recognized as a gain by the Company.

Certain U.S. Federal Income Tax Consequences

The Company intends the following discussion to provide only a general summary of certain U.S. federal income tax consequences of the Asset Sale to the Company and its stockholders. Stockholders should consult their own tax advisors as to the U.S. federal income tax consequences, as well as the effects of state, local and non-U.S. tax laws. This summary does not address the treatment of stockholders under the laws of any state, local or foreign taxing jurisdiction.

This discussion describes certain U.S. federal income tax consequences of the Asset Sale. This discussion is based on currently existing provisions of the Internal Revenue Code of 1986, as amended, existing and proposed Treasury regulations thereunder and current administrative rulings and court decisions, all of which are subject to change. Any such change, which may or may not be retroactive, could alter the tax consequences as described herein. This discussion is limited to U.S. citizens or residents, U.S. corporations, and U.S. trusts and estates that hold their shares as capital assets

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for U.S. federal income tax purposes (generally, assets held for investment). This discussion does not address all of the tax consequences that may be relevant to a particular person or the tax consequences that may be relevant to persons subject to special treatment under U.S. federal income tax laws (including, among others, foreign persons, tax-exempt organizations, dealers in securities or currencies, banks, insurance companies, financial institutions or persons that hold their Company stock as part of a hedge, straddle, constructive sale or conversion transaction, persons whose functional currency is not the U.S. dollar, persons that are, or hold their Company stock through, partnerships or other pass-through entities, or persons who acquired their Company stock through the exercise of an employee stock option or otherwise as compensation). In addition, this discussion does not address any aspects of state, local, non-U.S. taxation or U.S. federal taxation other than income taxation.

The following discussion presents the opinion of the Company. No ruling has been requested from the Internal Revenue Service (the IRS) with respect to the anticipated tax treatment of the Asset Sale, and no assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences set forth below. Furthermore, the Company will not seek an opinion of counsel with respect to the anticipated tax treatment of the Asset Sale. If any of the conclusions stated herein proves to be incorrect, the result could be increased taxation at the Company and/or stockholder level.

Consequences to the Company

For U.S. federal income tax purposes, the Company and Subsidiary constitute a consolidated group. As such, the consolidated group will recognize gain or loss on the disposition of each of the assets of Subsidiary pursuant to the Asset Sale in an amount equal to the difference between the portion of the total purchase price allocable to each such asset and Subsidiary's adjusted tax basis in each asset. Any gain recognized by the consolidated group from the Asset Sale may be offset by other tax attributes of the consolidated group such as consolidated net operating loss carryforwards and/or tax credits to the extent they are available and allowed by the U.S. federal tax laws. The Company has not fully evaluated the adjusted tax basis of Subsidiary's assets and/or how the purchase price will be allocated among the assets for U.S. federal income tax purposes. Therefore, it is not able to fully analyze the tax treatment of the transaction to determine how much gain or loss will be realized in the transaction or provide additional disclosure in this report with respect to the U.S. federal income tax consequences of the Asset Sale to the Company. The consolidated group anticipates that the consolidated group's net operating loss carryforwards will offset any gain on the sale of the assets; provided, however, that the Company could be subject to an alternative minimum tax.

Consequences to the Stockholders

The Asset Sale will not produce any separate and independent tax consequences to the Company's stockholders. However, upon distributions of any amounts (whether in cash or in kind) to the Company's stockholders, the stockholders may recognize income or gain and be subject to the payment of income tax at that time. No distributions to stockholders are intended as a result of the consummation of the Asset Sale.

Post-Closing; Use of Proceeds

Following the Asset Sale, the Company will retain the net proceeds of the Asset Sale (estimated to be approximately \$_____ after the payment of debt, certain other liabilities and payment of all expenses relating to 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

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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 liabilities 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.

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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. However, the Company is not currently engaged in meaningful negotiations with any such business.

It is also possible that the Company might not be successful in growing its Retained Business nor in finding a suitable company to acquire or merge with. If, over time, the Company fails to grow its Retained Business or to find a suitable company to acquire or merge with, then the Company may consider liquidating and dissolving. If liquidation were to occur, any remaining assets of the Company would be sold, and (after payment of the Company's remaining liabilities) the cash proceeds, together with all other cash then held by the Company, would be distributed to the Company's stockholders. If liquidation were to occur, the Company would then be dissolved and would cease to exist.

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THE ASSET PURCHASE AGREEMENT

The following description summarizes the material provisions of the Purchase Agreement and is qualified in its entirety by reference to the complete text of the Purchase Agreement, which is included as Annex A to this Information Statement. The following description is not intended to provide any other factual information about the Company, the Subsidiary or the Buyer. In particular, the assertions embodied in the representations and warranties contained in the Purchase Agreement were made only for purposes of such agreement and as of specific dates, were solely for the benefit of the parties to such agreement, and may be subject to limitations agreed upon by the parties, including being qualified by certain disclosures not reflected in the text of the Purchase Agreement. The representations and warranties in the Purchase Agreement may have been made for the purpose of allocating contractual risk between the parties instead of establishing matters as facts, and may be subject to standards of materiality applicable to the parties that differ from those applicable to investors. Accordingly, the representations and warranties in the Purchase Agreement should not be viewed or relied on as characterizations of the actual state of facts about or conditions of the Company, the Subsidiary or the Buyer. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the Purchase Agreement, which subsequent information may or may not be fully reflected in our public disclosures. We urge you to read the full text of the Purchase Agreement because it is the legal document that governs the Asset Sale.

General

Subject to the conditions contained in the Purchase Agreement, the Buyer agreed to purchase the Acquired Assets from the Company and the Subsidiary for a purchase price of \$9,700,000 in cash, subject to adjustment and contingencies as described below. The Buyer will also assume certain of the Subsidiary's liabilities associated with the Acquired Assets specifically described in the Purchase Agreement.

Assets

The Acquired Assets include a substantial portion of the assets of the Subsidiary's business of designing, manufacturing and selling aftermarket accessories for all-terrain vehicles and utility vehicles under the Cycle Country brand name (the Product Line) including, but not limited to:

- certain finished goods inventories and supplies, except for certain retained inventory to be liquidated;
- certain vehicles, equipment, fixtures and other tangible personal property;
- all rights in, to and under certain scheduled contracts, agreements, sales and purchase orders, commitments and other instruments related to the Product Line;
- all rights in and to any licenses, certificates, approvals, permits and other authorizations, to the extent assignable, issued or to be issued by any governmental authority;
- copies of all business and accounting records, data, supplier, dealer, broker, distributor and customer lists, manuals, books, files, procedures, systems, business records, production records, advertising materials and other proprietary information relating to the Product Line;

- all intellectual property relating to the Product Line;
- all claims, deposits, refunds, rebates, causes of action, choses in action, rights of recovery, rights of recoupment and other rights of action against third parties related to the Product Line, except to the extent the same relate to any excluded assets;
- all transferable warranties or similar rights related to the Product Line; and
- all other intangible personal property and the goodwill associated with the Product Line.

Purchase Price and Adjustments; Earnout; Ancillary Agreements

The Purchase Price for the Assets is \$9,700,000, subject to certain adjustments. At the Closing, the Buyer will pay \$3,200,000 to the Company in cash. An additional \$1,000,000 in Deferred Payments is scheduled to be paid in three installments to the Company after the Closing, as follows: the first payment of \$333,333 is due 30 days after the 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".

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The balance of \$5,500,000 in Contingent Payments represents the maximum amount the Company will receive under a contingent earn-out provision set forth in the Purchase Agreement. If the Buyer achieves certain net sales targets for three one-year periods specified in the Purchase Agreement, the Sellers will receive a percentage of the net sales received 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 contingent 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 the extent that the value of the Inventory at Closing is greater than or less than \$1,000,000, the Cash Portion of the purchase price will be adjusted on a dollar-for-dollar basis by such difference. Within sixty (60) days of the Closing, the Buyer will prepare a closing worksheet on the same basis and applying the same accounting principles, policies and practices that were used in determining the estimated closing net finished goods inventory value and prepare the definitive closing Inventory value amount. To the extent such amount is less than \$1,000,000, the Company will be responsible for paying the Buyer such shortfall. To the extent such amount exceeds \$1,000,000, the Buyer will pay the Company such excess within approximately ninety (90) days after the Closing.

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.

Representations and Warranties

Article IV of the Purchase Agreement contains customary representations and warranties of the Company and the Subsidiary that relate to, among other things:

- due organization, valid existence and good standing of the Company and the Subsidiary with requisite power and authority to carry on Subsidiary's business as currently conducted;
- requisite corporate power and authority to execute and deliver the Purchase Agreement and certain related agreements and to consummate the Asset Sale;
- the accuracy of financial statements;
- no violation of law;
- requisite consents;
- tax matters and compliance with relevant tax laws;
- real and personal property;
- condition and sufficiency of assets;

- inventory;
- identification of material contracts;
- intellectual property
- pending or threatened actions, suits and other proceedings against the Company and Subsidiary;
- intellectual property;
- permits;
- employee relations;
- compliance with laws;
- customer lists;
- brokers fees;
- product warranties;
- insurance;
- affiliate transactions;
- seller information; and
- accuracy of warranties.

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Article V of the Purchase Agreement contains customary representations and warranties by the Buyer that relate to, among other things:

- due organization, valid existence and good standing with requisite corporate power and authority to carry on its business as currently conducted;
- requisite authority and power to execute and deliver the Purchase Agreement and certain related agreements;
- no violation of law;
- requisite consents;
- brokerage fees;
- financial statements;
- buyer information; and
- accuracy of warranties.

Covenants

Article VI of the Purchase Agreement contains a number of covenants with respect to the period between the execution of the Purchase Agreement and the Closing by the Company, Subsidiary and Buyer, including, but not limited to, covenants relating to:

- efforts to consummate the Purchase Agreement;
- interim operations of Subsidiary;
- access to Buyer information and premises by Seller;
- notification of certain matters;
- solicitation of an alternative acquisition proposal, or notification requirements of the Company upon a third party's alternative acquisition proposal to either the Company or Subsidiary;
- preparation and filing of the Information Statement;
- public announcements; and
- delivery of financial records by guarantor.

Conditions to Closing

Under Article VII of the Purchase Agreement, the Buyer's obligation to complete the Asset Sale is subject to the following conditions being met:

- the representations and warranties made by the Company and Subsidiary in the Purchase Agreement are true and correct at and as of the closing date, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties will be true and correct on and as of such earlier date), except where the failure of such representations and warranties to be so true and correct individually or in the aggregate has not had, and would not be reasonably likely to have or result in, a material adverse effect on Subsidiary;
- the Company and Subsidiary have performed or complied with in all material respects each of their obligations under the Purchase Agreement required to be performed or complied with on or prior to the closing date;
- there shall not be any injunction, judgment, order, decree, ruling or charge having the likely effect of preventing consummation of any of the transactions contemplated;
- the Company and/or the Subsidiary (or certain of their affiliates) have delivered all executed certificates and ancillary documents set forth in the Purchase Agreement;
- the Subsidiary has obtained and delivered to Buyer all consents and approvals required under the Purchase Agreement;
- Buyer shall have received the opinion of Seller's counsel regarding the matter of Seller's shareholders' approvals;
- Buyer shall have received its lender's consent;
- Buyer shall be satisfied in its reasonable discretion as to the results of its due diligence examination, and shall be further satisfied in its reasonable discretion about the accuracy of the representations and warranties made by seller;

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- the Company's stockholders have approved the Purchase Agreement and the Asset Sale; and
- twenty (20) days shall have passed since the mailing of the Information Statement and Seller shall have not received any comments from the SEC.

Under Article VII of the Purchase Agreement, the Subsidiary's obligation to complete the Asset Sale is subject to the following conditions being met:

- the representations and warranties made by Buyer in the Purchase Agreement are true and correct at and as of the Closing, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties will be true and correct on and as of such earlier date);
- Buyer has performed or complied with in all material respects each of its obligations under the Purchase Agreement required to be performed or complied by it on or prior to the closing date;
- there shall not be any injunction, judgment, order, decree, ruling or charge having the likely effect of preventing consummation of any of the transactions contemplated;
- Buyer has obtained all material authorizations, consents, approvals, waivers and releases, if any, necessary for it to consummate the transactions contemplated by the Purchase Agreement;
- Buyer and/or FCF Holdings, LP have delivered all executed certificates and ancillary documents set forth in the Purchase Agreement; and
- Seller shall have obtained the requisite approval by seller's stockholders of the transactions contemplated;
- Seller shall be satisfied in its reasonable discretion with its review of the financial statements of the Guarantor; and
- twenty (20) days shall have passed since the mailing of the Information Statement and Seller shall have not received any comments from the SEC.

Indemnification and Survival

In Article IX of the Purchase Agreement, the Company and its Subsidiary agreed to jointly and severally indemnify and hold harmless Buyer against losses suffered by it (or certain of its affiliates) in connection with, but not limited to: (i) any representation or warranty made by the Subsidiary or the Company in or pursuant to the Purchase Agreement being untrue or incorrect in any respect; and (ii) any failure by the Subsidiary or the Company to observe or perform the covenants and agreements set forth in the Purchase Agreement.

The representations and warranties made by the Company and its Subsidiary in the Purchase Agreement generally survive the Closing for a period of eighteen (18) months. However, certain representations and warranties relating to the following survive indefinitely or until the

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applicable statute of limitations (as indicated below):

- due organization, valid existence and good standing of Subsidiary with requisite power and authority to carry on Subsidiary's business as currently conducted (indefinite);
- requisite corporate power and authority to execute and deliver the Purchase Agreement and certain related agreements and to consummate the Asset Sale (indefinite);
- tax matters and compliance with relevant laws (statute of limitations);
- title to property (indefinite); and
- brokerage fees (indefinite).

The Company's and Subsidiary's indemnification obligations arise only to the extent that the aggregate amount of Buyer's (or certain of its affiliates') losses exceed \$2.5 million and then only for the amount by which such losses exceed \$50,000 (except for certain claims, including, but not limited to, claims regarding Subsidiary's existence and good standing, authority to enter into the Purchase Agreement and consummate the Asset Sale, tax matters, brokerage fees or fraud, where claims may be made regardless of the amount of such losses).

Similarly, Buyer has agreed to indemnify and hold harmless the Company and Subsidiary against losses suffered by either the Company or Subsidiary (or certain affiliates) in connection with, but not limited to: (i) any representation or warranty made by Buyer being untrue or incorrect in any respect; and (ii) any failure by Buyer to observe or perform its covenants and agreements set forth in the Purchase Agreement.

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Termination

Article X of the Purchase Agreement sets forth the rights of each party to terminate the Purchase Agreement prior to the Closing of the Asset Sale and provides that the Purchase Agreement may be terminated at any time prior to Closing:

- by mutual written consent of Subsidiary and Buyer;
- by either the Subsidiary or Buyer, by written notice to the other party, if there has been a material breach of the other party's covenants, representations or warranties or if there has been a failure on a scheduled closing date of satisfaction of the conditions to the obligations of the terminating party that, in any such case, has not been cured within ten (10) days after written notice thereof by the terminating party to the other party;
- by either Subsidiary or Buyer, by written notice to the other party, if the Asset Sale has not been consummated by November 30, 2011, and such failure to consummate is not caused by a breach of the Purchase Agreement (or any covenant, representation or warranty included herein) by the party electing to terminate;
- by the Company pursuant to the fiduciary out provided in the Purchase Agreement; or
- by either Subsidiary or Buyer, by written notice to the other party, if there is any law or regulation that makes consummation of the Asset Sale illegal or otherwise prohibited or if any judgment, injunction, order or decree enjoining Subsidiary or Buyer from consummating the Asset Sale is entered and becomes final.

Under the terms of the Purchase Agreement, Seller must pay the Buyer a break-up fee of \$225,000 if Seller accepts a Superior Proposal, as that term is defined in the Purchase Agreement. Such Superior Proposal must relate to all of the outstanding capital stock or all or substantially all of the assets of the Product Line. The break-up fee is the Buyer's sole remedy in connection with such termination by Seller for a Superior Proposal.

Ancillary Agreements

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

Master Supply Agreement

At the Closing, the Company and the Buyer will enter into the Supply Agreement pursuant to which the Buyer will grant the Company the exclusive right to manufacture for the Buyer 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 certain conditions set forth in the Supply

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Agreement. The Supply Agreement will continue in effect until March 31, 2012, unless earlier terminated in accordance with its terms. Under the Supply Agreement:

- the Company will provide certain warranties to the Buyer with respect to the Supplied Products;
- each party agrees to indemnify the other with respect to losses it incurs arising out of breaches and defaults under the Supply Agreement, negligence and willful misconduct and, in the case of the Company, claims related to certain defects in the Supplied Products;
- each party will maintain business insurance at certain specified levels of coverage; and
- each party agrees that it will, during the term of the Supply Agreement and for a period of five years after its termination for any reason, neither use nor disclose any of the other party's confidential information, other than in performing its duties under the Supply Agreement.

This summary of the Supply Agreement is qualified in its entirety by reference to the complete text of the Supply Agreement attached as Exhibit D to the Purchase Agreement attached as Annex A to this Information Statement.

Setoff Agreement

At the Closing, the Company, the Buyer and the Subsidiary will enter into the Setoff Agreement pursuant to which the Buyer will be entitled to setoff against the Deferred Payments and/or the Contingent Payments of the Purchase Price due to the Company certain damages that may be incurred by the Buyer. In particular, if the Company breaches certain of its manufacturing or warranty obligations under the Supply Agreement or if the Buyer is required to pay or honor a rebate,

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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.

This summary of the Setoff Agreement is qualified in its entirety by reference to the complete text of the Setoff Agreement attached as Exhibit C to the Purchase Agreement attached as Annex A to this Information Statement.

Warehouse and Transition Services Agreement

At the Closing the Company and the Buyer will enter into 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. Under the Warehouse Agreement:

- the Buyer will retain the Company, on a non-exclusive basis, to provide warehouse space and all necessary equipment and services for the storage and handling of the Supplied Products;
- the Buyer will retain the Company, on a non-exclusive basis, to provide transition services relating to sales, product development, engineering and customer service for the Supplied Products;
- during the term of the Warehouse Agreement the Company will not provide similar services to any other business engaged in a business competitive with the Supplied Products; provided, however, that the Company's provision of services in connection with its contract manufacturing business through its Imdyne division in substantially the same manner as it has been conducting such business prior to the date of the Warehouse Agreement will not be a violation of this covenant;
- each party will maintain business insurance at certain specified levels of coverage;
- each party agrees to indemnify the other with respect to any losses it incurs arising out of any breach by such party under the Warehouse Agreement or the gross negligence or willful misconduct of such party or its employees; and
- each party agrees that it will maintain the confidentiality of the other party's confidential or proprietary information and not disclose any of such confidential or proprietary information to any third party without the prior written consent of such party.

This summary of the Warehouse Agreement is qualified in its entirety by reference to the complete text of the Warehouse Agreement attached as Exhibit E to the Purchase Agreement attached as Annex A to this Information Statement.

Guaranty Agreement

At the Closing, the Company, the Subsidiary and the Guarantor will enter into the Guaranty pursuant to which the Guarantor guarantees 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.

This summary of the Guaranty is qualified in its entirety by reference to the complete text of the Guaranty attached as Exhibit F to the Purchase Agreement attached as Annex A to this Information Statement.

In connection with the entering into the Purchase Agreement, the Company also entered into the following agreement at the time that it entered into the Purchase Agreement.

Sub-License Agreement

On August 26, 2011, the Company and the Buyer entered into the Sub-License Agreement pursuant to which the Company sub-licensed to the Buyer the Company's rights to manufacture and sell the Licensed Products, which rights the Company obtained under the License Agreement. Under the Sub-License Agreement the Company granted the Buyer a

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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. If the Closing does not occur, the Buyer agrees to pay the Company a royalty equal to five percent (5%) of the net revenue from the sale of the Licensed Products, calculated in the manner provided in the License Agreement. The Buyer otherwise agrees to be bound by the provisions binding upon the Company as licensee under the License Agreement.

This summary of the Sub-License Agreement is qualified in its entirety by reference to the complete text of the Sub-License Agreement attached as Annex B to this Information Statement.

Regulatory Approvals

No federal or state regulatory requirements must be complied with, or approval must be obtained, in connection with the Asset Sale.

Financial Advisory Fees

No financial advisory fees are payable in connection with the transactions contemplated in this Information Statement.

Past Contacts, Transactions, Negotiations and Agreements

Other than in connection with the Asset Sale, within the two (2) years prior to the date of this Information Statement, there have not been any negotiations, transactions or material contacts between the Company, or its affiliates, and Buyer, or its affiliates, regarding any merger, consolidation, acquisition, tender offer for or other acquisition of any class of the Company's, or its affiliate's, securities, election of the Company's, or its affiliate's, directors or sale or other transfer of a material amount of the Company's assets.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA

The unaudited pro-forma consolidated balance sheets as of June 30, 2011 and September 30, 2010 have been prepared assuming the Asset Sale occurred on the date of each respective period. The unaudited pro-forma consolidated statements of operations for the six months ended June 30, 2010 and the fiscal year ended September 30, 2010 have been prepared assuming the Asset Sale occurred as of the beginning of each respective period. The unaudited pro-forma consolidated financial information is presented for informational purposes only, includes assumptions and adjustments as explained in the accompanying notes and is not necessarily indicative of the results of future operations of the Company or the actual results of operations that would have occurred had the Asset Sale been consummated as of the dates indicated above.

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The unaudited pro forma consolidated financial information should be read in conjunction with our historical consolidated financial information and the notes thereto contained in our reports filed with the SEC.

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	June 30, 2011			
	Historical Consolidatd	CCAC Segment	Other Pro Forma Adj.	Pro Forma
Assets				
Current Assets				
Inventories	3,126,074	(2,460,445)(A)		665,629
Cash	23,350		6,200,000(F)	6,223,350
Other current assets	1,152,789	(563,515)(B),(H)	(3,238,857)(I)	(2,649,584)
Total current assets	4,302,213	(3,023,960)	2,961,143	4,239,396
Property, plant and equipment, net				
Property, plant and equipment, net	9,481,534	(157,642)		9,323,892
Other long-term assets	76,221	(57,255)		18,966
Total assets	13,859,968	(3,238,857)	2,961,143	13,582,254
Liabilities and Stockholders Equity				
Current Liabilities				