

# VIPER POWERSPORTS INC

## FORM 10SB12G

(Securities Registration Statement (small business, section 12(g)))

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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**FORM 10-SB**

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GENERAL FORM FOR REGISTRATION OF SECURITIES  
OF SMALL BUSINESS ISSUERS  
Under Section 12(b) or (g) of The Securities Exchange Act of 1934

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**VIPER POWERSPORTS INC.**

(Name of Small Business Issuer in its charter)

**Nevada**

(State or other jurisdiction of  
Incorporation or organization)

**41-1200215**

(IRS Employer ID Number)

**5733 International Parkway, New Hope,  
Minnesota**

(Address of principal executive offices)

**55428**

(Zip Code)

**(763) 732-0778**

(Issuer's Telephone Number)

Securities to be registered under Section 12(b) of the Act: None

Securities to be registered under Section 12(g) of the Act:

Common Stock, \$0.001 par value (Title of class.)

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## PART I

### Item 1. Description of Business

#### (a) BUSINESS DEVELOPMENT

Viper Powersports Inc. was incorporated in Nevada in 1980 under a former name, and was inactive for years prior to early 2005. On March 31, 2005, it was recapitalized through a stock exchange merger with Viper Motorcycle Company, a Minnesota corporation, resulting in Viper Motorcycle Company becoming a wholly-owned subsidiary of Viper Powersports Inc. The transaction was effected as a reverse merger, since the former shareholders of Viper Motorcycle Company acquired 93.5% of the resulting combined entity. Viper Powersports Inc. regards its inception as being the incorporation of Viper Motorcycle Company on November 18, 2002, and the combined company is considered a continuation of the motorcycle operations of Viper Motorcycle Company. Under this reverse merger, Viper Motorcycle Company was treated as the acquiring entity for accounting and operational purposes and Viper Powersports Inc. as the surviving or parent entity for legal purposes. The stock exchange for this merger was effected on a one-for-one basis with the stockholders of Viper Motorcycle Company exchanging all of their capital stock for a like amount and type of capital stock of Viper Powersports Inc.

Viper Performance Inc. is also a wholly-owned subsidiary which was incorporated in Minnesota in March 2005. Viper Performance Inc.

was formed for the purpose of receiving and holding engine development technology and assets acquired by Viper Powersports Inc. effective March 31, 2005.

As used herein, the terms “we”, “us”, “our”, and “the Company” refer to Viper Powersports Inc. and its two wholly-owned subsidiaries, unless the context indicates otherwise.

Since our inception in late 2002, we have been in the business of designing, developing and commencing commercial marketing and production of premium custom V-Twin motorcycles popularly known as “cruisers.” We have recently also acquired and completed extensive testing of a line of powerful motorcycle engines for use by us both to power all Viper motorcycles and to sell into the large motorcycle product aftermarket. Our motorcycles will be distributed and sold under our Viper brand through a nationwide network of independent motorcycle dealers. Marketing of our motorcycles is targeted toward the upscale market niche of motorcycle enthusiasts who prefer luxury products and are willing to pay a higher price for enhanced performance, innovative styling and a distinctive brand. We believe there is a consistently strong demand for upscale or luxury motorcycle products like our American-styled classic Viper cruisers and our premium V-Twin engines. For example, the prestigious upscale Robb Report magazine publishes a Robb Report Motorcycling magazine bi-monthly, which is targeted exclusively to luxury motorcycle products.

While in our development stage, in 2004 we produced and sold to our initial dealers a preliminary run of our initial cruiser model powered by a non-proprietary engine, consisting of 25 motorcycles which generated revenues of approximately \$600,000. We then discontinued any further production operations in order to concentrate on acquiring proprietary motorcycle engine technology so that we could have our own engines to power all Viper motorcycles, as well as to complete certain other material enhancements to our initial model.

In January 2005 we commenced negotiations to acquire our proprietary engine technology, and completed this acquisition in March 2005, resulting in our now owning three different-sized powerful V-Twin engines as well as other engine technology. We completed the development and extensive testing of our V-Twins in October 2005, and we have been very satisfied with their performance while powering our cruisers during all kinds of street and highway running conditions.

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During the first nine months of 2005, we also completed all other planned enhancements and component modifications to our primary Viper cruiser, the “Diablo.” We believe that our development stage has ended, and that our Viper Diablo now satisfies all styling, performance and quality standards or criteria that we resolved to be met before being commercially introduced in our marketplace. We are currently in the process of outsourcing and/or ordering components, parts and raw materials for commercial production and sales of Viper cruisers by the summer of 2006.

### 2005 Reorganization

We planned and successfully completed a major reorganization in early 2005 including the following transactions:

- Debt Conversions - We converted most of our outstanding debt and liabilities into our common stock at \$2.50 per share, including trade accounts payable, loans and accrued liabilities totaling approximately \$4.8 Million.
- Strategic Merger - We completed the reverse merger between Viper Motorcycle Company and Viper Powersports Inc. resulting in our becoming a publicly-traded company.
- Strategic Asset Purchase - We consummated a key asset purchase in exchange for our common stock under which we acquired our powerful line of premium V-Twin engines to power all Viper cruisers.

### Purchase of Engine Development Technology

Our proprietary engine development technology was purchased effective March 31, 2005. These strategic assets were acquired from Thor Performance Inc., a Minnesota corporation in exchange for 2,996,575 shares of common stock of Viper Powersports Inc. issued to Thor Performance Inc.

Motorcycle technology acquired by us in this strategic asset purchase includes designs and prototypes for three V-Twin engines and other motorcycle engines, related motorcycle component development, and a commitment to complete engine development still in progress. Our proprietary engine development technology was designed and developed over the past 6-7 years by Melling Consultancy Design (MCD), a leading engine design and development firm based in England.

Incident to this acquisition, related parties of our company acquired beneficially 2,401,192 of our common shares based on their prior ownership of capital stock of Thor Performance Inc. Because Thor was controlled by persons who control us, this asset purchase was not an arms-length transaction. Accordingly, before closing the transaction, Thor obtained and provided us with an independent fair market value appraisal from a business appraisal firm based in Dallas, Texas. For accounting purposes, the acquisition was valued at \$7,491,438 based on \$2.50 per share, whereas the independent appraisal valued our engine development intellectual property at \$19,616,400.

### Corporate Data

The address of the Company in suburban Minneapolis is 5733 International Parkway, New Hope, MN 55428; its phone number is (763) 732-0778; and its website address is [www.viperpowersports.com](http://www.viperpowersports.com).

### (b) BUSINESS OF COMPANY

We develop and produce proprietary motorcycle products targeted toward consumers who purchase upscale luxury products. Any material revenues we generate initially will be from sale of our Diablo cruisers. Additional anticipated sources of revenues include a second model of a Viper cruiser scheduled for commercial introduction in late 2006, aftermarket sales of our proprietary V-Twin engines, and sales of ancillary Viper motorcycle products including aftermarket custom parts and accessories and Viper branded apparel and other merchandise.

Our revenue stream will be primarily affected by customer demand for our Viper motorcycles, our ability to timely provide Viper products in response to dealer orders, recruitment and retention of effective Viper dealers who actively promote and sell our products, and our dealers' acceptance of our floor plan financing facility. We currently hold orders from our dealers for approximately 100 Viper cruisers, although these orders are cancelable anytime by dealers.

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#### Our Market

Motorcycles are generally characterized in their industry by weight, primarily based on engine displacement size. Our cruisers fall within the heavyweight motorcycle category which includes models with engine displacements of at least 651cc (cubic centimeters). There are generally four types of heavyweight motorcycles:

- standard, which emphasize simplicity and low cost;
- performance, which emphasize handling and speed;
- touring, which emphasize rider comfort and long distance travel; and
- cruisers, which are designed to facilitate customization by owners.

According to information released by the Motorcycle Industry Council (MIC), heavyweight motorcycle sales in the U.S. have increased each year from 1992 to 2004. Over a ten-year period from 1992 to 2002, new heavyweight motorcycle registrations increased from 86,400 units in 1992 to 442,300 units in 2002, an average annual growth rate in excess of 15%.

Our Viper motorcycles are offered and compete in the upscale segment of the heavyweight custom V-Twin cruiser market dominated by Harley-Davidson. We believe that potential customers in this upscale market seek motorcycle models having a product and lifestyle appeal associated with the classic American V-Twin cruiser tradition. Our targeted customer base has expanded for many years due to the growing popularity of motorcycling along with the aging of the population bulge from the post-World War II baby boom years. Many males of the baby boom generation now are in their peak income earning years, making them good prospects for luxury goods. We believe that premium motorcycles have become well-accepted and popular luxury recreational motorsports products. In its recent annual report, Harley-Davidson stated that the typical consumer of their heavyweight motorcycles is a married man in his mid-forties having an income of approximately \$81,000.

#### Our Motorcycles

Viper motorcycles have been designed and developed to attract and appeal to wealthy motorcycle enthusiasts willing to pay a higher price for enhanced performance, innovative styling and a distinctive new brand.

#### *Viper Diablo*

The Viper Diablo is our primary cruiser, which we believe has been designed and developed with many styling and performance features and components distinguishing it from cruisers of our competitors. Our development efforts have focused substantially on providing enough signature styling and component features for the Diablo to compare favorably to other premium cruisers.

Premium components and distinctive features of the Diablo include:

- a powerful, billet-cut proprietary V-Twin engine;
- our unique right-side drivetrain providing maximum rider balance;

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- premium HID headlights and LED display functions;
- a 6-speed transmission;
- adjustable rear end air suspension system and front-end Marzocchi forks;
- a proprietary handlebar vibration dampening system; and
- wide high-quality Metzeler tires and premium billet wheels.

The outward appearance of the Diablo includes distinctive styling features such as:

- substantial use of billet-cut components including the V-Twin engine, primary drive, controls and wheels;
- a low, streamlined look;
- oil storage in the frame, enabling a sleeker and more naked appearance due to absence of an under-seat oil tank;
- a unique swingarm design; and
- rear light and LED turn signals built into the fender.

Basic specifications of the Diablo cruiser are as follows:

- Wheelbase length and rake: 68 inches, 34°
- Weight: 570 pounds
- Seat height: 21-25 inches, adjustable
- Engine type: 45° V-Twin, air-cooled
- Engine displacement: Choice of 115, 128 and 152 cubic inches
- Fuel distribution: Mikuni carburetion or direct injection (DI)
- Frame: 1 1/2" tubular steel
- Transmission/drivetrain: 6-speed, Viper right-side drive
- Final drive: Belt
- Rear-end suspension: Adjustable air-ride
- Front-end suspension: Marzocchi inverted cartridge forks
- Tires: Metzeler - 240mm front and 130mm rear

- Brakes: 4-piston caliper both front and rear
- Power rating ranges: 105-150 bhp and 110-170 ft.lbs. torque  
depending upon the displacement engine model

### *Viper Diablo PC*

The Viper Diablo PC is a distinct model from our Diablo cruiser primarily due to its different styling features. It is longer and lower than the Diablo, providing it with a somewhat chopper-style look compared to the Diablo. Most of the unique features and premium components used in the Diablo are also included in our Diablo PC model. Suggested retail prices of our Diablo PC line are expected to be approximately 10% more than Diablo cruisers with the same size V-Twin engine.

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### Viper Proprietary Engines

The proprietary engine technology acquired by us in early 2005 affords us the opportunity to offer multiple displacements of engine size. We have completed extensive testing for our three initial V-Twin models of 115 cubic inches, 128 cubic inches and 152 cubic inches. Both our Diablo and Diablo PC cruisers lines will offer consumers the opportunity to choose from any one of these three engines to power the motorcycle they purchase. We believe that having our own proprietary engines will distinguish us clearly and favorably from other upscale custom V-Twin competitors.

Our proprietary V-Twin engines feature an all-billet aluminum construction including cases, heads, cylinders, rocker boxes and covers, and oil pump components. Regardless of their varying rated power, our V-Twins will utilize the same crankshaft and stroke dimensions, with only the size of the cylinder bore creating the different displacements.

Our V-Twin engines will be produced in-house by us, and we have ordered the necessary large CNC machines to enable us to engage in volume commercial production of our V-Twin engines by the spring of 2006.

We also anticipate that our proprietary Viper engines will provide substantial revenues to us in the large custom motorcycle aftermarket. There is a continual and growing demand for premium V-Twin engines in this aftermarket through multiple marketing channels including dealer sales, catalog sales and website online sales.

### Sales and Marketing

We will sell our motorcycles directly to our authorized Viper dealers. Our dealer network will include well-established, independent full-service dealers offering more than one motorcycle brand. We currently have 17 Viper dealers located primarily in Southern and Midwestern states, all of which are experienced in selling and servicing premium heavyweight V-Twin motorcycles. We will continue to recruit additional qualified Viper dealers to attain our goal of having a nationwide distribution network. Our near-term marketing focus will emphasize dealer recruitment in regions of the country where we lack dealer representation.

Our dealers must maintain full-service departments capable of providing quality V-Twin engine and drivetrain maintenance and repair. They also must be able to perform custom upgrade work on cruisers. Viper dealers enter into a written dealer agreement with us granting them a designated, non-exclusive location to sell Viper motorcycle products. Dealers have the exclusive right to use and display our Viper brand in their respective locations in connection with the sale of our products. They must be responsible for warranty services and general repair and maintenance services, maintain adequate working capital, and conduct material efforts toward promoting and selling Viper products. Dealer agreements are for a one-year term, and expire automatically unless renewed by us and consented to by the dealer.

We will conduct substantial ongoing marketing activities to support our dealer network and promote Viper products and brands to our customer base and to the general public. Our marketing and promotional efforts will include advertising in selected trade publications and motorcycle magazines, production and publication of sales brochures, technical product documentation, and providing service and operational manuals for dealers and their customers. We also will participate in direct mail promotions to prospective customers, attend leading motorcycle trade shows and conventions, and appear at popular motorcycle rallies and similar events. We also intend to institute material public relations efforts directed toward industry media sources as well as the general investment community.

Dealer Floor Plan Financing

We have a written agreement with GE Commercial Distribution Finance Corporation (CDF) to provide floor plan financing to Viper dealers. Under this facility, we submit an invoice to CDF describing motorcycles we ship to a dealer if the dealer requests CDF floor plan financing. Provided CDF accepts the transaction, CDF will pay us 96.7% to 100% of the amount invoiced within 15 days of CDF's receipt of the invoice. We expect that most of our Viper dealers will purchase products from us financed by this CDF floor plan facility. Each Viper dealer must qualify independently with CDF to access this financing, and CDF is only obligated to finance products it has approved on a transactional basis.

CDF's obligation to finance dealer purchases of Viper products is also subject to:

- our delivery of products to the dealer within 30 days of CDF's acceptance;
- receipt of a transaction number from CDF; and
- receipt by CDF of the invoice from us within 10 days of product delivery to the Viper dealer.

If for any reason CDF deems it necessary to repossess Viper products from a Viper dealer, we must repurchase them from CDF at the greater of the dealer unpaid balance or our original invoice price, regardless of the condition of the merchandise, and we also must pay any repossession expenses incurred by CDF. Our CDF floor plan financing facility may be terminated anytime by CDF or by us upon 30 days written notice to CDF.

Design and Development

We are committed to a substantial ongoing design and development program to:

- introduce new Viper motorcycle models on an annual basis;
- improve and enhance existing Viper models;
- develop as many parts and components as possible for in-house production toward our goal of reducing production costs and controlling quality; and
- develop and produce or outsource production of ancillary Viper components and accessories for sale in the large custom cruiser aftermarket.

We believe our established design and development systems, our professional and motivated personnel, and other development equipment and capabilities will enable us to timely design and develop new Viper products as needed to satisfy the changing needs and tastes of the custom cruiser market. Our design and development operations are conducted primarily through our in-house development and engineering department located in our suburban Minneapolis facility. Since our November 2002 inception through August 31, 2005 we spent approximately \$2.5 Million on product research, design and development including capital purchases of equipment.

Manufacturing and Suppliers

Our manufacturing operations consist of in-house manufacture of V-Twin engines and certain other material motorcycle components, procuring numerous parts and components from third party suppliers, outsourcing the painting of Viper motorcycles, and assembling and testing motorcycles for shipment to our dealers. Certain key components for our motorcycles are being outsourced for production or purchased off-the-shelf from third party vendors located primarily in the United States. We have no written component supply agreements with our suppliers, although alternate sources exist for all components we procure from third party suppliers.

We will provide a standard limited warranty for Viper products primarily covering parts and labor to repair or replace defective motorcycle components. Our warranty will cover unlimited mileage during an effective one-year term. Under our Viper dealer agreements, our dealers will conduct repairs on Viper products under warranty, for which we will reimburse dealers. Warranty repairs and replacements will be provided at no cost to the consumer.

## Competition

The heavyweight motorcycle market is highly competitive, and most of our competitors have substantially greater financial, personnel, development, marketing and other resources than us, which puts us at a competitive disadvantage. Our major competitors have substantially larger sales volumes than we expect to ever realize and in most cases have greater business diversification. Our main competitor is Harley-Davidson, which for years has dominated the custom cruiser segment of the motorcycle marketplace. Other major competitors include Polaris with its Victory motorcycle brand, BMW, Honda, Suzuki, Yamaha, Kawasaki, Moto Guzzi, Ducati and Triumph. Direct competition in the upscale cruiser market includes Big Dog, American IronHorse, Titan, Bourget's Bike Works and others. We also compete with many small companies and sole proprietors who produce custom cruisers on a one-off basis using unbranded components. Due to the steady growth of cruiser-style motorcycles in recent years, we expect to encounter additional new competitors from time to time.

We believe that the principal competitive factors in our industry are styling, performance, quality, product pricing, durability, consumer preferences, marketing and distribution, brand awareness and the availability of support services. We cannot assure anyone that we will be able to compete successfully against current or future competitors or that the competitive pressures faced by us will not materially harm our operations, business and financial condition.

## Intellectual Property

We hold a registered trademark for our Viper logo, and we have registered for trademark protection for the use of the term Viper in connection with motorcycles and motorcycle products. Although we have not been challenged by any party regarding our use of Viper as a brand name, there is no assurance that we will receive trademark protection from the U.S. Patent and Trademark Office. If we cannot obtain an official registration of the Viper trademark, however, we believe we hold the right to continue using the Viper name and brand as it is now used by us for motorcycle products. We are aware of other users of the marks Viper and Diablo for various products, and there is no assurance one or more of these other users will not challenge our use.

We regard our development technology and proprietary know-how and assets as being very valuable to us, but we have no patent protection to date. We are in the process of preparing certain patents relating to our V-Twin engines and certain other Viper motorcycle components, which we expect to have filed with the U.S. Patent and Trademark Office by the end of 2005. We do not expect to obtain any significant patent protection, however, and we intend to rely primarily upon a combination of trade secrets and confidentiality agreements to protect our intellectual property.

There is no assurance that any measures taken by us to protect our intellectual property will be sufficient or that such property will provide us with any competitive advantage. Competitors may be able to copy valuable features of our products or to obtain information we regard as a trade secret. We are currently not aware of any claims of infringement against us regarding our products or intellectual property rights.

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## Government Regulation

Motorcycles sold in the United States, European Union countries, Canada and other countries are subject to established environmental emissions regulations and safety standards. Viper motorcycles must be certified by the Environmental Protection Agency (EPA) for compliance with applicable emissions and noise standards and by the California Air Resources Board (CARB) with respect to California's more stringent emissions regulations. Motorcycles sold in California also are subject to certain tailpipe and evaporative emission requirements unique to California.

Motorcycles sold in the United States are also subject to the National Traffic and Motor Vehicle Safety Act and its rules promulgated and enforced by the National Highway Traffic Safety Administration (NHTSA). This safety act prohibits sale of any new motorcycle failing to conform to NHTSA safety standards, and also provides for remedying safety defects through product recalls. We are also required to recall motorcycles voluntarily if we determine a safety defect exists regarding Viper motorcycles. If the NHTSA or we determine a defect exists requiring a recall, the costs to us of such an event could be very substantial.

We are in the process of submitting our Viper cruisers and their V-Twin engines to the applicable governmental agencies to satisfy their certification requirements and standards. We expect to incur material ongoing costs to comply with motorcycle safety and emissions requirements. As new laws and regulations are adopted, we will assess their effects on current and future Viper motorcycle products. We

expect to spend about \$60,000 in 2006 for such compliance.

## Employees

We currently employ 16 persons including our management, development, marketing and administrative personnel. We expect to hire 3-4 assembly personnel in the middle of 2006 when we expect to commence commercial production of Viper cruisers. Other than these additional assembly personnel, we do not anticipate needing any additional personnel during the next twelve months.

## **Item 2. Plan of Operation and Management Analysis of Financial Condition**

The following discussion should be read in conjunction with our consolidated audited financial statements and related notes included in this registration statement. These financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (US GAAP).

### Forward-Looking Statements

This registration statement contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995, which statements relate to future events or our future financial performance. These statements often can be identified by terminology such as “may”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “projects” or the negative of these terms or other comparable terminology. These statements are only predictions or projections and involve known and unknown risks, uncertainties and other factors, including the risks in this Item 2 under the “title” “Risk Factors.” The risks we currently face or may encounter in the future may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations or future planned operations reflected or contemplated by our forward-looking statements are reasonable, we cannot assure or guarantee any future results, levels of activity, performance or achievements. Except as required by applicable law, we do not intend to update any of our forward-looking statements to conform them to actual results.

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### Plan of Operation

Our long-term business strategy or goal is to become a leading developer and supplier of premium V-Twin heavyweight motorcycles, V-Twin engines, and ancillary motorcycle aftermarket products. In implementing this strategy, we intend to execute the following matters for the next twelve months:

*Commercialize the Diablo and Diablo PC* - Our primary focus during 2006 will be to establish permanent production operations for our motorcycle products to be manufactured by us on a commercial scale. We have obtained the necessary working capital and inventory financing for this purpose. We also are completing a production assembly line including shelving, railings and individual station equipment necessary for efficient factory production operations. We also have obtained all vendors, suppliers or subcontract third parties needed for obtaining components, parts and raw materials for our motorcycles and having them painted after assembly, and we will continue to identify and obtain alternate sources for material components. We anticipate commencing initial commercial delivery of Diablos to our dealers by the summer of 2006.

*Continue Design and Development* - We will complete development and testing of our higher priced model in our Diablo line, the Diablo PC, in the first half of 2006 in order for it to be produced commercially by the middle of 2006. We also will commence design and development for one or more additional Viper models to be available for shipment to our dealers in 2007.

*Expansion of Distribution Network* - We will continue to identify and recruit qualified independent motorcycle dealers to become Viper dealers until we achieve our goal of having a nationwide network of Viper dealers. We will only select full-service dealers which we determine possess a successful V-Twin motorcycle sales history, a solid financial condition, a good reputation in the industry, and a definite desire to sell and promote Viper products. We also intend to recruit and retain one or more Canadian motorcycle dealers to sell our products. Moreover, in 2006 we intend to commence initial efforts to enter overseas foreign markets including identifying effective overseas motorcycle distributors and attracting them to our products and Viper brand.

*Expansion of sales and marketing activities* - We will continue and expand upon our marketing activities which are primarily focused toward supporting our dealer network and building Viper brand awareness. We will participate in leading consumer and dealer trade shows, rallies and other motorcycle events including the leading annual Cincinnati V-Twin dealer convention and the always popular Sturgis and

Daytona motorcycle rallies. We will attend at least eight major trade shows or rallies during 2006. We also will engage in ongoing advertising and promotional activities to develop and enhance the visibility of our Viper brand image, including regular advertising in major motorcycle industry magazines and assuring such magazines write articles or otherwise report on our products and activities from time to time.

*Market and sell ancillary Viper products* - In 2006, we intend to commence marketing and sales of a variety of ancillary products under our Viper brand, particularly in the large custom cruiser aftermarket. We expect our primary aftermarket sales will be our line of powerful Viper V-Twin engines, and by 2007 we anticipate obtaining substantial revenues from Viper engine sales in this active aftermarket. We also intend to develop and offer for sale certain billet parts and components to be manufactured by us in-house. We also will outsource production of ancillary Viper items from third-party suppliers including various motorcycle parts and accessories, collectibles, and other Viper branded merchandise. For example, we have recently obtained a source to provide us with a line of Viper branded apparel. Our ancillary Viper products will be sold through multiple marketing channels including Viper dealers, independent aftermarket catalogs and our website.

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We anticipate spending approximately the following amounts in the next twelve months to support our operating expenses regardless of the number of motorcycles we sell or the revenues we receive:

Sales and marketing expenses including dealer support and recruitment	\$ 1,200,000
Research and development activities	\$ 650,000
General and administrative expenses including management compensation	\$ 750,000
Rent and fixed overhead expenses	\$ 400,000
Obtaining governmental regulatory certifications	\$ 60,000
Purchase of capital equipment <sup>(1)</sup>	\$ 50,000

- (1) Represents the 10% down payment needed for the purchase of \$500,000 of CNC machines needed for in-house V-Twin engine production. The balance will be paid in monthly installments over a five-year period.

Due to our recent private placement, we anticipate having sufficient cash to support our operating expenses until we commence commercial deliveries of Viper motorcycles in the summer of 2006. Thereafter we will need additional working capital, which we intend to obtain through our SEDA financing commitment from Cornell Capital Partners.

## Liquidity and Capital Resources

Since our inception, we have financed our development, capital expenditures and working capital needs through the issuance of our capital stock or through loans from our principal shareholders. Financing through issuance of our common or preferred stock has included private placements for cash, common stock issued for employee compensation and consulting services, common stock issued to satisfy accounts payable, and common and preferred stock issued to convert outstanding loans and other liabilities into capital stock of our company. We have raised a total of approximately \$6.1 Million through the sale of our common stock in private placements, and at least \$3.5 Million in loans from our management or principal shareholders.

We have also relied on satisfying substantial employee compensation, consulting fees, product development, marketing and administrative expenses directly through issuance of our common stock. From inception through the end of 2004, we paid a total of approximately \$2.4 Million for such expenses with our common stock.

Incident to our early 2005 reorganization, we also converted a total of approximately \$4.8 Million of outstanding loans and accounts payable into capital stock of our company based on \$2.50 per share.

As of August 31, 2005, we had cash resources of approximately \$2.1 Million, total liabilities of approximately \$320,000 and a working capital position of approximately \$2 Million.

## 2005 Private Placement

In late August 2005, the Company completed a private placement of 1,000,038 shares of its common stock at a purchase price of \$3.90 per share. Bathgate Capital Partners of Denver, Colorado was the Placement Agent for this private offering, and we received net proceeds of \$3,387,024 after payment of commissions and other offering expenses.

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### SEDA Financing Agreement

In August 2005, the Company entered into a Standby Equity Distribution Agreement (SEDA) with Cornell Capital Partners, LP of Jersey City, New Jersey. Under the terms of this SEDA financing facility, Cornell committed to purchase up to \$15 Million of common stock of the Company over a period of 24 months. The 24-month period of the SEDA facility begins upon the completion by the Company of an effective registration of such common stock with the Securities and Exchange Commission to permit the resale of these shares by Cornell. The Company is only obligated to sell its common stock to Cornell when and if the Company decides to draw upon this SEDA facility.

The Company has the right to request Cornell to purchase installments of the SEDA facility in an amount of up to \$500,000 until the \$15 Million has been provided to the Company or the 24-month term has expired, provided that each stock purchase request by the Company must be at least five trading days after any prior stock purchase by Cornell. Cornell will pay the Company a purchase price equal to 96% of the market price of its common stock, which is defined as the volume weighted average public trading price of the common stock during the five consecutive trading days after each SEDA installment purchase by Cornell. Cornell will receive cash compensation of 4% of the gross proceeds of each SEDA installment advance to the Company.

The Company has paid Cornell a commitment fee for this SEDA facility through the issuance to Cornell of 133,333 shares of common stock of the Company, and the Company also granted Cornell a warrant to purchase 1,750,000 common shares of the Company at \$4.60 per share over a three-year term.

### Production Inventory Financing

In October 2005, we entered into a Secured Inventory Financing Agreement with one of our principal shareholders as the Lender. This agreement provides us with production inventory financing up to \$800,000, which has enabled us to order and pay for substantial purchases of components and supplies for our upcoming commercial production operations. We have utilized \$100,000 of this inventory financing to date.

Under this agreement, the Lender is secured with a first position against all Viper motorcycle parts and components and finished goods inventory. To obtain this inventory financing, we will pay the Lender monthly interest of 2% of the average monthly outstanding amount owed by us. Under this agreement, we have established a special bank account for all funds borrowed from the Lender, which account must be used only to pay vendors providing motorcycle components for commercial production. If this agreement is still effective when we commence commercial shipments to dealers, we must deposit 80% of payments we receive for our motorcycles into the special bank account.

The initial term of the financing agreement is three months, and it has a provision for a three-month extension providing the Lender has consented. In the event this inventory financing facility is not renewed upon its expiration, we expect to repay the Lender by drawing upon our SEDA financing facility with Cornell Capital Partners.

### Risk Factors

Our business and any related investment in our common stock or other securities involves many significant risks. Any person evaluating our company and its business should carefully consider the following risks and uncertainties in addition to other information in this registration statement. Our business, operating results and financial condition could be seriously harmed due to one or more of the following risks.

*Because of our development status and the nature of our business, our securities are highly speculative.*

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Our securities are speculative and involve a high degree of risk, generally because of our being in the development stage. Until and unless we emerge from the development stage, we will not generate any material commercial revenues from our operations. Moreover, we do not expect to realize any material profits from our operations in the short term. Any profitability in the future from our business will be dependent upon realizing production and sales of our motorcycle products in material commercial quantities, which there is no assurance will ever happen. Since we will not generate any material revenues for some time, we will need to raise substantial additional financing through the sale of our equity securities or debt in order to continue our business operations after expending the funds currently available to us.

*We have a limited operating history primarily involved in product development, and we have not generated any commercial revenues to date or attained any profitable operations. We will continue to need substantial additional financing to fund our operations and activities.*

From our inception in late 2002 through August 31, 2005, we have experienced cumulative losses of approximately \$12.6 Million, and we will continue to incur losses until we produce and sell our motorcycle products in sufficient volume to attain profitability, which there is no assurance will ever happen. Our operations are particularly subject to the many risks inherent in the early stages of a development enterprise and the uncertainties arising from the lack of a commercial operating history. There can be no assurance that our business plan will prove successful.

As a result of the completion of our recent private placement of securities in August 2005, we believe we now have sufficient funds to satisfy our estimated cash requirements until at least our planned commencement of commercial production and sales of our products in the summer of 2006. We will then need to raise additional financing to support commercial operations after emerging from our development stage.

*Our business plan will encounter serious delays or even result in failure if we are unable to obtain significant additional financing when needed, since we are required to make significant and continuing expenditures to satisfy our future business plan.*

Our ability to become commercially successful will depend largely on our being able to continue raising significant additional financing. If we are unable to obtain additional financing as needed, we would not be able to emerge from our development stage which eventually would result in a failure of our business. We have no cash flow from our business, and for at least the next twelve months we will be dependent for funds primarily through sale of our equity securities.

Although we expect to obtain necessary future financing for commercial operations by drawing upon a \$15 Million standby equity commitment we hold from an investment firm, we cannot be assured that we can access all needed funding on that basis because of its reliance upon factors such as the public market demand for our common stock and the state of financial markets generally.

*Our ability to generate future revenues will depend upon a number of factors, some of which are beyond our control.*

These factors include the rate of acceptance of our motorcycle products, competitive pressures in our industry, effectiveness of our independent dealer network, adapting to changes in the motorcycle industry, and general economic trends. We cannot forecast accurately what our revenues will be in future periods.

*We have very limited experience in commercial production or sales of our products.*

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As a development stage company, our operations have been limited primarily to designing and developing our products, testing them after development, establishing our initial distribution network of independent dealers, obtaining suppliers for our components, outsourcing future production of certain components, and reorganizing our company. These past activities only provide a limited basis to assess our ability to commercialize our motorcycle products successfully.

*We have limited experience in manufacturing motorcycle products.*

Our motorcycles must be designed and manufactured to meet high quality standards in a cost-effective manner. Because of our lack of experience in manufacturing operations, we may have difficulty in timely producing motorcycle products in a volume sufficient to cover orders from our dealers. Any material manufacturing delays could frustrate dealers and their customers and lead to a negative perception of Viper products or our company. If we are unable to manufacture effectively in terms of quality, timing and cost, our ability to generate revenues and profits will be impaired.

*We depend upon a limited number of outside suppliers for our key motorcycle parts and components.*

Our heavy reliance upon outside vendors and suppliers for our components involves risk factors such as limited control over prices, timely delivery and quality control. We have no written agreements to ensure continued supply of parts and components. Although alternate suppliers are available for our key components, any material changes in our suppliers could cause material delays in production and increase production costs. Since we have only produced a limited number of development stage motorcycles, we are unable to determine whether our suppliers will be able to timely supply us with commercial production needs.

Our inability to obtain timely delivery of quality components, or our loss or interruption of services of one or more of our component suppliers, or any material increases in the cost of our components, could result in material production delays and reductions in our motorcycle shipments, which could seriously impair our ability to generate revenues.

*We will be highly dependent upon our Viper distribution network of independent motorcycle dealers.*

We depend upon our Viper dealers to sell our products and promote our brand image. If our dealers are unable to sell and promote our products effectively, our business will be harmed seriously. We currently have agreements with only sixteen dealers. We must continue to recruit and expand our dealer base to satisfy our projected revenues. If we fail to timely obtain new dealers or maintain our relationship with existing dealers effectively, we could be unable to achieve sufficient sales to support our operations.

Our dealers are not required to sell our products on an exclusive basis and also are not required to purchase any minimum quantity of Viper products. The failure of dealers to generate sales of our products effectively would impair our operations seriously and could cause our business to fail.

We also depend upon our dealers to service Viper motorcycles. Any failure of our dealers to provide satisfactory repair services to purchasers of Viper products could lead to a negative perception of the quality and reliability of our products.

*Sales of Viper motorcycles are substantially dependent upon our ability to provide and maintain a source of reliable "floor plan" financing to our dealers.*

We have a significant agreement with a leading financial institution to provide floor plan financing to our dealers for their purchase of Viper products. Under this floor plan facility, we will receive payment for our motorcycles upon their shipment to our dealers. If we are unable to continue effective floor plan financing for our dealers, they would have to pay cash or obtain other financing to purchase Viper products, which most likely would result in substantially lower sales of our products, and lack of sufficient cash flow to support our business.

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*We will face significant challenges in obtaining market acceptance of Viper products and establishing our Viper brand.*

Our success depends primarily on the acceptance of our products and the Viper brand by motorcycle purchasers and enthusiasts. Virtually all potential customers are not familiar with or have not seen or driven Viper motorcycles. Acceptance of our products by motorcyclists will depend on many factors including price, reliability, styling, performance, uniqueness, service accessibility, and our ability to overcome existing loyalties to competing products.

*Our business model of selling Viper motorcycles to upscale purchasers at premium prices may not be successful.*

Sales of our premium motorcycle products are targeted toward a limited number of upscale purchasers willing to pay a higher price for Viper products. Suggested retail prices of our motorcycles will be considerably higher than most cruiser models of our competitors. If we are unable to attract and obtain sufficient motorcyclists willing to pay the higher prices of our products, our business model would not succeed and our business would likely fail.

*We may experience significant returns or warranty claims.*

Since we have no history of commercial sales of our products, we have no data regarding the performance or maintenance requirements of Viper products. Accordingly, we have no basis on which we can currently predict warranty costs. If we experience significant warranty service requirements or product recalls, potential customers may not purchase our products. Any significant warranty service requirements or product recalls would increase our costs substantially and likely reduce the value of our brand.

*Our exposure to product liability claims could harm us seriously.*

Given the nature of motorcycle products, we expect to encounter product liability claims against us from time to time for personal injury or property damage. If such claims become substantial, our brand and reputation would be harmed seriously. These claims also could require us to pay substantial damage awards, including punitive damages.

Although we intend to obtain adequate product liability insurance, we may be unable to obtain coverage at a reasonable cost or in a sufficient amount to cover future losses from product liability claims. Any successful claim against us for uninsured liabilities or in excess of insured liabilities would most likely harm our business seriously.

*Our success will be substantially dependent upon our current key employees and our ability to attract, recruit and retain additional key employees.*

Our success depends upon the efforts of our current executive officers and other key employees, and the loss of the services of one or

more of them could impair our growth materially. If we are unable to retain current key employees, or to hire and retain additional qualified key personnel when needed, our business and operations would be adversely affected substantially. We do not have "key person" insurance covering any of our employees, and we only have one written employment agreement with a key employee.

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*Our success depends substantially on our ability to protect our intellectual property rights, and any failure to protect these rights would be harmful to us.*

The future growth and success of our business will depend materially on our ability to protect our trademarks, trade names and any future patent rights, and to preserve our trade secrets. We hold trademark rights including our logo design and the use of our "Viper" brand for motorcycle products, and we have applied for certain additional trademark protection. There is no assurance, however, that any future or current trademark registrations will result in a registered and protectable trademark. Moreover, there is no assurance that other users of the Viper or Diablo mark will not challenge our brands. If one or more challenges against us are successful, we could be forced to discontinue use of our motorcycle brands, which would cause serious harm to our business and brand image.

We are in the process of applying for various patents covering unique features of both our motorcycles and our V-Twin engines, but we do not expect to obtain any significant patent protection. We will rely mainly upon trade secrets, proprietary know-how, and continuing technological innovation to compete in our market. There is no assurance that our competitors will not independently develop technologies equal to or similar to ours, or otherwise obtain access to our technology or trade secrets. Our competitors also could obtain patent rights that could prevent, limit or interfere with our ability to manufacture and market our products. Third parties also may assert infringement claims against us in the future, which could cause us to incur costly litigation to protect and defend our intellectual property rights. Moreover, if we are judged to have infringed rights of others, we may have to pay substantial damages and discontinue use of the infringing product or process unless they are re-designed to avoid the infringement. Any claim of infringement against us would involve substantial expenditures and divert the time and effort of our management materially.

*We will face intense competition from existing motorcycle manufacturers already well established and having much greater customer loyalty and financial, marketing, manufacturing and personnel resources than us.*

In our premium heavyweight motorcycle market, our main competitor is Harley-Davidson Inc. which dominates the market for V-Twin cruiser motorcycles. Other significant competitors include Suzuki, Honda, Yamaha, Kawasaki, Ducati, Triumph, BMW, Moto Guzzi and Polaris with its Victory motorcycle line. We also face particularly direct competition from a number of V-Twin custom cruiser manufacturers concentrating on the same upscale market niche where we are situated, including Big Dog, American IronHorse, Titan, Bourget's Bike Works and others. Additional competition exists from the numerous small companies and individuals throughout the country which build "one-off" custom cruisers from non-branded parts and components available from third parties. We also expect additional competitors to emerge from time to time in the future. There is no assurance that we will be able to compete successfully against current and future competitors.

*Introduction of new models of motorcycles by our competitors could materially reduce demand for our products.*

Products offered in our industry often change significantly due to product design and performance advances, safety and environmental factors, or changing tastes of motorcyclists. Our future success will depend materially on our ability to anticipate and respond to these changes. If we cannot introduce acceptable new models on a regular basis or if our new models fail to compete effectively with those of our competitors, Our ability to generate revenues or achieve profitability would be impaired substantially.

*Purchase of recreational motorcycles is discretionary for consumers, and market demand for them is influenced by factors beyond our control.*

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Viper motorcycles represent luxury consumer products and accordingly market demand for them depends on a number of economic factors affecting discretionary consumer income. These factors are beyond our control and include employment levels, interest rates, taxation rates, consumer confidence levels, and general economic conditions. Adverse changes in one or more of these factors may restrict discretionary consumer spending for our products and thus harm our growth and profitability.

Viper motorcycles also must compete with other powersport and recreational products for the discretionary spending of consumers.

*Our business is subject to seasonality which may cause our quarterly operating results to fluctuate materially.*

Motorcycle sales generally are seasonal in nature since consumer demand is substantially lower during colder seasons in North America. We may endure periods of reduced revenues and cash flows during off-season periods, requiring us to lay off or terminate employees from time to time. Seasonal fluctuations in our business could cause material volatility in the public market price of our common stock.

*When we sell our products in international markets, we will encounter additional factors which could increase our cost of selling our products and impair our ability to achieve profitability from foreign business.*

Our marketing strategy includes future sales of Viper products internationally, which will subject our business to additional regulations and other factors varying from country to country. These matters include export requirement regulations, foreign environmental and safety requirements, marketing and distribution factors, and the effect of currency fluctuations. We also will be affected by local economic conditions in international markets as well as the difficulties related to managing operations from long distances. There is no assurance we will be able to successfully market and sell Viper products in foreign countries.

*We must comply with numerous environmental and safety regulations.*

Our business is governed by numerous federal and state regulations governing environmental and safety matters with respect to motorcycle products and their use. These many regulations generally relate to air, water and noise pollution and to motorcycle safety matters. Compliance with these regulations could increase our production costs, delay introduction of our products and substantially impair our ability to generate revenues and achieve profitability.

Use of motorcycles in the United States is subject to rigorous regulation by the Environmental Protection Agency (EPA), and by state pollution control agencies. Any failure by us to comply with applicable environmental requirements of the EPA or relevant state agencies could subject us to administratively or judicially imposed sanctions including civil penalties, criminal prosecution, injunctions, product recalls or suspension of production.

Motorcycles and their use are also subject to safety standards and rules promulgated by the National Highway Traffic Safety Administration (NHTSA). We could suffer harmful recalls of our motorcycles if they fail to satisfy applicable safety standards administered by the NHTSA.

*We do not intend to pay any cash dividends on our common stock.*

We have never declared or paid any cash dividends on our common stock and we do not anticipate paying any cash dividends in the foreseeable future.

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*The price of our common stock may be volatile and fluctuate significantly in our over-the-counter trading market, and an investor's shares could decline in value.*

Our common stock trades in the over-the-counter (OTC) market, and has not experienced a very active trading market. There is no assurance a more active trading market for our common stock will ever develop, or be sustained if it emerges. Unless an active trading market is developed for our common stock, it will be difficult for shareholders to sell our common stock at any particular price or when they wish to make such sales.

The market price of our common stock may fluctuate significantly, making it difficult for any investor to resell our common stock at an attractive price or on reasonable terms. Market prices for securities of development stage companies such as us have historically been highly volatile due to many factors not affecting more established companies. Moreover, any failure by us to meet estimates of financial analysts is likely to cause a decline in the market price of our common stock.

*Our current management and principal shareholders control our company, and they may make material decisions with which other shareholders disagree.*

Our executive officers and directors and principal shareholders affiliated with them own a substantial majority of our outstanding capital

stock. As a result, these persons acting as a group have the ability to control transactions requiring stockholder approval, including the election or removal of directors, significant mergers or other business combinations, changes in control of our company, and any significant acquisitions or dispositions of assets.

*Additional shares of our authorized capital stock which are issued in the future will decrease the percentage equity ownership of existing shareholders, could also be dilutive to existing shareholders, and could also have the effect of delaying or preventing a change of control of our company.*

Under our Articles of Incorporation, we are authorized to issue up to 100,000,000 shares of common stock and 20,000,000 shares of preferred stock. Our board of directors has the sole authority to issue remaining authorized capital stock without further shareholder approval. To the extent that additional authorized preferred or common shares are issued in the future, they will decrease existing shareholders' percentage equity ownership and, depending upon the prices at which they are issued, could be dilutive to existing shareholders.

Issuance of additional authorized shares of our capital stock also could have the effect of delaying or preventing a change of control of our company without requiring any action by our shareholders, particularly if such shares are used to dilute the stock ownership or voting rights of a person seeking control of our company.

### Item 3. Description of Property

The Company does not own any real estate. All development, production, marketing and administrative operations of the Company are conducted from its suburban Minneapolis leased facilities of 13,365 square feet. For these facilities, the Company pays monthly rental of \$6,106 plus common area maintenance under a lease expiring in June 2006.

The Company owns considerable development and production equipment, computer and office equipment, and business vehicles, all of which have cost it approximately \$350,000 since its inception in November 2002.

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### Item 4. Security Ownership of Certain Beneficial Owners and Management

The following table sets forth as of the date of this Form 10-SB certain information regarding beneficial ownership of the common and preferred stock of the Company by (a) each person or group known by the Company to be the beneficial owner of more than 5% of the outstanding common or preferred stock of the Company, (b) each director and executive officer of the Company, and (c) all directors and executive officers of the Company as a group. Each shareholder named in the below table has sole voting and investment power with respect to shares of common or preferred stock shown in the table. Shares underlying any options or warrants included in the table are all currently exercisable. Unless otherwise indicated, the address of each listed shareholder is 5733 International Parkway, New Hope, Minnesota 55428.

Shareholder	Shares Owned Beneficially	Percent of Class
<b>A. Title of Class - Common Stock</b>		
John Lai <sup>(1)</sup>	665,582	6.6%
Terry L. Nesbitt <sup>(2)</sup>	425,000	4.1%
Robert O. Knutson <sup>(3)</sup>	249,353	2.4%
John R. Silseth II	2,065,138	20.4%
David Palmlund III <sup>(4)</sup> 5323 Swiss Avenue Dallas, TX 75214	2,811,698	25.0%
Garry Lowenthal <sup>(5)</sup> 1836 Prior Avenue Falcon Heights, MN 55113	868,916	8.6%
All directors and officers as a group (3 persons) <sup>(6)</sup>	1,289,935	12.4%
<b>B. Title of Class - Preferred Stock</b>		
David Palmlund III <sup>(7)</sup>	740,000	94.5%

- (1) Includes 150,000 shares underlying an option.
- (2) Includes 125,000 shares underlying an option.
- (3) Includes 75,000 shares underlying an option.
- (4) Includes an aggregate of 395,000 shares underlying warrants, convertible notes and an option, and 740,000 shares underlying his convertible preferred stock.
- (5) Includes 75,000 shares underlying an option.
- (6) Includes 350,000 shares underlying options.
- (7) These preferred shares are convertible into common shares on a one-for-one basis.

## Item 5. Directors and Executive Officers, Promoters and Control Persons

The directors of the Company serve until their successors are elected and shall qualify. Executive officers are elected by the Board of Directors and serve at the discretion of the directors. There are no family relationships among our directors and executive officers.

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Name	Age	Position
John Lai	41	President, Treasurer, Co-founder and Director
Terry L. Nesbitt	55	Director, Vice President and President of Subsidiary
John R. Silseth II	42	Co-founder and Managing Director of Subsidiary
Robert O. Knutson	68	Director and Secretary

JOHN LAI has been a director of the Company since its inception in 2002, and he also serves as Executive Vice President of Viper Motorcycle Company, a wholly-owned subsidiary of the Company. Since 1992, Mr. Lai has owned and operated Genesis Capital Group, Inc., a provider of corporate development and venture capital consulting. From 1996 to 1998, he was Chief Financial Officer and a director of Buyitnow.com, Inc., an internet retailer.

TERRY L. NESBITT has been a director of the Company since February 2005, and he is also the President of Viper Motorcycle Company, a wholly-owned subsidiary of the Company. Mr. Nesbitt has been a senior executive of the Company since its inception in 2002, being primarily in charge of all marketing and sales activities and the development of the dealer network for Viper products. During 2001 and most of 2002, Mr. Nesbitt was an independent consultant in the motorcycle industry. Prior to 2001, he served in several key sales management positions over a five-year period with Polaris Industries Inc., including national sales manager for Polaris' line of Victory V-Twin cruiser motorcycles.

JOHN R. SILSETH II is a co-founder of the Company and has served as Managing Director of Viper Performance Inc., a wholly-owned subsidiary of the Company, since its incorporation in March 2005. Through his wholly-owned company, Racing Partners Management Inc., Mr. Silseth has provided product development consulting and financing services to the Company since its 2002 inception, and he also is a principal shareholder of the Company. Through Racing Partners Management Inc., Mr. Silseth has provided consulting services to various early-stage or start-up businesses during the past ten years.

ROBERT O. KNUTSON has been a director of the Company since February 2005, and he has been Secretary of the Company since its 2002 inception. Mr. Knutson has practiced law in the Minneapolis metropolitan area as a sole practitioner since 1971, and prior thereto he was an associate attorney with the Minneapolis law firm of Dorsey & Whitney.

## Item 6. Executive Compensation

The following table sets forth the executive compensation of the executive officers of the Company during fiscal year 2004 ended December 31, 2004:

SUMMARY COMPENSATION TABLE

Name and Positions	Salary (\$)	Other (\$)	Stock Awards (\$)	Securities Underlying Options/SARs (#)
John Lai, President and Treasurer <sup>(1)</sup>	\$ 72,000	-0-	-0-	-0-

Terry Nesbitt, Vice President and President of Subsidiary <sup>(1)</sup> <sup>(2)</sup>	\$	98,966	\$	6,000 <sup>(3)</sup>	\$	312,500 <sup>(2)</sup>	-0-
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- (1) In early 2005, Mr. Lai was granted a stock option to purchase 150,000 common shares of the Company exercisable at \$2.50 per share over a five-year term, and Mr. Nesbitt was granted a similar option to purchase 125,000 common shares.
- (2) This stock grant to Mr. Nesbitt was for 125,000 shares which were valued at \$2.50 per share by the Company at the time of the grant.
- (3) Represents a monthly fuel allowance of \$500.

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### Options/SAR Grants

The Company has not issued any SAR grants since its inception. None of the stock options issued by the Company since its inception have been exercised. The following table contains certain information relating to option grants in our last fiscal year as well as on unexercised options.

Name of Executive	Stock Options Granted in Last Fiscal Year	Number of Securities Underlying Unexercised Options/SAR's at FY-End (#)	Value of In-the-Money Options / SAR's at FY-End (\$)
John Lai	-0-	-0-	-0-
Terry Nesbitt	-0-	-0-	-0-

### Compensation of Directors

The Company does not have any arrangements to compensate its directors for their services provided as a director of the Company.

### Employment Contracts and Change-in-Control Arrangements

Except for Terry Nesbitt, the Company has no written employment contracts with its management or other employees. The Company also does not have any change-in-control arrangements with any person.

Mr. Nesbitt is employed under a three-year written agreement expiring in January 2007, under which he is currently receiving salary of \$104,060 plus medical insurance, a monthly fuel expense allowance, a vehicle for business purposes, and reimbursement of reasonable out-of-pocket expenses. If the Company terminates his employment without cause, he would receive severance payments of 75% of his annual compensation payable in equal monthly installments over two years.

## **Item 7. Certain Relationships and Related Transactions**

The promoters of the Company are John Lai and John Silseth II. They received a total of 120,000 shares of common stock of the Company, 60,000 shares apiece, in November 2002 incident to their services relating to the initial incorporation and organization of the Company. These shares were valued at \$.40 per share at the time of their issuance.

Following are any material transactions over the past two years between the Company and any of its promoters, directors, executive officers, and principal shareholders:

### Private Placements

In connection with various private placements of common stock, related parties have purchased substantial amounts of the Company's placements on the same terms as unrelated persons. Related party sales have included a total of 70,000 common shares at \$2.00 per share in a June-December 2003 placement, a total of 136,212 common shares at \$2.50 per share in a February-March 2005 placement, and a total of 186,937 common shares at \$3.90 per share in a June-August 2005 placement.

### Loans From Related Parties

From December 2003 through August 2004, David Palmlund III, a principal shareholder, loaned the Company a total of \$2 Million, for which he received various notes bearing interest rates from 10% to 35% and having maturity dates from August 2004 to September 2005. All of this Palmlund debt was outstanding as of December 31, 2004. Except for \$150,000 of a Series A Convertible Secured Note, incident to our early 2005 reorganization, Mr. Palmlund converted all of this debt, including accrued interest, at \$2.50 per share into 740,000 shares of preferred stock of the Company and 64,635 common shares of the Company. The unconverted Series A Note bears an interest rate of 18% per annum, matures on December 31, 2005, is convertible into common shares at \$2.50 per share, and is secured by both tangible and intangible assets of the Company.

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Since its inception, from time to time five other related parties have made substantial cash advances or loans to the Company for working capital purposes. These related party lenders have included an executive officer, two directors and two principal shareholders. For these loans, they received unsecured notes paying interest at 8% per annum. As of December 31, \$673,237 of such related party debt was outstanding, including accrued interest. In the early 2005 reorganization of the Company, all of these outstanding 8% notes and their accrued interest were converted into common shares of the Company at \$2.50 per share.

### Reorganization Debt Conversions

During its early 2005 reorganization, the Company converted a total of \$4,770,879 of outstanding debt and liabilities into its capital stock on the basis of \$2.50 per share. These reorganization debt conversions included a total of \$3,476,547 owed to related parties, consisting of outstanding loans and interest thereon of \$2,694,418, accounts payable and accrued compensation of \$344,629, and \$437,500 to settle and terminate an employment contract with a former officer.

### Consulting Compensation

During 2003, 2004 and 2005, we paid cash compensation to Racing Partners Management Inc., a corporation wholly owned by John R. Silseth II (a founder and principal shareholder of the Company) for consulting services related to motorcycle development, procurement of third party suppliers, and creation of an assembly manufacturing system. These consulting expenses included \$55,000 in 2003, \$36,000 in 2004 and \$85,000 for the first ten months of 2005.

### Common Stock Issued for Services

In December 2003 the Company issued 25,000 shares of its common stock to Garry Lowenthal, a principal shareholder, for services valued at \$2.50 per share or a total of \$62,500. Incident thereto, the Company also granted Mr. Lowenthal a stock option to purchase 75,000 common shares at \$2.00 per share over a five-year term.

In December 2004, the Company granted a total of 189,700 shares of its common stock to various employees as additional compensation for past services rendered to the Company based on \$2.50 per share, which grants included 125,000 shares issued to Terry Nesbitt, Vice President of the Company. The value of common shares in respect to all stock grants of the Company for services was determined by the Board of Directors of the Company based both on concurrent sales of our common stock to unrelated parties and on the development status of our business at the time of the respective stock grants.

### Guarantee of Letter of Credit (LOC)

In January 2004 (as amended February 8, 2005), the Company obtained a LOC from Compass Bank of Dallas, Texas in the amount of \$200,000 in favor of GE Commercial Distribution Finance Corporation in order to secure our floor plan financing facility. This LOC was guaranteed by David Palmlund III, a principal shareholder, who is being paid \$3,000 monthly by the Company so long as this guarantee is outstanding.

### Production Inventory Financing

In October 2005, the Company entered into a production inventory financing agreement with David Palmlund III, a principal shareholder, as the Lender. This facility provides us with inventory financing for commercial production up to \$800,000. For a description of the material terms of this inventory financing, see "Plan of Operation and Management Analysis of Financial Condition."

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Purchase of Motorcycle Engine Technology

In March 2005, the Company acquired its motorcycle engine technology and related prototypes from a corporation controlled by related parties of the Company. In this acquisition, the Company issued 2,996,575 shares of its common stock in exchange for these engine development assets. Due to this transaction, four related parties of the Company, Messrs. Palmlund, Silseth, Lai and Lowenthal, acquired an aggregate of 2,401,192 of shares of common stock of the Company. For further information on this transaction, see "Description of Business."

Options and Warrants

We have issued options from time to time in consideration for financing services or as an incentive to our employees. None of our options or warrants have been exercised. Related parties hold an aggregate of options to purchase 535,000 common shares including 460,000 shares exercisable at \$2.50/share for five years and 75,000 exercisable at \$2.00/share for five years.

We also have issued warrants to David Palmlund III for providing us with financing services, which warrants have granted him the right to purchase a total of 225,000 of our common shares including 125,000 shares exercisable at \$2.50 per share for a five-year term and 100,000 shares exercisable at \$2.50 per share for a five-year term.

## **Item 8. Description of Securities**

The Company is authorized by its Articles of Incorporation to issue an aggregate of 100,000,000 shares of its common stock, \$.001 par value, of which 10,126,375 common shares are outstanding. The Company also is authorized to issue up to 20,000,000 shares of its preferred stock, \$.001 par value, of which 783,000 shares are outstanding.

Common Stock

Shareholders of common stock of the Company are entitled to one vote per share on all matters to be voted upon by shareholders. Shareholders of common stock also are entitled to receive dividends if, when and as dividends are declared by the board of directors of the Company. In the event of the liquidation, dissolution or winding up of the Company, holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, satisfying preferred stock rights, and paying any accrued dividends. Shares of common stock have no preemptive or conversion rights and are not subject to further calls or assessments. There are no redemption or sinking fund provisions applicable to common stock of the Company. Holders of common stock do not have cumulative voting rights, which means that holders of more than 50% of the outstanding shares of common and preferred stock of the Company can elect all directors of the Company, if they choose to do so.

Common stock of the Company is quoted for public trading on the Pink Sheets OTC market under the symbol "VPWS."

Preferred Stock

Without any further shareholder approval, the board of directors of the Company is authorized to issue up to 20,000,000 shares of preferred stock in one or more series, and to fix the rights, preferences, privileges and restrictions of any preferred shares, including dividend rights, voting rights, conversion rights, terms of redemption and liquidation preferences. Preferred shares may have rights that are senior in material respects to common stock of the Company. Issuance of preferred stock also may have the effect of delaying or preventing a change in control of the Company. Issuance of preferred stock also could decrease the amount of earnings and assets available for distribution to holders of common stock, or could adversely affect the rights and powers, including voting rights, of common stock.

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The board of directors has authorized one class of preferred stock, which is the Series A Preferred Stock of the Company. Series A Preferred Stock includes 783,000 authorized shares, all of which are outstanding. Series A preferred shares have the same voting rights as the common stock of the Company, but cannot vote on any matter as a separate class. These Series A shares also have a cumulative dividend rate of \$.20 per share per annum, a liquidation preference of \$2.50 per share in regard to common stock, and are convertible into common stock of the Company on a one-for-one basis. Each share of Series A Preferred Stock of the Company was issued in the principal amount of \$2.50 per share.

There is no public trading market for the outstanding preferred shares of the Company.

### Stock Transfer Agent

Interwest Transfer Co. Inc. of Salt Lake City, Utah is the Transfer Agent and Registrar for common stock of the Company. The Company acts as its own transfer agent in regard to any outstanding preferred stock of the Company.

### Warrants

The Company has outstanding warrants to purchase an aggregate of 2,483,639 shares of its common stock, of which warrants for 1,766,135 have three-year terms and the rest have five-year terms. These warrants include warrants for 53,635 shares exercisable at \$2.00 per share, warrants for 430,000 shares exercisable at \$2.50 per share, warrants for 100,004 shares exercisable at \$3.90 per share, warrants for 1,750,000 shares exercisable at \$4.60 per share, and warrants for 150,000 shares exercisable at \$6.00 per share.

### Stock Options

The Company has outstanding stock options to purchase an aggregate of 857,000 shares of its common stock, all of which have five-year terms. These stock options include options for 75,000 shares exercisable at \$2.00 per share and options for 782,000 shares exercisable at \$2.50 per share.

## PART II

### **Item 1. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters.**

#### Market Information

The Company's common stock is traded on the Pink Sheets OTC market. Prior to the March 31, 2005 recapitalization between Viper Powersports Inc. and Viper Motorcycle Company, there had been no material trading of the common stock of the Company since 2001. Since that recapitalization, the range of high and low bid prices of the Company's common stock, as reported by Pink Sheets quotation system, are as follows. These quotations reflect inter-dealer prices without retail mark-up, mark-down or commission and may not represent actual transactions.

<u>Period</u>	<u>High Price(Bid)</u>	<u>Low Price(Bid)</u>
April - June 30, 2005	\$ 7.50	\$ 5.00
July 1 - September 30, 2005	\$ 6.75	\$ 5.00
October 1 - November 15, 2005	\$ 5.75	\$ 4.75

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The Company's common stock trades and is quoted on the Over-the-Counter Pink Sheets Quotation System under the symbol "VPWS."

#### Shareholders

As of the date of this Form 10-SB, there were 380 shareholders of record holding common stock of the Company.

#### Dividends

The Company has never declared or paid any cash dividends on its common stock, and does not anticipate paying any cash dividends in the foreseeable future.

#### Securities Authorized for Issuance Under Equity Compensation Plans

The Company has no established equity compensation plans for the issuance of common stock as payment for employees, consultants or other parties. The Company has utilized its common stock for equity compensation from time to time on a transactional basis. In the future, the Company most likely will establish some type of an equity compensation plan to provide incentive to current or future employees and others material to the Company's business.

## Item 2. Legal Proceedings

The Company is not a party to any material or administrative lawsuit, action or other legal proceeding, and the Company is not aware of any such threatened legal proceeding. Moreover, none of the property of the Company is subject to any pending or threatened legal proceeding. No director, officer, affiliate or shareholder of the Company is a party to any pending or threatened legal proceeding adverse to the Company, nor do any of these persons hold any material interest adverse to the Company.

## Item 3. Changes in and Disagreements With Accountants.

Not applicable.

## Item 4. Recent Sales of Unregistered Securities

### Securities Issued For Cash

From November 2002 through April 2003, the Company conducted a private placement of its common stock to a limited number of accredited investors and sold 1,150,000 shares at \$.40 per share for gross proceeds of \$460,000. Based on the manner of sale and representations of investors, the Company believes that this issuance was a private placement not involving any public offering within the meaning of Section 4(2) of the Securities Act of 1933, as amended, and was thus exempt from the registration requirements of the Securities Act of 1933.

From July 2003 through December 2003, the Company conducted a private placement of its common stock to a limited number of accredited investors and sold a total of 457,399 shares at \$2.00 per share for gross proceeds of \$914,798. These shares were offered by Lane Capital Markets acting as Placement Agent, which received \$30,200 as a brokerage commission in this private offering. Based on the manner of sale and representations of investors, the Company believes that this issuance was a private placement not involving any public offering within the meaning of Section 4(2) of the Securities Act of 1933, as amended, and was thus exempt from the registration requirements of the Securities Act of 1933.

From December 2003 through January 2004, the Company conducted a private placement and sold \$550,000 principal amount of its Series A 16% Convertible Secured Notes to three accredited investors. One of these investors was David W. Palmlund III, an affiliate and principal shareholder of the Company, who purchased \$500,000 of these Series A Notes. In connection with the placement of these Series A Notes, the investors were also issued a total of 150,000 five-year common stock purchase warrants to purchase 150,000 common shares of the Company at an exercise price of \$2.50 per share. Based on the manner of sale and representations of the three investors, the Company believes that this issuance of Series A Notes was a private placement not involving any public offering within the meaning of Section 4(2) of the Securities Act of 1933, as amended, and was thus exempt from registration requirements of the Securities Act of 1933.

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From January 2004 to May 2004, the Company conducted a private placement and sold 98,000 shares of its common stock to a limited number of accredited investors at \$2.50 per share for total proceeds of \$245,000. Based on the manner of sale and representation of the investors, the Company believes that this issuance was a private placement not involving any public offering within the meaning of Section 4(2) of the Securities Act of 1933, as amended, and was thus exempt from the registration requirements of the Securities Act of 1933.

In February 2004, the Company issued and sold a Series B 18% Bridge Note in the principal amount of \$500,000 to David W. Palmlund III. Based on the manner of sale and representations of Mr. Palmlund, the Company believes that this issuance of Series B Bridge Note was a private placement not involving any public offering within the meaning of Section 4(2) of the Securities Act of 1933, as amended, and was thus exempt from registration requirements of the Securities Act of 1933.

In June 2004, the Company issued and sold a Series D 18% Note in the principal amount of \$233,500 to David W. Palmlund III. Based on the manner of sale and representations of Mr. Palmlund, the Company believes that this issuance was a private placement not involving any public offering within the meaning of Section 4(2) of the Securities Act of 1933, as amended, and was thus exempt from registration requirements of the Securities Act of 1933.

In June 2004, the Company also issued and sold two notes in the principal amount of \$300,000 each, a total of \$600,000, to David Palmlund III and RFJM Partners LLC, both accredited investors. In connection with issuance of these Notes, the Company also issued each of the two investors 66,667 shares of common stock of the Company. Based on the manner of sale and representations of these two investors, the Company believes that these related issuances consisted of a private placement not involving any public offering within the meaning of Section 4(2) of the Securities Act of 1933, as amended, and was thus exempt from registration requirements of the Securities Act of 1933.

From February 2005 through May 2005, the Company conducted a private placement of its common stock to a limited number of accredited investors and sold a total of 305,212 shares of its common stock at \$2.50 per share for total proceeds of \$763,030. Based on the manner of sale and representations of investors, the Company believes that this issuance was a private placement not involving any public offering within the meaning of Section 4(2) of the Securities Act of 1933, as amended, and was thus exempt from registration requirements of the Securities Act of 1933.

From July 2005 through August 2005 the Company conducted a private placement of its common stock to a limited number of accredited investors and sold a total of 1,000,038 shares at \$3.90 per share for gross proceeds of \$3,900,149. These shares were offered by Bathgate Capital Partners, LLC acting as Placement Agent, which received a total of \$513,124 from the offering for brokerage commissions and other expenses of the offering. Based on the manner of sale and representations of the investors, the Company believes that this issuance was a private placement not involving any public offering within the meaning of Section 4(2) of the Securities Act of 1933, as amended, and was thus exempt from registration requirements of the Securities Act of 1933.

All of the investors receiving securities of the Company in the foregoing transactions received legended certificates or notes for such securities which clearly stated the securities could not be resold, transferred or otherwise disposed of without either being registered under applicable securities laws or exempt from registration under a satisfactory securities exemption.

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### Securities Issued for Services or Payables

In November-December 2002, the Company issued a total of 425,000 shares of its common stock to various key persons involved with the organization and start-up operations of the Company relating to services valued in the aggregate at \$170,000, or \$.40 per share. All of these persons were accredited investors, and the services provided by them included professional services involved with the incorporation and organization of the Company, services relating to the initial design and development of the Company's products, trademark related services, and numerous negotiation services to obtain vendors and suppliers to provide motorcycle components for future production of the Company's products, and financial services related to obtaining working capital.

In March 2003, the Company issued a total of 206,250 shares of its common stock to various key persons who had provided professional, management, development and financial services to the Company during the first quarter of 2003, which services were valued at an aggregate of \$82,500 or \$.40 per share. All of these key persons were accredited investors. Additionally, in May 2003 the Company issued an additional total of 1,013,000 shares of its common stock to some of these key persons for services valued at \$1,013,000 or \$1.00 per share, which services consisted of management, professional, and financial services including commitments for significant lines of credit to finance working capital.

In December 2003, the Company issued 42,500 shares of its capital stock to two persons for services valued at \$85,000 or \$2.00 per share, both of the persons being accredited investors. Of this issuance, 17,500 shares were issued to William Eisner in satisfaction of his outstanding account payable, and the remaining 25,000 shares were issued to Garry Lowenthal for his agreeing to become employed by the Company. Mr. Lowenthal also received an option in connection with his hiring for the purchase of 75,000 shares of common stock of the Company over a five-year term at an exercise price of \$2.00 per share.

In January 2004, the Company issued common stock purchase warrants to two persons for the purchase of a total of 53,635 common shares of the Company at \$2.00 per share, both of which persons were accredited investors. This warrant issuance included a five-year warrant to purchase 37,500 shares granted to Donald Shiff for financial services provided by him to the Company, and a three-year warrant to purchase 16,135 shares granted to Lane Capital Markets for services related to their being the Placement Agent in a private placement of the Company.

During March-April 2004, the Company issued 61,000 shares of its common stock to three persons valued at \$152,500 or \$2.50 per share for services or property provided to the Company, all of which persons were accredited investors. Of this issuance, 16,000 shares were issued to Nonbox, Inc. for providing brand management services to the Company, 20,000 shares were issued to MSGi Corp for software services and assets, and 25,000 shares were issued to Jeffrey Wright for marketing efforts while representing the Company. In connection with Mr. Wright's marketing services, we also granted him a warrant to purchase 80,000 shares of our common stock over a five-year term at \$2.50 per share.

In March 2004, the Company also granted to its directors stock options for their service as members of the board of directors, which options provided for an aggregate purchase of 15,000 shares of common stock of the Company over a five-year period at an exercise price of \$2.50 per share.

In December 2004 the Company issued 175,000 shares of its common stock to a former executive officer valued at \$437,500 or \$2.50 per share who was an accredited investor, of which 100,000 shares were for his agreeing to be employed by the Company during 2004 and the remainder of 75,000 shares was in settlement of his employment contract which was terminated by mutual consent of both parties thereto.

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In December 2004, the Company also issued a total of 189,700 shares of its common stock to various employees of the Company in consideration for their services during 2004, which totaled \$474,250 in value based on \$2.50 per share. These shares were issued in consideration for development, management, marketing, engineering, and administrative services provided to the Company incident to their employment with the Company.

In Jan-Mar, 2005, the Company issued stock options to its employees/consultants for incentive purposes in the aggregate of options to purchase 767,000 shares of its common stock over a five-year term at an exercise price of \$2.50 per share.

In March 2005 the Company issued warrants to two accredited investors for the total purchase of 250,000 common shares of the Company, including a warrant to David W. Palmlund III for 100,000 shares exercisable at \$2.50 per share for a five-year term, and granted to Mr. Palmlund for financial services provided to the Company, and another warrant to US Euro Consulting for 150,000 shares exercisable at \$6.00 per share for a three-year term, and granted to US Euro Consulting for venture capital consulting services provided to the Company.

In March 2005 the Company issued 2,996,575 shares of its common stock to Thor Performance Inc., a Minnesota corporation, to purchase motorcycle engine technology and prototypes and related assets, with these shares valued at \$2.50 per share or a total purchase price of \$7,491,437. Thor Performance Inc. is an accredited investor.

In August 2005 the Company issued warrants to Bathgate Capital Partners LLC for the purchase of 100,004 shares of common stock of the Company over a five-year term at \$3.90 per share as required by the Placement Agent Agreement governing the private placement offered by Bathgate for the Company. Bathgate is a licensed NASD dealer, and an accredited investor.

In August 2005 the Company also issued 134,920 shares of its common stock in consideration for obtaining its SEDA financing facility from Cornell Capital Partners with 133,333 of these shares issued to Cornell Capital Partners and 1,587 shares issued to Monitor Capital Inc., the Placement Agent for this SEDA facility. This issuance of shares was valued at \$750,000 by the Company. Incident to the SEDA commitment from Cornell Capital Partners, the Company also issued warrants to Cornell Capital Partners to purchase 1,750,000 shares of common stock of the Company exercisable at \$4.60 per share over a three-year term. Cornell and Monitor are both accredited investors.

Based on the manner of issuance of all the foregoing issuances for services, goods, and financial assistance or payables, they were transactions as private placements and not in the nature of a public offering, and the Company believes they were exempt from registration under the Securities Act of 1933, as amended, pursuant to either Section 4(2) or Rule 701 thereof. All of the persons receiving securities of the Company in the foregoing non-cash transactions received legended certificates for such securities which clearly stated the securities could not be resold, transferred or otherwise disposed of unless registered under applicable securities laws or exempt from registration under a satisfactory securities exemption.

### Securities Issued For Outstanding Liabilities in Early 2005 Reorganization

From January-March, 2005, the Company completed a major financial reorganization through a debt conversion plan offered to all creditors of the Company, based on \$2.50 per share of common stock of the Company in satisfaction of any outstanding liability of each creditor. The Company succeeded in satisfying a total of \$4,770,879 through this debt conversion plan, including conversion of loans and notes, accounts payable and accrued liabilities and other debts. Creditors converting into common stock and preferred stock were almost all accredited investors. This conversion plan resulted in outstanding debt in the amount of \$2,813,379 being converted into 1,125,354 shares of common stock of the Company and \$1,957,500 being converted into 783,000 shares of preferred stock of the Company. Based on the manner of this conversion plan and the representations of creditors accepting conversion of their debt, the Company believes these debt conversions were private placements not involving any public offering within the meaning of Section 4(2) of the Securities Act of 1933, as amended, and were thus exempt from registration requirements of such Securities Act. All creditors receiving securities of the Company incident to this debt conversion plan received legended certificates for such securities which clearly stated that the securities could not be resold, transferred or otherwise disposed of unless registered under applicable securities laws or exempt from registration under a satisfactory securities exemption.

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### **Item 5. Indemnification of Directors and Officers**

The Nevada Revised Statutes provide that the Company may indemnify its officers and directors for costs and expenses incurred in connection with the defense of actions, suits or other proceedings where the officer or director acted in good faith and in a manner reasonably believed by the officer or director to be in the Company's best interest and the officer or director is a party by reason of his or her status with the Company, unless the officer or director was found negligent or conducting misconduct in the performance of duty.

Insofar as indemnification for liabilities under the Securities Act of 1933 may be permitted to directors and officers under Nevada law or otherwise, the Company understands that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

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### PART III

#### Items 1-2. Index to and Description of Exhibits

<u>Exhibit Number</u>	<u>Description of Exhibit</u>	<u>Sequential Page Number</u>
Exhibit 2	Agreement and Plan of Business Combination	
Exhibit 3.1	Articles of Incorporation	
Exhibit 3.2	Bylaws	
Exhibit 4	Rights of Series A Preferred Shareholders	
Exhibit 10.1	Asset Purchase Agreement	
Exhibit 10.2	Dealer Agreement	
Exhibit 10.3	Financing Floor Plan Vendor Agreement	
Exhibit 10.4	Standby Equity Distribution Agreement (SEDA)	
Exhibit 21	Subsidiaries of Registrant	

### PART F/S

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### SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Viper Powersports Inc, Registrant

Date: November 21, 2005

By /s/

\_\_\_\_\_  
John Lai – President

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**Viper Powersports, Inc.**  
**(A Development Stage Company)**

**Consolidated Financial Statements**

**For the Eight Months Ended August 31, 2005  
and  
the Years Ended December 31, 2004 and 2003**

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Viper Powersports, Inc.  
(A Development Stage Company)

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# **Child, Sullivan & Company**

**A Professional Corporation of CERTIFIED PUBLIC ACCOUNTANTS  
1284 W. Flint Meadow Dr., Suite D, Kaysville, UT 84037**

**PHONE: (801) 927-1337 FAX: (801) 927-1344**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Stockholders  
Viper Powersports, Inc.  
New Hope, Minnesota

We have audited the accompanying consolidated balance sheets of Viper Powersports, Inc. (a development stage company) and subsidiaries as of August 31, 2005 and December 31, 2004, and the related statements of operations, stockholders' equity (deficit), and cash flows for the eight months ended August 31, 2005, the years ended December 31, 2004 and 2003, and the period from November 18, 2002 (inception) to August 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Viper Powersports, Inc. and subsidiaries as of August 31, 2005 and December 31, 2004, and the results of its operations and its cash flows for the eight months ended August 31, 2005, the years ended December 31, 2004 and 2003, and the period from November 18, 2002 (inception) to August 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

Child, Sullivan & Company  
Kaysville, Utah  
November 8, 2005

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**Viper Powersports, Inc.  
(A Development Stage Company)**

**Consolidated Balance Sheets**

	August 31, 2005	December 31, 2004
<b>Assets</b>		
Current Assets:		
Cash	\$ 2,107,662	\$ 36
Accounts receivable	394	9,410
Inventory and supplies	188,694	284,073
<b>Total Current Assets</b>	<b>2,296,750</b>	<b>293,519</b>
Fixed Assets:		
Office & computer equipment	109,508	101,490
Manufacturing and development equipment	224,557	222,707
Vehicles	53,278	53,278
Leasehold improvements	38,770	38,770
Accumulated depreciation	(138,552)	(81,022)
<b>Total Fixed Assets</b>	<b>287,561</b>	<b>335,223</b>
Other Assets:		
Engine development costs	7,341,438	—
Rental deposit and other	49,342	66,289
<b>Total Other Assets</b>	<b>7,390,780</b>	<b>66,289</b>
<b>Total Assets</b>	<b>\$ 9,975,091</b>	<b>\$ 695,031</b>
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
Current Liabilities:		
Checks in excess of bank balance	\$ —	\$ 18,515
Accounts payable	67,884	1,362,351
Accrued liabilities	40,936	639,058
Shareholder note	150,000	152,000
Current portion of capital lease	13,500	13,500
<b>Total Current Liabilities</b>	<b>272,320</b>	<b>2,185,424</b>
Long-Term Liabilities:		
Capital lease, less current portion	45,307	53,641
Shareholder notes converted into common stock	—	2,916,323
<b>Total Long-Term Liabilities</b>	<b>45,307</b>	<b>2,969,964</b>
<b>Total Liabilities</b>	<b>317,627</b>	<b>5,155,388</b>
<b>Stockholders' Equity (Deficit):</b>		
Preferred stock, \$.001 par value; authorized 20,000,000 shares; 783,000 issued and outstanding at August 31, 2005 and None issued and outstanding at December 31, 2004	783	—
Common Stock, \$.001 par value; authorized 100,000,000 shares; 10,126,375 issued and outstanding at August 31, 2005 and 3,951,183 issued and outstanding at December 31, 2004	10,126	3,951
Paid in Capital	22,294,360	4,641,247
Accumulated deficit during the development stage	(12,647,805)	(9,105,555)
<b>Total Stockholders' Equity (Deficit)</b>	<b>9,657,464</b>	<b>(4,460,357)</b>
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	<b>\$ 9,975,091</b>	<b>\$ 695,031</b>

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**Viper Powersports, Inc.**  
**(A Development Stage Company)**

**Consolidated Statements of Operations**

	Eight months ended August 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003	Cumulative from Inception November 18,2002 through 8/31/2005
Revenue	\$ 756	\$ 591,760	\$ 49,192	\$ 641,708
Cost of revenue	854	473,847	26,876	501,577
Gross profit	(98)	117,913	22,316	140,131
Operating Expenses:				
Research and development costs	384,008	1,217,705	546,722	2,230,922
Selling, general and administrative	3,027,193	4,543,867	2,548,289	10,381,474
	3,411,201	5,761,572	3,095,011	12,612,396
Loss from operations	(3,411,299)	(5,643,659)	(3,072,695)	(12,472,265)
Other (expenses) income:				
Interest expense	(153,368)	(133,149)	(27,040)	(313,557)
Other income	22,417	15,600	100,000	138,017
Net Loss	\$ (3,542,250)	\$ (5,761,208)	\$ (2,999,735)	\$ (12,647,805)
Net Loss Per Common Share				
(Basic and diluted)	\$ (0.65)	\$ (1.78)	\$ (1.22)	
Weighted Average Shares				
Common Stock Outstanding	5,452,222	3,245,000	2,464,712	

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**Viper Powersports, Inc.**  
**(A Development Stage Company)**

**Consolidated Statements of Stockholders' Equity (Deficit)**  
**For the Period from November 18, 2002 (Inception) to August 31, 2005**

Activity	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Paid-In Capital	Accumulated Deficit	Accumulated Equity (Deficit) Total
BALANCE at November 18, 2002 (inception)	—	\$ —	—	\$ —	\$ —	\$ —	\$ —
Common stock for services and accounts payable – \$.40/share	—	—	425,000	170,000	—	—	170,000
Common stock for cash at \$.40/share	—	—	294,478	117,791	—	—	117,791
Net Loss from inception through December 31, 2002	—	—	—	—	—	(344,612)	(344,612)
<b>Balances at December 31, 2002</b>	—	—	719,478	287,791	—	(344,612)	(56,821)
Common stock for services at \$.40 to \$1.00/share	—	—	1,219,250	1,095,500	—	—	1,095,500
Common stock for cash at \$.40/share	—	—	855,522	342,209	—	—	342,209
Common stock for services and accounts payable at \$2.00/share	—	—	42,500	85,000	—	—	85,000
Common stock for cash at \$2.00 per share net of issuance costs	—	—	457,399	884,549	—	—	884,549
Value of warrants issued with convertible debt	—	—	—	110,168	—	—	110,168
Net loss for year ended December 31, 2003	—	—	—	—	—	(2,999,735)	(2,999,735)
<b>Balances at December 31, 2003</b>	—	—	3,294,149	2,805,217	—	(3,344,347)	(539,130)
Value of warrants issued with convertible debt	—	—	—	22,033	—	—	22,033
Common stock for cash at \$2.50/share	—	—	98,000	245,000	—	—	245,000
Common stock for services and software at \$2.50/share	—	—	61,000	152,500	—	—	152,500
Common stock for employment agreement services at \$2.50/share	—	—	175,000	437,500	—	—	437,500
Common stock issued with May 2004 Notes at \$2.50/share)	—	—	133,334	333,335	—	—	333,335
Common stock grants to employees at \$2.50/share)	—	—	189,700	474,250	—	—	474,250
Value of warrants and options issued for services	—	—	—	175,363	—	—	175,363
Net loss for year ended December 31, 2004	—	—	—	—	—	(5,761,208)	(5,761,208)
<b>Balances at December 31, 2004</b>	—	—	3,951,183	4,645,198	—	(9,105,555)	(4,460,357)

Common stock for cash at \$2.50/share	—	—	305,212	763,030	—	—	763,030
Common stock for payables and debt converted at \$2.50/share	—	—	1,125,354	2,813,379	—	—	2,813,379
Preferred stock for outstanding debt converted at \$2.50/share	783,000	1,957,500	—	—	—	—	1,957,500
Value of warrants and options issued for services	—	—	—	497,700	—	—	497,700
Common stock for engine development technology (Note 3)	—	—	2,996,575	7,491,437	—	—	7,491,437
Recapitalization from March 31, 2005 reverse merger (Note 4)	—	(1,956,717)	613,093	(16,201,753)	18,158,470	—	—
Common stock for cash at \$3.90/share, net of offering costs of \$513,124	—	—	1,000,038	1,000	3,386,025	—	3,387,025
Common stock to Cornell Capital Partners, LP issued for SEDA equity agreement	—	—	134,920	135	749,865	—	750,000
Net loss for the eight months ended August 31, 2005	—	—	—	—	—	(3,542,250)	(3,542,250)
<b>Balances at August 31, 2005</b>	<b>783,000</b>	<b>\$ 783</b>	<b>10,126,375</b>	<b>\$ 10,126</b>	<b>\$22,294,360</b>	<b>\$(12,647,805)</b>	<b>\$ 9,657,464</b>

See notes to consolidated financial statements.

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**Viper Powersports, Inc.**  
**(A Development Stage Company)**

**Consolidated Statements of Cash Flows**

	Eight months Ended August 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003	Cumulative from Inception (November 18, 2002) to August 31, 2005
<b>Cash Flows Used in Operating Activities:</b>				
Net Loss	\$(3,542,250)	\$ (5,761,208)	\$ (2,999,735)	\$(12,647,805)
<b>Expenses not Requiring an Outlay of Cash:</b>				
Depreciation	57,530	69,069	11,953	138,552
Common stock and warrants issued for compensation and expenses	1,247,700	1,524,981	1,145,500	3,946,249
Net Cash Used in Operations	(2,237,020)	(4,167,158)	(1,842,282)	(8,563,004)
<b>Changes to Operating Assets and Liabilities:</b>				
Decrease (Increase) in accounts receivable	9,016	(9,410)	—	(394)
Decrease (Increase) in supplies and prepaids	95,379	186,437	(289,031)	(188,694)
Decrease (Increase) in rental deposits and other	16,947	(12,500)	(18,538)	(14,091)
Increase (decrease) in accounts payable	(25,768)	1,050,070	442,328	67,884
Increase (decrease) in accrued liabilities	(44,601)	367,498	144,585	40,936
Cash Flows Used in Operating Activities	(2,186,047)	(2,585,063)	(1,562,938)	(8,657,363)
<b>Cash Flows Used in Investing Activities:</b>				

Funding from Thor Performance for engine development	150,000	—	—	150,000
Purchase of intellectual property	—	(35,251)	—	(35,251)
Purchase of fixed assets	(9,868)	(193,178)	(267,895)	(426,113)
<b>Cash Flows Used in Investing Activities</b>	<b>140,132</b>	<b>(228,429)</b>	<b>(267,895)</b>	<b>(311,364)</b>
<b>Cash Flows from Financing Activities:</b>				
Net proceeds from sale of stock	4,150,055	245,000	1,226,758	5,957,104
Checks in excess of bank balance (reduction)	(18,515)	(42,053)	—	—
Stockholder loan and capital lease payments	(570,999)	(67,955)	—	(638,954)
Loans from stockholders	593,000	2,282,190	978,851	5,758,239
<b>Cash Flows from Financing Activities</b>	<b>4,153,541</b>	<b>2,417,182</b>	<b>2,205,609</b>	<b>11,076,389</b>
<b>Net Increase (decrease) in Cash</b>	<b>2,107,626</b>	<b>(396,310)</b>	<b>374,776</b>	<b>2,107,662</b>
Cash at Beginning of Period	36	396,346	21,570	—
<b>Cash at End of Period</b>	<b>\$ 2,107,662</b>	<b>\$ 36</b>	<b>\$ 396,346</b>	<b>\$ 2,107,662</b>
<b>Supplemental Non-Cash Financing Activities and Cash Flow Information:</b>				
Common Stock issued for accounts payable (expenses)	\$ 1,268,698	\$ 20,000	\$ 35,000	\$ 1,323,698
Common Stock issued for accrued liabilities (expenses)	\$ 553,521	\$ —	\$ —	\$ 553,521
Preferred Stock issued for Debt	\$ 1,957,500	\$ —	\$ —	\$ 1,957,500
Common Stock issued for Debt	\$ 991,160	\$ 110,168	\$ —	\$ 1,101,328
Common Stock issued for software (assets)	\$ —	\$ 50,000	\$ —	\$ 50,000
Common Stock Issued for Engine Development Technology and engine development obligation of \$ 150,000	\$ 7,491,437	\$ —	—	\$ 7,341,437
Equipment Acquired via capital lease	\$ —	\$ 72,596	—	\$ 72,596
Stock Warrants Issued with Convertible Debt	\$ 110,168	\$ 22,033	—	\$ 132,201
Interest Paid	\$ —	\$ 142,938	\$ 13,746	\$ 156,684
Income Taxes Paid	\$ —	\$ —	\$ —	\$ —

See notes to consolidated financial statements.

**Viper Powersports, Inc.**  
**(A Development Stage Company)**

**Notes to Consolidated Financial Statements**

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Viper Powersports Inc. was incorporated in Nevada in 1980 under a different name, and was inactive for years. On March 31, 2005 the Company was recapitalized through a merger with Viper Motorcycle Company, a Minnesota corporation. The former shareholders of Viper Motorcycle Company acquired 93.5% of the capital stock of Viper Powersports Inc. in exchange for all of the capital stock of Viper Motorcycle Company. This transaction was effected as a reverse merger for financial statement and operational purposes, and accordingly Viper Powersports Inc. regards its inception as being the incorporation of Viper Motorcycle Company on November 18, 2002. (See Note 4 — *Recapitalization*). Upon completion of this reverse merger, Viper Motorcycle Company became a wholly-owned subsidiary of Viper Powersports Inc.

The stock exchange in this reverse merger was effected on a one-for-one basis, resulting in each shareholder of Viper Motorcycle Company receiving the same number and type of capital stock of Viper Powersports Inc. which they held in Viper Motorcycle Company prior to the merger.

Viper Performance Inc., also a wholly-owned subsidiary of Viper Powersports Inc., was incorporated in Minnesota in March 2005 for the purpose of receiving and holding engine development technology and related assets acquired by Viper Powersports Inc. These assets were acquired from Thor Performance Inc., a Minnesota corporation in March 2005 in exchange for 2,996,575 shares of common stock of Viper Powersports Inc. (See Note 3 — *Purchase of Engine Development Technology*.)

As used herein, the term “the Company” refers to “Viper Powersports Inc.”, and its wholly-owned subsidiaries, unless the context indicates otherwise.

The Company is a development stage company engaged in design and development of premium V-Twin cruiser motorcycles. The Company has sold its capital stock and debt securities in various private placements to fund its development, marketing and other operations. The Company also has issued substantial shares of its common stock to compensate officers and other employees, consultants, and vendors, and to satisfy outstanding debt and other obligations. The Company continues to rely upon loans and sales of its equity securities to fund current operations. The Company’s executive and administrative offices, and its engineering and development operations, are located in a 13,365 square foot facility in suburban Minneapolis, Minnesota.

Principles of Consolidation – The consolidated financial statements include the accounts of Viper Powersports Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

**Viper Powersports, Inc.**  
**(A Development Stage Company)**

**Notes to Consolidated Financial Statements**

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Debt Conversions – During early 2005, Viper Motorcycle Company substantially reorganized its financial position by converting a total of \$4,770,879 of its debt, including accounts payable and accrued liabilities and loans, into capital stock of the Company on the basis of \$2.50 per share. Outstanding debt in the amount of \$2,813,379 was converted into 1,125,354 shares of common stock and \$1,957,500 was converted into 783,000 shares of preferred stock.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Loss Per Share** – Basic and diluted net loss per common share is computed using the net loss applicable to common shareholders and the weighted average number of shares of common stock outstanding. Diluted net loss per common share does not differ from basic net loss per common share since potential shares of common stock from conversion of debt and the exercise of warrants and options are anti-dilutive for all periods presented.

**Inventories** – Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method (FIFO). Demonstration motorcycles are stated at manufacturing cost and reserves are recorded to state the demonstration motorcycles at net realizable value. The Company reviews inventory for obsolescence and excess quantities to determine that items deemed obsolete or excess are appropriately reserved.

**Property and Equipment** – Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which are 3 to 7 years. Leasehold improvements are amortized straight line over the shorter of the lease term or estimated useful life of the asset.

**Impairment of Long Lived Assets** – The Company reviews long-lived assets for impairment annually or more frequently if the occurrence of events or changes in circumstances indicates that the carrying amount of the assets may not be fully recoverable or the useful lives of the assets are no longer appropriate. Each impairment test is based on a comparison of the carrying amount of an asset to future net undiscounted cash flows. If impairment is indicated, the asset is written down to its estimated fair value on a discounted cash flow basis.

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**Viper Powersports, Inc.**  
**(A Development Stage Company)**

**Notes to Consolidated Financial Statements**

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

**Revenue Recognition** – The Company conducts its sales through a network of independent dealers, and the Company recognizes revenue for sales to dealers after the following has taken place:

- \* Motorcycles are delivered, which is at the time they are shipped;
- \* Title of the motorcycle passes to the dealer, generally at the time of shipment;
- \* Collection of the relevant receivable is probable;
- \* Persuasive evidence of an arrangement exists; and
- \* The sales price is fixed or determinable.

The Company's dealer agreement provides that the dealer has no right of return unless the Company authorizes the return.

**Warranty** – The Company provides warranty coverage for its motorcycles with unlimited miles within a one year period from date of purchase, including parts and labor necessary to repair the motorcycle during the warranty period.

A provision for the costs related to warranty expense will be recorded as a charge to cost of goods sold when revenue is recognized. The estimated warranty cost will be based on industry averages and the stage of production life cycle of the Company's motorcycles. The warranty reserve will be evaluated on an ongoing basis to ensure its adequacy.

**Research and Development** – Research and development costs are expensed as incurred. Assets that are required for research and development activities, and have alternative future uses, in addition to its current use, are included in equipment and depreciated over their estimated useful lives. Research and development costs consist primarily of salaries and other compensation for development and engineering personnel, contract engineering and development costs for outsourced projects, equipment and material costs for development activities, and expenses for regulatory compliance and certifications.

**Income Taxes** – Income taxes are accounted for under the asset and liability method. Deferred income taxes, if any, are recognized for the difference between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Deferred income taxes, if any,

will be recorded at the tax rates expected to be in effect when amounts are to be included in future taxable income. A valuation allowance is recorded to reduce the deferred tax assets to the amounts believed to be realizable. Due to the uncertainty regarding the Company's future profitability, the future tax benefits of its losses have been fully reserved and no net tax benefit has been recorded in these financial statements.

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**Viper Powersports, Inc.**  
**(A Development Stage Company)**

**Notes to Consolidated Financial Statements**

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

**Fair Value of Financial Instruments** – The carrying values of balance sheet financial instruments approximates their fair values as the debt and assets were incurred and acquired recently. These financial instruments include cash, accounts receivable, accounts payable, accrued liabilities, notes payables and indebtedness to related parties. Management is of the opinion that the Company is not exposed to significant interest, credit or currency risks arising from these financial instruments.

**Stock Options and Stock Based Compensation** – The Company has elected to expense options granted to its employees under the provisions of SFAS 123 (Accounting for Stock-Based Compensation) with respect to employee stock options. There were no options issued from inception through December 31, 2003.

The fair values of the employee stock options granted during the year ending December 31, 2004 and for the eight months ending August 31, 2005 were \$29,863 and \$497,700 respectively. The fair values of these option grants were determined using the Black-Scholes model with the following assumptions: a risk-free interest rate of 4.25%, an expected life of five years, 18% volatility, and no expected dividend yield.

The Company also issued common stock for services to employees, certain contractors and financing companies. As such, common stock granted during the year ending December 31, 2004 and for the eight months ending August 31, 2005 were \$1,301,783 and \$749,865 respectively.

The Company accounts for equity instruments issued to non-employees for services and goods under SFAS 123; EITF 96-18 (Accounting for Equity Instruments Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods and Services); and EITF 00-18 (Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to other than Employees.) Generally, the equity instruments issued for services or goods are for common shares or common stock purchase warrants. These shares or warrants are fully vested, non-forfeitable and fully paid or exercisable at the date of grant and require no future performance commitment by the recipient. The Company expenses the fair market value of these securities over the period in which the Company receives the related services.

**Dealer Floor Plan Financing** – In May 2003, the Company entered into a floor plan financing agreement with GE Commercial Distribution Finance Corporation (CDF) to establish a financing facility for the Company's independent dealers. Under this agreement, the Company submits an invoice to CDF describing the merchandise it ships to a dealer when the dealer requests floor plan financing from CDF. If CDF accepts the obligation to finance the merchandise, CDF pays the Company 97.6% to 100% of the amount invoiced. The Company must provide to CDF certain covenants when invoices are submitted for floor plan financing, relating to the bona fide nature of the order, title and saleability of the merchandise being financed.

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**Viper Powersports, Inc.**  
**(A Development Stage Company)**

**Notes to Consolidated Financial Statements**

1. NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Dealer Floor Plan Financing (Continued) – Dealers of the Company also must each qualify independently with CDF to obtain financing through this facility, and CDF must accept each financing transaction prior to CDF being obligated to finance the merchandise. CDF's obligation is also subject to certain conditions including delivery of the merchandise by the Company to the dealer within 30 days of CDF's acceptance, receipt by CDF of the invoice within 10 days shipment to the dealer, and no revocation of CDF's acceptance prior to shipment of the merchandise.

If CDF deems it necessary to repossess any merchandise financed by CDF, the Company must repurchase the merchandise from CDF at the greater of the unpaid balance on such merchandise or the Company's original invoice price, regardless of the condition of the merchandise. The Company also must pay any expenses incurred by CDF relating to any repossession.

Either party upon 30 days written notice may terminate the Company's floor plan financing facility with CDF anytime, and CDF may terminate the agreement anytime upon an event of default by the Company.

## 2. EQUITY FINANCING AGREEMENTS

The Company incurred a net loss of \$3,542,250, \$5,761,208 and \$12,647,805, for the eight month period ending August 31, 2005, the year ending December 31, 2004 and the period from inception (November 18, 2002) through August 31, 2005, respectively. Viper produced 25 motorcycles in 2004 as a "Development Stage Company" while producing only one bike per dealer (considered a "one-time" R&D production on the new bike). The current business plan is to commence commercial production in the second quarter 2006. No additional capital infusion will be required to start commercial production of motorcycles and engines.

The Company has completed the following financing transactions to fund the anticipated cash flow shortfall. On August 31, 2005 the Company completed a private placement of 1,000,038 shares at \$3.90 per share resulting in net proceeds to the Company of \$3,387,205. On August 26, 2005 the Company also entered into an agreement with Cornell Capital Partners, LP for a Standby Equity Distribution Agreement ("SEDA") which enables the Company to draw down up to \$500,000 per equity request, every five days. This equity capital infusion allows the Company to sell up to \$15,000,000 in equity over a 24 month period. The Company must register its Common Stock under a registration statement with the Securities and Exchange Commission prior to the agreement becoming effective. Cornell will receive cash compensation of 4% of the gross proceeds of each stock sale made by the Company under this SEDA facility.

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**Viper Powersports, Inc.**  
**(A Development Stage Company)**

**Notes to Consolidated Financial Statements**

## 2. EQUITY FINANCING AGREEMENTS (Continued)

To obtain this SEDA facility, the Company issued 133,333 shares of its common stock to Cornell and also granted Cornell stock purchase warrants to purchase 1,750,000 common shares of the Company exercisable over a three-year period at \$4.60 per share. The Company also issued 1,587 shares of its Common stock to Monitor Capital, Inc, who acted as Placement Agent for the SEDA facility.

## 3. PURCHASE OF ENGINE DEVELOPMENT TECHNOLOGY

Effective March 31, 2005, Viper Powersports Inc., acquired substantial motorcycle engine technology and related assets from Thor Performance Inc., a Minnesota corporation. These assets were acquired in exchange for 2,996,575 shares of common stock of Viper Powersports Inc. issued to Thor Performance, Inc. The Company valued the engine development technology at \$2.50 per share and capitalized \$7,341,437 for the value of the motorcycle engine development. This motorcycle development was designed and developed over the past 6 to 7 years by Melling Consultancy Design (MCD), an engine development firm based in the United Kingdom, which has previously designed both motorcycle and auto racing engines.

Motorcycle development technology acquired from Thor Performance Inc. includes designs and prototypes for various V-Twins and other motorcycle engines and other components, and a \$150,000 commitment by Thor Performance Inc. to fund the completion of certain development in progress being conducted by MCD, which commitment has been fulfilled. The Company had an independent appraisal of the engine development technology conducted which, under the income methodology approach, valued the engine development technology at \$19,616,400.

In accordance with SFAS 2, *Accounting for Research and Development Costs*, and SFAS 142, *Goodwill and Other Intangible Assets*, the

Company's policy is to capitalize costs incurred in connection with the purchase, from outside parties, of new engine development technology. Any internally developed technology would be classified as research and development, and would be immediately expensed. During 2005 the Company capitalized \$ 7,341,437 of motorcycle engine development cost. The Company's policy is to depreciate the cost capitalized in connection with developing engine technology on a straight line basis over 10 years.

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**Viper Powersports, Inc.**  
**(A Development Stage Company)**

**Notes to Consolidated Financial Statements**

**4. RECAPITALIZATION**

On March 31, 2005 Viper Powersports Inc. was merged with Viper Motorcycle Company pursuant to a merger agreement dated March 11, 2005. Upon consummation of this merger, Viper Motorcycle Company became a wholly-owned subsidiary of Viper Powersports Inc. Prior to the merger Viper Powersports Inc. was an inactive publicly-held company.

Immediately after completion of the merger, the former stockholders of Viper Motorcycle Company owned 93.5% of the outstanding shares of capital stock of Viper Powersports Inc. Accordingly, this transaction constituted a reverse merger which is regarded as if Viper Motorcycle Company had acquired Viper Powersports Inc. These financial statements present operations of Viper Motorcycle Company from its inception on November 18, 2002, and do not include any prior operations of Viper Powersports Inc.

For accounting and financial reporting purposes, this reverse merger was treated as a recapitalization of Viper Powersports Inc. Viper Powersports Inc. had no assets or liabilities and no business other than the search for a suitable merger target, and accordingly its book value has been stated at zero on the recapitalized balance sheet.

Pursuant to the one-for-one share exchange basis of this merger, the stockholders of Viper Motorcycle Company exchanged all of their capital stock for a like amount and type of capital stock of Viper Powersports Inc. Preferred stockholders of Viper Motorcycle Company acquired a total of 783,000 shares of preferred stock of Viper Powersports Inc., which preferred shares are convertible into common shares on a one-for-one basis.

Additionally under this reverse merger, all outstanding options and warrants to purchase common stock of Viper Motorcycle Company were converted into like options and warrants to purchase common stock of Viper Powersports Inc.

**5. RELATED PARTY TRANSACTIONS**

Since inception, the Company has entered into many transactions with related parties consisting of officers, directors and beneficial owners of more than 10% of its common stock, including the following:

**Debt Conversions** – Incident to reorganizing the Company during January-March 2005, outstanding debt of the Company in the aggregate amount of \$4,770,879 was converted into capital stock of the Company based on \$2.50 per share. These debt conversions included \$3,476,547 owed to related parties, consisting of \$2,694,418 in outstanding loans and interest thereon, accrued compensation and accounts payable of \$344,629, and \$437,500 to settle and terminate an employment contract with a former officer.

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**Viper Powersports, Inc.**  
**(A Development Stage Company)**

**Notes to Consolidated Financial Statements**

5. RELATED PARTY TRANSACTIONS (Continued)

Thor Performance, Inc. – Effective March 31, 2005 the Company acquired substantial motorcycle and engine development technology and related assets from Thor Performance, Inc. in exchange for 2,996,575 shares of common stock of the Company valued at \$2.50 per share. (See Note 3) . Due to this transaction, related parties of the Company beneficially acquired 2,401,192 common shares of the total issued for Thor Performance, Inc.

Common Stock Issued for Services – In December 2004, the Company granted a total of 189,700 shares of its common stock, valued at \$2.50 per share, to employees as additional compensation for 2004. These common shares were fully vested and fully paid upon their grant, and included 125,000 shares granted to the President of Viper Motorcycle Company.

Prior to December 2004, the Company had issued other stock grants from time to time for services from both related and unrelated parties. These transactions included stock grants to related parties in November 2002 to March 2003 of 411,250 common shares of \$.40 per share, in May 2003 of 822,500 common shares at \$1.00 per share, in December 2003 of 42,500 common shares at \$2.00 per share, and in May 2004 of 16,000 common shares at \$2.50 per share.

The value of common shares issued in all stock grants to related parties for services was determined by the Company's Board of Directors based on concurrent sales of the Company's common stock to unrelated parties as well as the development status of the Company's business at the time of these stock grants.

Private Placements – In connection with various private placements of the Company's common stock since inception, related parties have purchased its common stock on the same terms under which unrelated parties have participated in these placements. Sales to related parties in private placements has included a total of 504,750 common shares at \$.40 per share in a placement from November 2002 to March 2003 a total of 70,000 common shares at \$2.00 per share in a June to December 2003 placement, and a total of 40,212 common shares at \$2.50 per share in a February to March 2005 placement.

Indebtedness to Related Parties – From December 2003 to August 2004, David Palmlund III (a principal shareholder) loaned a total of \$2,000,000 to the Company, for which he received various notes bearing interest rates from 10% to 35% and having maturity dates from August 2004 to September 2005. All of this debt was outstanding as of December 31, 2004. In March 2005, except for \$150,000 of a Series A Convertible Secured Note, Mr. Palmlund converted all of his debt, including accrued interest, into 740,000 shares of preferred stock of the Company and 64,635 shares of common stock of the Company, all based on the share price of \$2.50. The unconverted \$150,000 Series A Note bears an interest rate of 18% per annum, and is convertible into common shares of the Company on the basis of \$2.50 per share. The Series A note matures on September 30, 2005. This Series A Note is also secured by tangible and intangible assets of the Company.

**Viper Powersports, Inc.**  
**(A Development Stage Company)**

**Notes to Consolidated Financial Statements**

5. RELATED PARTY TRANSACTIONS (Continued)

Indebtedness to Related Parties (Continued) – Five other related parties, including an officer, two directors, and two principal shareholders have made substantial cash advances or working capital loans to the Company from time to time since its inception. They have received unsecured 8% notes for these advances and loans. As of December 31, 2004 \$673,237 of these 8% notes was outstanding, including accrued interest. In February to March 2005, all outstanding 8% notes of the Company, including accrued interest thereon, were converted into shares of common stock of the Company based the price of \$2.50 per share.

Guarantee of Letter of Credit – In January 2004 (as amended February 8, 2005), the Company obtained a \$200,000 Letter of Credit from Compass Bank of Dallas Texas in favor of GE Commercial Distribution Finance Corporation. This Letter of Credit also was guaranteed by

David Palmlund III, who is being paid \$3,000 per month as long as the guarantee is outstanding.

Consulting Compensation – During 2003 and 2004, the Company paid compensation to a principal shareholder for consulting services related to motorcycle production development and creation of an assembly manufacturing system. These consulting expenses included \$55,000 in 2003 and \$36,000 in 2004.

Employment Agreement – In January 2004, the Company entered into a 3-year employment agreement with Terry Nesbitt to pay him an annual salary on the basis of \$94,600 until April 2004 and thereafter on an annual basis of \$104,060. This agreement also provided for him to be paid total bonuses of \$25,000 in 2004. The agreement also obligates the Company to provide his medical insurance, a monthly fuel expense allowance, a vehicle for his travel purposes, and reimbursement of his reasonable out-of-pocket expenses. Mr. Nesbitt's agreement also provides that if his employment is terminated without cause, he will receive a cash severance payment equal to 75% of his annual compensation for 24 months.

Settlement of Employment Contract – In January 2005 the Company issued a total of 175,000 shares of common stock expensed on a per share price of \$2.50, for the termination of an officer's employment contract.

## 6. COMMON STOCK WARRANTS AND OPTIONS

The Company has issued warrants to purchase a total of 2,383,639 shares of its common stock, and also has granted options to purchase a total of 857,000 of its common shares.

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### Viper Powersports, Inc. (A Development Stage Company)

#### Notes to Consolidated Financial Statements

## 6. COMMON STOCK WARRANTS AND OPTIONS (Continued)

Warrants – Outstanding warrants of the Company to purchase 53,635 common shares at a price of \$2.00 per share have three-year terms, expiring from June 2006 to January 2007; outstanding warrants to purchase 330,000 common shares at the price of \$2.50 per share have five-year terms, expiring from December 2008 to March 2010; outstanding warrants to purchase 150,000 common shares at a price of \$6.00 per share have a five-year term expiring in January 2010; outstanding warrants to purchase 1,750,000 common shares at a price of \$4.60 per share have a three-year term expiring August 2008; and outstanding warrants to purchase 100,004 common shares at a price of \$3.90 per share have a five year term expiring August 2010. Related parties hold warrants to purchase 262,500 of these warrant shares, with the other warrants being held by persons who have provided financial or consulting services to the Company. No warrants issued by the Company have been exercised so far.

Stock Options – Outstanding stock options all have five-year terms expiring from January 2009 to January 2010. They consist of options to purchase 782,000 common shares at a price of \$2.50 per share and an option to purchase 75,000 common shares at a price of \$2.00 per share. Related parties hold options to purchase 572,000 common shares, and the balance of options to purchase 285,000 common shares are held by current and former employees and directors of the Company. No stock options granted by the Company have been exercised so far.

### VIPER POWERSPORTS, INC. COMMON STOCK WARRANTS & OPTIONS

	Options		Warrants	
	8/31/2005	12/31/2004	8/31/2005	12/31/2004
<b>Beg Bal</b>	165,000	—	283,635	116,135
Issued	692,000	165,000	2,100,004	167,500
Exercised	—	—	—	—

Cancelled	—	—	—	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>End Bal</b>	857,000	165,000	2,383,639	283,635
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Exercisable	857,000	165,000	2,383,639	283,635
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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**Exhibit 2**

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AGREEMENT AND PLAN OF BUSINESS COMBINATION

THIS AGREEMENT, made and entered into effective this 11 day of March, 2005, by and between VIPER POWERSPORTS INC., a Nevada corporation (“Powersports”) and VIPER MOTORCYCLE COMPANY, a Minnesota corporation (“Viper”).

WITNESSETH, WHEREAS Powersports is an inactive public corporation which has recently reorganized and for some time has been evaluating various active businesses for acquisition by Powersports; and

FURTHER WHEREAS Viper has recently emerged from the development stage and is engaged in the business of developing, producing and marketing a line of high performance V-Twin motorcycles which are sold under its Viper brand through a nationwide network of independent dealers; and

FURTHER WHEREAS both parties hereto now mutually desire to enter into a business combination pursuant to the terms of this Agreement which provide for a stock exchange merger whereby all outstanding capital stock of Viper is exchanged on a share-for-share basis on the terms and conditions contained herein, after which Viper shall become a wholly-owned subsidiary of Powersports.

NOW THEREFORE, for valuable consideration and upon the mutual representations, warranties, covenants, conditions and understandings contained herein, the parties hereto agree as follows:

1. Plan of Business Combination - It is the agreement and intention of both parties hereto that all of the outstanding capital stock of Viper shall be transferred and exchanged hereunder for like capital stock of Powersports, and it is further the intention and understanding of both parties hereto that this transaction shall qualify as a tax-free reorganization under Section 368 of the Internal Revenue Code.

2. Restricted Securities - All capital stock of Powersports issued incident to this Agreement shall be “restricted securities” as defined in federal securities laws, meaning that such shares will not be registered under any securities laws or regulations, and must be taken by shareholders of Viper for long-term investment and not with a view toward further transfer, resale or other disposition thereof; and accordingly any future transfer or disposition of such shares must be either i) registered under relevant federal and state securities laws, or ii) exempt from such registration under an appropriate exemption from such registration such as Rule 144 of the Securities Act of 1933, as amended. All certificates issued by Powersports in this business combination will bear a standard restrictive legend to evidence such investment intent of the current shareholders of Viper.

3. Exchange of Securities - Outstanding shares of capital stock of Viper shall be exchanged for shares of Powersports as follows on a share-for-share basis:

a. Common Stock - Each share of common stock of Viper, no par value, shall be exchanged for one common share of Powersports, \$.001 par value per share; and

b. Preferred Stock - Each share of preferred stock of Viper, shall be exchanged for one share of preferred stock of Powersports having the same dividend, liquidation preference and convertibility to common stock terms and rights as exist for the Viper preferred stock.

4. Stock Options - All currently existing stock options to purchase Viper common stock shall automatically convert into stock options to acquire Powersports common stock in the same amounts and on the same terms as exist for the Viper options.

5. Post-Merger Status of Viper - Upon completion of this stock exchange business combination, Viper shall become a wholly-owned subsidiary of Powersports.

6. Closing Date - The Closing Date of this business combination shall be on or before March 31, 2005, unless extended by mutual written consent of both parties hereto.

7. Delivery of Securities - As of the Closing Date of this transaction, Viper shall deliver to the transfer agent of Powersports a complete and accurate stock register clearly setting forth all shareholders of capital stock of Viper with related addresses, number of shares owned, and any other information required by such transfer agent such as social security numbers. Simultaneously thereto, Powersports shall submit an appropriate instruction letter to its independent transfer agent including a standard transmittal letter which documents shall instruct the transfer agent to exchange securities of Viper for Powersports under the terms of this Agreement's stock exchange upon the effectiveness of this merger. Transmittal letters shall be sent to all Viper shareholders by Powersports or its transfer agent promptly upon the effectiveness of this merger. Viper shareholders shall convert their Viper shares into Powersports shares only pursuant to the terms of such Transmittal Letter, which includes their representation that they are receiving restricted securities of Powersports incident to this stock exchange.

8. Condition Precedent - Powersports shall have the option to terminate this merger if more than 5% of the outstanding common stock of Viper is included in the exercise of shareholder's dissenters rights under Minnesota Statutes.

9. Submission of Agreement to Directors and Shareholders - Approval of this Agreement and its merger shall be obtained from the Boards of Directors and shareholders of each constituent corporation hereto as required by their respective bylaws and the governing corporate law of the States of Nevada and Minnesota. The Board resolutions approving this merger shall also specify that this Agreement be submitted to their respective shareholders at shareholder meetings duly held as required by such bylaws and state corporate laws. Accordingly, the respective officers of both corporations hereto shall prepare the necessary documents, resolutions, and Notices to Shareholders required to effectuate this merger, with the intention of both parties hereto that this merger be consummated by March 31, 2005.

10. Management of Powersports After Merger - A new Board of Directors shall replace the current Board of Directors of Powersports effective upon the closing of this Agreement with the number and members being those nominees selected by Viper, provided that one of the current members of the Powersports Board of Directors shall remain on the post-closing Board of Powersports. Such new Board of Directors shall immediately elect the executive officers of Powersports to serve after the closing of this Agreement.

11. Conduct of Business - Between the date of this Agreement and the Closing Date, Viper shall conduct its business in the normal and customary manner of a commercial enterprise in accordance with its existing policies and practices and shall (i) preserve its business organization and business plan intact, (ii) not sell any assets other than in accordance with its present business plan or in the ordinary course of business, (iii) not incur any material obligations or liabilities except for working capital purposes, (iv) not issue any capital stock without the consent of Powersports, and (v) preserve all supplier, financial and dealer network relationships and contacts now existing.

Between the date of this Agreement and the Closing Date, Powersports shall not enter into any other business or merger transaction other than this business combination with Viper and shall (i) preserve its organization and corporate and capital structure intact, (ii) not sell or encumber any assets or incur any liabilities whatsoever without the written consent of Viper except for expenses incident to this business combination with Viper, (iv) preserve any existing goodwill with its shareholders and associates, and (v) not issue any shares of capital stock other than those required for the stock exchange upon the closing of this merger transaction.

12. Consummation of Transaction - Each corporate party hereto and their respective officers and directors shall use their best efforts to cause all terms of their respective obligations and transactions to complete and close this merger, to be completed or satisfied as promptly as possible, including but not limited to obtaining all required consents, waivers, amendments, modifications, approvals, authorizations and meetings.

13. Due Diligence Investigations - Between the date of this Agreement and the Closing Date of this merger transaction, the parties hereto and their respective representatives may make such investigation of each other and their respective business and financial affairs and records, assets and liabilities, and any other matters as each of the parties deems necessary or advisable in furtherance of this Agreement and its terms and conditions, including having access to the premises and books of each other and documents setting forth any material contract or transaction or financial record of each other at all reasonable times; and the executive officers of each party hereto shall furnish to each other whatever financial and operational data and information with respect to each other as is reasonably requested by the other party hereto.

Neither Powersports or Viper or any of their respective managements or representatives shall disclose any private or confidential materials or information on the other party which was obtained or discovered in connection with their respective due diligence review and investigation of each other. In the event this business combination is not consummated for any reason whatsoever, Powersports and Viper shall then return to each other any and all documents, papers, intellectual property documentation, and any other written, financial or graphic materials or records obtained by them incident to the due diligence reviews and investigations carried on by either party pursuant to this Agreement.

14. Representations and Warranties - Both parties hereto jointly and severally represent and warrant to each other the following:

a) All respective outstanding capital stock of each corporation has been legally and validly issued and is fully paid and nonassessable, and none of the capital shares of either corporation hereto have been issued in violation of any preemptive or similar rights, or in violation of any state or federal securities law or regulation.

b) None of the common shares of each corporation, or the preferred shares of each corporation if any, is subject to any voting trust or other such restrictive agreement which would restrict their future transfer.

c) Powersports has no outstanding options or warrants and none are contemplated, and Viper has only outstanding stock options and warrants which have been disclosed to Powersports incident to the negotiations for this Agreement.

d) Neither corporation hereto owns, directly or indirectly, any shares of capital stock or other equity interests of any other corporation or unincorporated business entity; nor does either corporation hereto have any obligation, direct or indirect, to purchase or subscribe for any such equity interest in a third party; nor does either party hereto have any obligation whatsoever to advance or loan money to a third party person or corporation, associate, affiliate or other entity.

e) Each corporate party hereto is duly organized, validly existing and in good standing in its state of incorporation, and each has full corporate power and authority to own and operate their properties and assets and carry on any business currently being conducted by each of them.

f) This Agreement is a valid and binding agreement of each party hereto, and compliance with the terms and conditions of this Agreement by each party hereto will not result in (i) a breach or default of the Articles of Incorporation or Bylaws of either party, (ii) a breach or violation under any lien, pledge, security interest or other encumbrance on assets or activities to which either party is subject, (iii) a breach or default of any term or provision of any agreement, lease, contract, note, mortgage or other obligation of either corporation or of any law, rule, ordinance or regulation, or governmental judgment or decree or license to which either party is subject, unless such breach is of a technical or minimal nature so as to not have a material adverse effect on the financial condition, properties, business, future prospects or results of operations of either party hereto.

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g) Neither corporation hereto is the subject of any pending litigation or governmental proceedings not reflected in their respective written disclosures already submitted to the other party incident to the negotiations for this Agreement; and no litigation, claims, assessments or proceedings have been threatened against either party hereto of a material nature or amount.

h) The officers executing this Agreement for each party hereto are duly authorized to execute this Agreement on behalf of their respective corporate entities.

i) All financial statements which have been submitted to either party hereto by the other party hereto regarding this merger transaction, and any further financial statements which may be provided by either party hereto, have been, or will be, complete and accurate for the dates and periods indicated thereon and fairly present the financial condition and operations for the periods covered in such financial statements; and there are no material liabilities, either fixed or contingent, not reflected in such financial statements.

j) Neither of the parties hereto have any material governmental taxes or assessments due incident to its properties or business operations other than what has been disclosed to the other party hereto on financial statements submitted to each other.

k) Each party hereto has good and marketable title to any assets owned by it, free and clear of all mortgages, liens or encumbrances thereon except for any reflected in the financial statements of either party hereto.

l) All corporation record books, financial records and material corporate documents of each party shall be made available to the other party hereto prior to the closing of this merger transaction.

m) Each party hereto has complied with all state and federal laws and regulations regarding their respective incorporations and past issuances and/or sales of securities, and no contingent liability exists against either party hereto regarding such incorporations or issuances of

securities.

n) Neither corporate party hereto has any material outstanding debt other than what has been disclosed to the other party hereto in financial statements or other written disclosure provided incident to this Agreement.

o) As of the date hereof, and as of the Closing Date, each corporate party hereto will have, to the best of their respective knowledge and belief, disclosed to each other all events, conditions, obligations and facts materially affecting the business, affairs and prospects of each other; and neither party hereto has now, nor will not as of the Closing Date, have withheld knowledge of any such events, conditions, obligations or facts which it knows, or has reasonable grounds to know, may materially affect its business, worth or future prospects.

p) The record of all issuances and transfers of common stock of Powersports have been maintained by its independent transfer agent in good and current order and reflects accurately the record ownership of all issued and outstanding common stock of Powersports. Prior to closing of this Agreement, Viper will submit a true and accurate record of all capital stock ownership of Viper which will likewise reflect the record ownership of all issued and outstanding capital stock of Viper in good, current and accurate order.

q) Powersports is in good standing with the National Quotation Bureau for inclusion of daily quotes under the Pink Sheets quotation system in order to have current bid and ask quotations on a current basis.

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15. Mutual Covenants - Powersports and Viper both hereby covenant, warrant and agree that from the date hereof to the Closing Date of this merger transaction, unless express written consent is obtained from the other party, each party shall:

(i) conduct their respective business and operations as planned at present and pursuant to their current business plans disclosed to each other, and not outside the normal and ordinary course of business;

(ii) not make any material increases in debt, contract obligations or encumbrances against any assets owned by either party, nor transfer or sell any of their assets or properties;

(iii) not make any termination, change or violation of any lease, contract, license or other commitment having a material adverse effect on the business or assets of either party;

(iv) neither party shall declare any cash dividend or stock dividend; nor shall either party make any distribution to shareholders of any kind by way of liquidation dividend, partial distribution, redemption or otherwise;

(v) pay no bonuses or salary increases or extraordinary compensation to officers or directors or representatives of either party, or enter into employment agreements unless consented to in writing by the other party hereto;

(vi) not make any loan, advance or material transaction with any officer or director or affiliate or associate of either party hereto;

(vii) make no purchase of real property or material personal property other than in the ordinary course of business;

(viii) not amend any bylaws or articles of incorporation or make any material changes in accounting or financial practices or records unless pursuant to the terms or intent and purpose of this Agreement;

(ix) not borrow any money unless consented to in writing by the other party;

(x) not enter into any other business combination or letter of intent for a merger or similar arrangement with a third party, or offer assets or capital stock to a third party in contemplation of some type of business combination unless this Agreement has been terminated by the parties hereto; and

(xi) Each party hereto warrants and represents hereby that any information or data supplied to the other party from the date hereof for the purpose of furthering or consummating this business combination, shall not contain any statement which, at the time and in the light of the circumstances under which it is offered or made, is false or misleading with respect to any material fact.

16. Survival and Accuracy of Representations and Warranties - Prior to the closing date of this Agreement, neither party hereto shall enter into any transaction or take any action, and each party hereto shall use its best efforts to prevent the occurrence of any event, which would result in any of the representations, warranties or covenants contained herein or in any agreement or document delivered pursuant hereto, not to be true and correct, or not to be performed as contemplated, at and as of the time immediately after the occurrence of such transaction or event.

All representations, warranties and covenants contained herein shall survive the Closing Date of this Agreement and the consummation of the transactions hereby for two years from the Closing Date hereof; provided, however, that no officer, director or shareholder of either party hereto shall be liable personally for any damages, claims, expenses or liabilities resulting from the inaccuracy or incompleteness of any representation or warranty which is made in good faith.

17. Closing Conditions - Unless waived in writing, all obligations of the respective parties hereto under this Agreement are subject to fulfillment of the following conditions prior to or as of the Closing Date of this Agreement:

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i) the representations and warranties herein and in any documents or certificates delivered hereto shall be true and correct in all material respects at and as of the Closing Date as though such representations and warranties were made at and as of such time;

ii) all conditions precedent to the consummation of this Agreement shall have been satisfied or have been waived by the other party;

iii) Both parties shall have complied with and have performed all material terms of this Agreement necessary to complete this business combination;

iv) this Agreement shall have been approved by the directors and shareholders of each party hereto as required by their respective corporate laws;

v) All shares of capital stock issued pursuant to the stock exchange terms of this Agreement shall be issued pursuant to all corporate action legally taken for their issuance, and shall be legally and validly issued and fully paid and nonassessable after issuance, and shall be issued in whatever certificate amounts are necessary to complete the stock exchanges required by the terms hereof, and all of such certificates shall be in proper form and amount and shall bear the standard restrictive legend to satisfy the requirements of securities laws regarding their exemption from registration;

vi) As of the Closing Date, neither party shall have any outstanding shares of capital stock other than those already disclosed to the other party incident to the entering into this Agreement;

vii) Each party hereto shall have completed its due diligence review of the financial, corporate and business records and affairs of the other party and shall further be satisfied with such due diligence reviews;

viii) There shall be no pending or threatened proceeding or action seeking to enjoin or impair the consummation of this business combination in any material degree;

ix) There shall have been no material adverse change in the business or financial condition of either corporate party hereto; and

x) No material claim, suit, action or governmental proceeding shall be pending or threatened against either corporate party hereto, which if adversely determined would prevent or materially hinder the consummation of this business combination, or result in the payment of material damages as a result thereof.

18. Expenses of Parties; No Finder Involved - Each party hereto shall pay its respective legal and other incidental expenses incident to the negotiation, entering into and consummation of this business combination; and each party hereto shall also pay any accounting expenses necessary to provide due diligence financial records and information to the other party hereto relating to this Agreement.

Each party hereto represents hereby that no finder or similar person is involved in this business combination, and each party accordingly further represents that it owes no fees to any "finding" person relating to this Agreement and business combination.

19. Closing - Upon the Closing of this Agreement, the following transactions shall occur or have occurred, all of which shall be deemed to be simultaneous:

a) Powersports shall have delivered appropriate instructions to its independent transfer agent to cause the amount of capital stock of Powersports to be set aside with stock certificates available therefor, to cover the issuance of all stock exchanges required by this Agreement on a one-for-one basis; and also to prepare a proper Transmittal Letter to be delivered to all Viper shareholders to be utilized incident to their exchange of Viper shares into Powersports shares; and

b) If required by either party hereto, each party shall deliver to the other party at Closing a Certificate of CEO and Certificate of Incumbency (which may be on the same document) certifying that all representations and warranties made in this Agreement by such party are

c) Each corporate party hereto shall deliver at Closing certified copies of the resolutions of the respective Boards of Directors and Shareholders of such party adopting and approving this Agreement and business combination; and

d) Each party hereto also shall furnish the other party with whatever instruments and documents are required to be delivered pursuant to this Agreement, or which may be reasonably requested by the other party in furtherance of the intent and terms of this Agreement.

20. Termination - This Agreement and the transactions contemplated hereby may be terminated prior to Closing Date as follows:

i) by written mutual consent of both parties hereto; or

ii) by either party hereto, if there has been a material misrepresentation or breach of the warranties herein of a material nature by the other party hereto; provided, however, that if such breach is cured by the breaching party within 10 days of written notice thereof to the breaching party from the other party hereto, it shall not constitute grounds for termination; or

iii) by either party hereto if a material term of the closing conditions or conditions precedent (if any) are not satisfied, unless the party not required to perform such condition has waived its performance in writing; or

iv) by either party hereto if the closing has not taken place by April 30, 2005.

21. General -

I. Notices - Any and all notices required hereunder shall be in writing and hand-delivered or sent by certified mail, postage prepaid, as follows:

If to Powersports:

John Provo, CEO & Director  
3960 Lake Curve  
Robbinsdale, MN 55422

If to Viper:

James D. Kramer, Chairman  
1901 Hopkins Crossroad  
Minnetonka, MN 55305

II. Severability - If any part of this Agreement is deemed to be invalid or unenforceable for any reason, the balance of this Agreement shall remain in full force and effect.

III. Waiver - Any failure on the part of either party hereto to comply with or satisfy any term or condition of this Agreement may be waived in writing by the other party hereto.

IV. Entire Agreement - This Agreement constitutes the entire agreement and understanding of the parties hereto relating to this business combination, and supersedes and cancels any prior written or oral agreements or understandings regarding the subject matter of this Agreement; and this Agreement cannot be modified or amended unless by mutual written consent of both parties hereto.

V. Parties In Interest and Assignment - This Agreement shall inure to the benefit of and bind both parties hereto and their respective successors if any, or permitted assigns if any. Neither party hereto shall assign any interest in this Agreement to a third party without the written consent of the other party.

VI. Governing Law - This Agreement shall be governed by the laws of the State of Minnesota, except insofar as Nevada corporate law is relevant to the corporate approval of this business combination due to Powersports being a Nevada corporation.

VII. Counterparts - This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same document.

VIII. Expenses - In the event this Agreement is terminated by either party incident to its terms, or abandoned by mutual consent of both parties hereto, each party hereto shall pay its own respective expenses and costs related to negotiations and preparation of this Agreement and any other due diligence or other matters related to this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year first above written.

VIPER POWERSPORTS INC.



By

John Provo, CEO



And

Robert O. Knutson, Secretary

VIPER MOTORCYCLE COMPANY



By

James D. Kramer, Chairman

**Exhibit 3.1**

(SEAL) **DEAN HELLER**  
Secretary of State  
204 North Carson Street, Suite 1  
Carson City, Nevada 89701-4299  
(776) 684 5708  
Website: secretaryofstate.biz

Entity #  
C16586-2003

Document Number:  
20050041859-54

Date Filed:  
3/2/2005 10:25:51 AM  
In the office of



Dean Heller  
Secretary of State

*Important: Read attached instructions before completing form.*

**ABOVE SPACE IS FOR OFFICE USE ONLY**

**Certificate of Amendment to Articles of Incorporation**  
**For Nevada Profit Corporations**  
**(Pursuant to NRS 78.385 and 78.390 - After Issuance of Stock)**

1. Name of corporation: ECCO Capital Corporation

2. The articles have been amended as follows (provide article numbers, if available): Article I The name of this corporation is changed to Viper Powersports Inc. and this name change shall become effective March 11, 2005.

3. The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation have voted in favor of the amendment is: 76.4% of outstanding shs

4. Effective date of filing (optional):

March 11, 2005

(must not be later than 90 days after the certificate is filed)

5. Officer Signature (required):



Robert O. Knutson, Secretary / Treasurer

\* If any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless of limitations or restrictions on the voting power thereof.

**IMPORTANT** : Failure to Include any of the above information and submit the proper fees may cause this filing to be rejected.

*SUBMIT IN DUPLICATE*

*This form must be accompanied by appropriate fees. See attached fee schedule.*

Nevada Secretary of State AM 78.386 Amend 2003  
Revised on: 11/03/03

(SEAL) **DEAN HELLER**  
Secretary of State  
204 North Carson Street, Suite 1  
Carson City, Nevada 89701-4299  
(775) 684 5708  
Website: secretaryofstate.biz

Entity #  
C16586-2003

Document Number:  
20050027688-88

**Certificate to Accompany  
Restated Articles  
(PURSUANT TO NRS)**

Date Filed:  
2/22/2005 12:00:03 PM  
In the office of



Dean Heller  
Secretary of State

*Important: Read attached instructions before completing form.*

**ABOVE SPACE IS FOR OFFICE USE ONLY**

**This Form is to Accompany Restated Articles of Incorporation**  
**(Pursuant to NRS 78.403, 82.371, 86.221, 88.355 or 88A.250)**

**(This form is also to be used to accompany Restated Articles for Limited-Liability Companies, Certificates of Limited Partnership, Limited-Liability Limited Partnerships and Business Trusts)**

1. Name of Nevada entity as last recorded in this office: ECCO Capital Corporation

2. The articles are being  **Restated** or  **Amended and Restated** (check only one). Please entitle your attached articles "**Restated**" or "**Amended and Restated**," accordingly.

3. Indicate what changes have been made by checking the appropriate box.\*

- No amendments; articles are restated only and are signed by an officer of the corporation who has been authorized to execute the certificate by resolution of the board of directors adopted on \_\_\_\_\_. The certificate correctly sets forth the text of the articles or

certificate as amended to the date of the certificate.

- The entity name has been amended.
  - The resident agent has been changed. (attach Certificate of Acceptance from new resident agent)
  - The purpose of the entity has been amended.
  - The authorized shares have been amended.
  - The directors, managers or general partners have been amended.
  - IRS tax language has been added.
  - Articles have been added.
  - Articles have been deleted.
  - Other. The articles or certificate have been amended as follows: (provide article numbers, if available)
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\* This form is to accompany Restated Articles which contain newly altered or amended articles. The Restated Articles must contain all of the requirements as set forth in the statutes for amending or altering the articles or certificates.

**IMPORTANT** : Failure to include any of the above information and submit the proper fees may cause this filing to be rejected.

***SUBMIT IN DUPLICATE***

*This form must be accompanied by appropriate fees. See attached fee schedule.*

**Nevada Secretary of State AM RESTATED 2003  
Revised on: 10/27/03**

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AMENDED AND RESTATED  
ARTICLES OF INCORPORATION  
OF  
ECCO CAPITAL CORPORATION

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The undersigned does hereby certify that pursuant to action recommended by the Board of Directors of ECCO Capital Corporation (the "Company") and resolutions duly adopted by the shareholders of the Company on February 2, 2005, the following Amended and Restated Articles of Incorporation for the Company, were duly adopted and approved pursuant to the Nevada Revised Statutes.

ARTICLE I.

The name of this corporation is ECCO Capital Corporation.

ARTICLE II.

The name and street address of the Resident Agent of this corporation is INCORPORATE-US.COM, LLC, 1285 Baring Blvd - #205, Sparks, Nevada 89434.

ARTICLE III.

The aggregate number of shares this corporation has authority to issue shall be One Hundred Twenty Million (120,000,000) shares of capital stock, of which 100,000,000 shares shall be Common Stock with a par value of \$.001 per share, and 20,000,000 shares shall be Preferred Stock with a par value also of \$.001 per share. The Board of Directors of this corporation is authorized to set one or more classes or series of the Preferred Stock, by resolution adopted in the manner provided by law, and to fix the relative powers, qualifications, restrictions, rights and preferences of each such class or series, including, without limitation, the right to create voting, dividend and liquidation rights and

preferences greater than those of common stock.

The undersigned further certifies hereby that the vote by which the stockholders holding shares in the Company entitling them to exercise at least a majority of the voting power have voted in favor of the amended and restated articles as follows:

Of the outstanding shares of capital stock of the Company, 78.3% voted in favor of the foregoing amended and restated articles of incorporation.

IN WITNESS WHEREOF, I have subscribed my name hereto this 2nd day of February, 2005.



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Robert O. Knutson, Secretary/  
Treasurer & CFO of ECCO Capital  
Corporation

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**Exhibit 3.2**

BYLAWS

OF

VIPER POWERSPORTS INC.

ARTICLE I.

OFFICES, CORPORATE SEAL

Section 1.01 Registered Office. The registered office of the corporation in Nevada shall be that set forth in the articles of incorporation or in the most recent amendment of the articles of incorporation or resolution of the directors filed with the secretary of state of Nevada changing the registered office.

Section 1.02. Other Offices. The corporation may have such other offices, within or without the state of Nevada, as the directors shall, from time to time, determine.

Section 1.03. Corporate Seal. The corporation shall have no seal.

ARTICLE II.

MEETINGS OF SHAREHOLDERS

Section 2.01. Place and Time of Meetings. Except as provided otherwise by the Nevada Business Corporation Act, meetings of the shareholders may be held at any place, within or without the state of Nevada, as may from time to time be designated by the directors and, in the absence of such designation, shall be held at the registered office of the corporation in the state of Nevada. The directors shall designate the time of day for each meeting and, in the absence of such designation, every meeting of shareholders shall be held at ten o'clock a.m.

Section 2.02. Regular Meetings.

(a) A regular meeting of the shareholders shall be held on such date as the board of directors shall by resolution establish.

(b) At a regular meeting the shareholders, voting, as provided in the articles of incorporation and these bylaws, shall designate the number of directors to constitute the board of directors (subject to the authority of the board of directors thereafter to increase or decrease the number of directors as permitted by law and these bylaws), shall elect qualified successors for directors who serve for an indefinite term or whose terms have expired or are due to expire within six months after the date of the meeting, and shall transact such other business as may properly come before them.

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Section 2.03. Special Meetings. Special meetings of the shareholders may be held at any time and for any purpose and may be called by the president, treasurer, two or more directors or by a shareholder or shareholders holding 10% or more of the voting power of all shares entitled to vote on the matters to be presented to the meeting, except that a special meeting for the purpose of considering any action to directly or indirectly facilitate or affect a business combination, including any action to change or otherwise affect the composition of the board of directors for that purpose, must be called by 25% or more of the voting power of all shares entitled to vote. A shareholder or shareholders holding the requisite percentage of the voting power of all shares entitled to vote may demand a special meeting of the shareholders by written notice of demand given to the chief executive officer or chief financial officer of the corporation and containing the purposes of the meeting. Within 30 days after receipt of demand by one of those officers, the board of directors shall cause a special meeting of shareholders to be called and held on notice no later than 90 days after receipt of the demand, at the expense of the corporation. Special meetings shall be held on the date and at the time and place fixed by the chief executive officer or the board of directors, except that a special meeting called by or at demand of a shareholder or shareholders shall be held in the county where the principal executive office is located. The business transacted at a special meeting shall be limited to the purposes as stated in the notice of the meeting.

Section 2.04. Quorum, Adjourned Meetings. The holders of a majority of the shares entitled to vote shall constitute a quorum for the transaction of business at any regular or special meeting. In case a quorum shall not be present at a meeting, the meeting may be adjourned from time to time without notice other than announcement at the time of adjournment of the date, time and place of the adjourned meeting. If a quorum is present, a meeting may be adjourned from time to time without notice other than announcement at the time of adjournment of the date, time and place of the adjourned meeting. At adjourned meetings at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed. If a quorum is present when a meeting is convened, the shareholders present may continue to transact business until adjournment notwithstanding the withdrawal of enough shareholders originally present to leave less than a quorum.

Section 2.05. Voting. At each meeting of the shareholders every shareholder having the right to vote shall be entitled to vote either in person or by proxy. Each shareholder, unless the articles of incorporation or statutes provide otherwise, shall have one vote for each share having voting power registered in such shareholder's name on the books of the corporation. Jointly owned shares may be voted by any joint owner unless the corporation receives written notice from any one of them denying the authority of that person to vote those shares. Upon the demand of any shareholder, the vote, upon any question before the meeting shall be by ballot. All questions shall be decided by a majority vote of the number of shares entitled to vote and represented at the meeting at the time of the vote except if otherwise required by statute, the articles of incorporation, or these bylaws.

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Section 2.06. Record Date. The board of directors may fix a date, not exceeding 60 days preceding the date of any meeting of shareholders, as a record date for the determination of the shareholders entitled to notice of, and to vote at, such meeting, notwithstanding any transfer of shares on the books of the corporation alters any record date so fixed. The Board of Directors may close the books of the corporation against the transfer of shares during the whole or any part of such period. If the board of directors fails to fix a record date for determination of the shareholders entitled to notice of, and to vote at, any meeting of shareholders, the record date shall be the 20th day preceding the date of such meeting.

Section 2.07. Notice of Meetings. There shall be mailed to each shareholder, shown by the books of the corporation to be a holder of record of voting shares, at the address of such shareholder as shown by the books of the corporation, a notice setting out the time and place of each regular meeting and each special meeting, except (unless otherwise provided in Section 2.04 hereof) where the meeting is an adjourned meeting and the date, time and place of the meeting were announced at the time of adjournment, which notice shall be mailed at least five days prior thereto (unless otherwise provided in Section 2.04 hereof); except that notice of a meeting at which a plan of merger or exchange is to be considered shall be mailed to all shareholders of record, whether entitled to vote or not, at least fourteen days prior thereto. Every notice of any special meeting called pursuant to Section 2.03 hereof shall state the purpose or purposes for which the meeting has been called, and the business transacted at all special meetings shall be confined to the purposes stated in the notice. The written notice of any meeting at which a plan of merger or exchange is to be considered shall so state such as a purpose of the meeting. A copy or short description of the plan of merger or exchange shall be included in or enclosed with such notice.

Section 2.08. Waiver of Notice. Notice of any regular or special meeting may be waived by any shareholder either before, at or after such meeting orally or in writing signed by such shareholder or a representative entitled to vote the shares of such shareholder. A shareholder, by such shareholder's attendance at any meeting of shareholders, shall be deemed to have waived notice of such meeting, except where the shareholder objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at that meeting and does not participate in the consideration of the item at that meeting.

Section 2.09. Written Action. Any action which might be taken at a meeting of the shareholders may be taken without a meeting if done in writing and signed by all of the shareholders entitled to vote on that action.

Section 2.10 Shareholder Proposals. To be properly brought before a regular meeting of shareholders, business must be (i) specified in the notice of the meeting, (ii) directed to be brought before the meeting by the Board of Directors or (iii) proposed at the meeting by a shareholder who (A) was a shareholder of record at the time of giving of notice provided for in these bylaws, (B) is entitled to vote at the meeting and (C) gives prior notice of the matter, which must otherwise be a proper matter for shareholder action, in the manner herein

provided. For business to be properly brought before a regular meeting by a shareholder, the shareholder must give written notice to the Secretary of the corporation so as to be received at the principal executive offices of the corporation at least 120 days before the date this is one year after the date of the corporation's proxy statement for the prior year's regular meeting. Such notice shall set forth (i) the name and record address of the shareholder and of the beneficial owner, if any, on whose behalf the proposal will be made, (ii) the class and number of shares of the corporation owned by the shareholder and beneficially owned by the beneficial owner, if any, on whose behalf the proposal will be made, (iii) a brief description of the business desired to be brought before the regular meeting and the reasons for conducting such business and (iv) any material interest in such business of the shareholder and the beneficial owner, if any, on whose behalf the proposal is made. The chairman of the meeting may refuse to acknowledge any proposed business not made in compliance with the foregoing procedure.

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### ARTICLE III. DIRECTORS

Section 3.01. General Powers. The business and affairs of the corporation shall be managed by or under the authority of the board of directors, except as otherwise permitted by statute. The chair of the board, if one is elected, shall preside at all meetings of the shareholders and directors and shall have such other duties as prescribed, from time to time, by the board of directors.

Section 3.02. Number, Qualification and Term of Office. Until the organizational meeting of the board of directors, the number of directors shall be the number named in the articles of incorporation. Thereafter, the number of directors shall be increased or decreased from time to time by resolution of the board of directors or the shareholders. Directors need not be shareholders. Each of the directors shall hold office until the regular meeting of shareholders next held after such director's election and until such director's successor shall have been elected and shall qualify, or until the earlier death, resignation, removal, or disqualification of such director.

Section 3.03. Board Meetings. Meetings of the board of directors may be held from time to time at such time and place within or without the state of Nevada as may be designated in the notice of such meeting.

Section 3.04. Calling Meetings: Notice. Meetings of the board of directors may be called by the chairman of the board by giving at least twenty-four hours' notice, or by any other director by giving at least five days' notice, of the date, time and place thereof to each director by mail, telephone, telegram or in person. In the day or date, time and place of a meeting of the board of directors has been announced at a previous meeting of the board, no notice is required. Notice of an adjourned meeting of the board of directors need not be given other than by announcement at the meeting at which adjournment is taken.

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Section 3.05. Waiver of Notice. Notice of any meeting of the board of directors may be waived by any director either before, at, or after such meeting orally or in a writing signed by such director. A director, by his or her attendance at any meeting of the board of directors, shall be deemed to have waived notice of such meeting, except where the director objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened and does not participate thereafter in the meeting.

Section 3.06. Quorum. A majority of the directors holding office immediately prior to a meeting of the board of directors shall constitute a quorum for the transaction of business at such meeting.

Section 3.07. Absent Directors. A director may give advance written consent or opposition to a proposal to be acted on at a meeting of the board of directors. If such director is not present at the meeting, consent or opposition to a proposal does not constitute presence for purposes of determining the existence of a quorum, but consent or opposition shall be counted as a vote in favor of or against the proposal and shall be entered in the minutes or other record of action at the meeting, if the proposal acted on at the meeting is substantially the same or has substantially the same effect as the proposal to which the director has consented or objected.

Section 3.08. Conference Communications. Any or all directors may participate in any meeting of the board of directors, or of any duly constituted committee thereof, by any means of communication through which the directors may simultaneously hear each other during such meeting. For the purposes of establishing a quorum and taking any action at the meeting, such directors participating pursuant to this Section 3.08 shall be deemed present in person at the meeting; and the place of the meeting shall be the place of origination of the conference telephone conversation or other comparable communication technique.

Section 3.09. Vacancies; Newly Created Directorships. Vacancies on the board of directors of this corporation occurring by reason of death, resignation, removal or disqualification shall be filled for the unexpired term by a majority of the remaining directors of the board although less than a quorum; newly created directorships resulting from an increase in the authorized number of directors by action of the board of directors as permitted by Section 3.02 may be filled by a majority vote of the directors serving at the time of such increase; and each director elected pursuant to this Section 3.09 shall be a director until such director's successor is elected by the shareholders at their next regular or special meeting.

Section 3.10. Removal. Any or all of the directors may be removed from office at any time, with or without cause, by the affirmative vote of the shareholders holding a majority of the shares entitled to vote at an election of directors except, as otherwise provided by the Nevada Business Corporation Act, Chapter 78.335, as amended, when the shareholders have the right to cumulate their votes. A director named by the board of directors to fill a vacancy may be removed from office at any time, with or without cause, by the affirmative vote of the remaining directors if the shareholders have not elected directors in the interim between the time of the appointment to fill such vacancy and the time of the removal. In the event that the entire board or any one or more directors be so removed, new directors may be elected at the same meeting.

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Section 3.11. Committees. A resolution approved by the affirmative vote of a majority. A committee shall consist of one or more persons, who need not be directors, appointed by affirmative vote of a majority of the directors present. Committees are subject to the direction and control of, and vacancies in the membership thereof shall be filled by, the board of directors.

A majority of the members of the committee present at a meeting is a quorum for the transaction of business, unless a larger or smaller proportion or number is provided in a resolution approved by the affirmative vote of a majority of the directors present.

Section 3.12. Written Action. Any action which might be taken at a meeting of the board of directors, or any duly constituted committee thereof, may be taken without a meeting if done in writing and signed by all of the directors or committee members, unless the articles provide otherwise and the action need not be approved by the shareholders.

Section 3.13. Compensation. Directors who are not salaried officers of this corporation shall receive such fixed sum per meeting attended or such fixed annual sum as shall be determined, from time to time, by resolution of the board of directors. The board of directors may, by resolution, provide that all directors shall receive then expenses, if any, of attendance at meetings of the board of directors or any committee thereof. Nothing herein contained shall be construed to preclude any director from serving this corporation in any other capacity and receiving proper compensation therefore.

Section 3.14. Nomination of Directors. Nominations of persons for election as directors may be made at a regular meeting of shareholders (i) by or at the direction of the Board of Directors or (ii) by any shareholder who (A) was a shareholder of record at the time of giving of notice provided for in these bylaws, (B) is entitled to vote at the meeting and (C) gives prior notice of the nomination in the manner herein provided. For a nomination to be properly made by a shareholder, the shareholder must give written notice to the Secretary of the corporation so as to be received at the principal executive offices of the corporation at least 120 days before the date that is one year after the date of the corporation's proxy statement for the prior year's regular meeting. Such notice shall set forth (i) as to the shareholder giving the notice: (A) the name and record address of the shareholder and of the beneficial owner, if any, on whose behalf the nomination will be made, and (B) the class and number of shares of the corporation owned by the shareholder and beneficially owned by the beneficial owner, if any, on whose behalf the nomination will be made and (ii) as to each person the shareholder proposes to nominate: (A) the name, age, business address and residence address of the person, (B) the principal occupation or employment of the person and (C) the class and number of shares of the corporation's capital stock beneficially owned by the person. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

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#### ARTICLE IV. OFFICERS

Section 4.01. Number. The officers of the corporation shall consist of a president, one or more vice presidents (if desired by the board), a treasurer, a secretary (if one is elected by the board) and such other officers and agents as may, from time to time, be elected by the board of directors. Any number of offices may be held by the same person. Unless otherwise established by the board of directors, the position of chair of the board shall not be an officer position of the corporation.

Section 4.02. Election, Term of Office and Qualifications. The board of directors shall elect or appoint, by resolution approved by the affirmative vote of a majority of the directors present, from within or without their number, the president, treasurer and such other officers as may be deemed advisable, each of whom shall have the powers, rights, duties, responsibilities, and terms in office provided for in these bylaws or a resolution of the board of directors not inconsistent therewith. The president and all other officers who may be directors shall continue to hold office until the election and qualification of their successors, notwithstanding an earlier termination of their directorship.

Section 4.03. Removal and Vacancies. Any officer may be removed from his or her office by the board of directors at any time, with or without cause. Such removal, however, shall be without prejudice to the contract rights of the person so removed. If there be a vacancy in an office of the corporation by reason of death, resignation or otherwise, such vacancy shall be filled for the unexpired term by the board of directors.

Section 4.04. President. The president shall be the chief executive officer and shall have general active management of the business of the corporation. In the absence of the chairman of the board, he shall preside at all meetings of the shareholders and directors. He shall see that

all orders and resolutions of the board of directors are carried into effect. He shall execute and deliver, in the name of the corporation, any deeds, mortgages, bonds, contracts or other instruments pertaining to the business of the corporation unless the authority to execute and deliver is required by law to be exercised by another person or is expressly delegated by the articles or bylaws or by the board of directors to some other officer or agent of the corporation. He shall maintain records of and, whenever necessary, certify all proceedings of the board of directors and the shareholders, and in general, shall perform all duties usually incident to the office of the president. He shall have such other duties as may, from time to time, be prescribed by the board of directors.

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Section 4.05. Vice President. Each vice president, if one or more is elected, shall have such powers and shall perform such duties as prescribed by the board of directors or by the president. In the event of the absence or disability of the president, the vice president(s) shall succeed to his or her power and duties in the order designated by the board of directors.

Section 4.06. Secretary. The secretary, if one is elected, shall be secretary of and shall attend all meetings of the shareholders and board of directors and shall record all proceedings of such meetings in the minute book of the corporation. He shall give proper notice of meetings of shareholders and directors. He shall perform such other duties as may, from time to time, be prescribed by the board of directors or by the president.

Section 4.07. Treasurer. The treasurer shall be the chief financial officer and shall keep accurate financial records for the corporation. The treasurer shall deposit all moneys, drafts and checks in the name of, and to the credit of the corporation in such banks and depositories as the board of directors shall, from time to time, designate. The treasurer shall have power to endorse, for deposit, all notes, checks and drafts received by the corporation. The treasurer shall disburse the funds of the corporation, as ordered by the board of directors, making proper vouchers therefore. The treasurer shall render to the president and the directors, whenever requested, an account of all transactions as treasurer and of the financial condition of the corporation, and shall perform such other duties as may, from time to time, be prescribed by the board of directors or by the president.

Section 4.08. Compensation. The officers of the corporation shall receive such compensation for their services as may be determined, from time to time, by resolution of the board of directors.

## ARTICLE V. SHARES AND THEIR TRANSFER

Section 5.01. Certificates for Shares. All shares of the corporation shall be certificated shares. Every owner of shares of the corporation shall be entitled to a certificate, to be in such form as shall be prescribed by the board of directors, certifying the number of shares of the corporation owned by such shareholder. The certificates for such shares shall be numbered in the order in which they shall be issued and shall be signed, in the name of the corporation, by the president and by the secretary or an assistant secretary or by such officers as the board of directors may designate. If the certificate is signed by a transfer agent or registrar, such signatures of the corporate officers may be by facsimile if authorized by the board of directors. Every certificate surrendered to the corporation for exchange or transfer shall be cancelled, and no new certificate or certificates shall be issued in exchange for any existing certificate until such existing certificate shall have been so cancelled, except in cases provided for in Section 5.04.

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Section 5.02. Issuance of Shares. The board of directors is authorized to cause to be issued shares of the corporation up to the full amount authorized by the articles of incorporation in such amounts as may be determined by the board of directors and as may be permitted by law. Shares may be issued for any consideration, including, without limitation, in consideration of cash or other property, tangible or intangible, received or to be received by the corporation under a written agreement, of services rendered or to be rendered to the corporation under a written agreement, or of an amount transferred from surplus to stated capital upon a share dividend. At the time of approval of the issuance of shares, the board of directors shall state, by resolution, its determination of the fair value to the corporation in monetary terms of any consideration other than cash for which shares are to be issued.

Section 5.03. Transfer of Shares. Transfer of shares on the books of the corporation may be authorized only by the shareholder named in the certificate, or the shareholder's legal representative, or the shareholder's duly authorized attorney-in-fact, and upon surrender of the certificate or the certificates for such shares. The corporation may treat as the absolute owner of shares of the corporation, the person or persons in whose name shares are registered on the books of the corporation.

Section 5.04. Loss of Certificates. Except as otherwise provided by the Nevada Business Corporation Act, Chapter 78.235, any shareholder claiming a certificate for shares to be lost, stolen, or destroyed shall make an affidavit of that fact in such form as the board of directors shall require and shall, if the board of directors so requires, give the corporation a bond of indemnity in form, in an amount, and with one or more sureties satisfactory to the board of directors, to indemnify the corporation against any claim which may be made against it on account of the reissue of such certificate, whereupon a new certificate may be issued in the same tenor and for the same number of shares as the one alleged to have been lost, stolen or destroyed.

ARTICLE VI.  
DISTRIBUTIONS, RECORD DATE

Section 6.01. Distributions. Subject to the provisions of the articles of incorporation, of these bylaws, and of law, the board of directors may authorize and cause the corporation to make distributions whenever, and in such amounts or forms as, in its opinion, are deemed advisable.

Section 6.02. Record Date. Subject to any provisions of the articles of incorporation, the board of directors may fix a date not exceeding 120 days preceding the date fixed for the payment of any distribution as the record date for the determination of the shareholders entitled to receive payment of the distribution and, in such case, only shareholders of record on the date so fixed shall be entitled to receive payment of such distribution notwithstanding any transfer of shares on the books of the corporation after the record date. The Board of Directors may close the books of the corporation against the transfer of shares during the whole or any part of such period.

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ARTICLE VII.  
BOOKS AND RECORDS, FISCAL YEAR

Section 7.01. Share Register. The board of directors of the corporation shall cause to be kept at its principal executive office, or at another place or places within the United States determined by the board:

- (1) a share register not more than one year old, containing the names and addresses of the shareholders and the number and classes of shares held by each shareholder; and
- (2) a record of the dates on which certificates or transaction statements representing shares were issued.

Section 7.02. Other Books and Records. The board of directors shall cause to be kept at its principal executive office, or, if its principal executive office is not in Nevada, shall make available at its Nevada registered office within ten days after receipt by an officer of the corporation of a written demand for them made by a shareholder or other person authorized by the Nevada Business Corporation Act, Chapter 78.105, originals or copies of:

- (1) records of all proceedings of shareholders for the last three years;
- (2) records of all proceedings of the board for the last three years;
- (3) its articles and all amendments currently in effect;
- (4) its bylaws and all amendments currently in effect;
- (5) financial statements required by the Nevada Business Corporation Act, Chapter 78.257 and the financial statements for the most recent interim period prepared in the course of the operation of the corporation for distribution to the shareholders or to a governmental agency as a matter of public record;
- (6) reports made to shareholders generally within the last three years;
- (7) a statement of the names and usual business addresses of its directors and principal officers;
- (8) any shareholder voting or control agreements of which the corporation is aware; and
- (9) such other records and books of account as shall be necessary and appropriate to the conduct of the business of the corporation.

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Section 7.03. Fiscal Year. The fiscal year of the corporation shall be determined by the board of directors.

ARTICLE VIII  
LOANS, GUARANTEES, SURETYSHIP

Section 8.01. Loans: The corporation may lend money to, guarantee an obligation of, become a surety for, or otherwise financially assist any person to the full extent provided by common law or the laws of the state of Nevada, provided that such loan, guarantee, surety or assistance is not prohibited by federal law. Such loan, guarantee, surety contract or other financial assistance may be with or without interest, and may be unsecured, or may be secured in the manner as a majority of the directors present approve, including, without limitation, a pledge of or other security interest in shares of the corporation.

ARTICLE IX.  
INDEMNIFICATION OF CERTAIN PERSONS

Section 9.01. Indemnification. The corporation shall indemnify all officers and directors of the corporation, for such expenses and liabilities, in such manner, under such circumstances and to such extent as permitted by the Nevada Business Corporation Act, as now enacted or hereafter amended. The Board of Directors may authorize the purchase and maintenance of insurance and/or the execution of individual agreements for the purpose of such indemnification, and the corporation shall advance all reasonable costs and expenses (including attorneys' fees) incurred in defending any action, suit or proceeding to all persons entitled to indemnification under this Section 9.01, all in the manner, under the circumstances and to the extent permitted by the Nevada Business Corporation Act, as now enacted or hereafter amended. Unless otherwise approved by the board of directors, the corporation shall not indemnify any employee of the corporation who is not otherwise entitled to indemnification pursuant to this Section 9.01.

ARTICLE X.  
AMENDMENTS

Section 10.01. Amendments. These bylaws may be amended or altered by a vote of the majority of the whole board of directors at any meeting. Such authority of the board of directors is subject to the power of the shareholders, exercisable in the manner provided in the Nevada Business Corporation Act, to adopt, amend, repeal bylaws adopted, amended, or repealed by the board of directors. After the adoption of the initial bylaws, the board of directors shall not make or alter any bylaws fixing a quorum for meetings of shareholders, prescribing procedures for removing directors or filling vacancies in the board of directors, or fixing the number of directors or their classifications, qualifications, or terms of office, except that the board of directors may adopt or amend any bylaw to increase their number.

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ARTICLE XI.  
SECURITIES OF OTHER CORPORATIONS

Section 11.01. Voting Securities Held by the Corporation. Unless otherwise ordered by the board of directors, the president shall have full power and authority on behalf of the corporation (a) to attend any meeting of security holders of other corporations in which the corporation may hold securities and to vote such securities on behalf of this corporation; (b) to execute any proxy for such meeting on behalf of the corporation; or (c) to execute a written action in lieu of a meeting of such other corporation on behalf of this corporation. At such meeting, the president shall possess and may exercise any and all rights and powers incident to the ownership of such securities that the corporation possesses. The board of directors may, from time to time, grant such power and authority to one or more other persons and may remove such power and authority from the president or any other person or persons.

Section 11.02. Purchase and Sale of Securities. Unless otherwise ordered by the board of directors, the president shall have full power and authority on behalf of the corporation to purchase, sell, transfer or encumber any and all securities of any other corporation owned by the corporation, and may execute and deliver such documents as may be necessary to effectuate such purchase, sale, transfer or encumbrance. The board of directors may, from time to time, confer like powers upon any other person or persons.

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**Exhibit 4**

Following is a statement of the rights, preferences, privileges and restrictions of these shares of Series A Preferred Stock:

- i. Principal Stated Value - Each of these preferred shares shall have a principal stated value of \$2.50.
- ii. Voting Rights - These preferred shares shall have one vote per share on all matters voted upon by shareholders of the Company, provided preferred shareholders have no rights to vote as a separate class.
- iii. Dividend Rights - Cumulative dividends shall be paid or accrued on the basis of \$.20 per share per annum. No cash dividends shall be paid to common shareholders of the Company unless all accrued dividends have been paid on these preferred shares.
- iv. Liquidation Preference - In the event of any liquidation or winding up of the Company, holders of these preferred shares shall receive in preference to common shareholders an amount equal to the principal stated value of their preferred shares plus all unpaid dividends accrued to date of liquidation or winding up of the Company.
- v. Conversion Rights - Holders of these preferred shares have the right to convert their preferred shares at any time into shares of

common stock of the Company on a one-for-one basis, with such conversion rate being subject to the following antidilution adjustments if applicable. Any unpaid dividends have the same conversion rights

vi. Antidilution - Convertibility of these preferred shares shall have antidilution protection providing for proportional adjustment in their conversion rate in the event of stock splits, stock dividends, recapitalizations, mergers or other business combination

The shares represented by this certificate may not be transferred without (1) the opinion of counsel satisfactory to this corporation that such transfer may lawfully be made without registration or qualification under the Federal Securities Act of 1933 and applicable securities laws; or such registration or qualification.

For Value Received, \_\_\_\_\_ hereby sell, assign and transfer unto \_\_\_\_\_  
\_\_\_\_\_ Shares represented by the within Certificate, and do hereby irrevocably constitute and appoint  
\_\_\_\_\_ Attorney to transfer the said Shares on the books of the within named Corporation with  
full power of substitution in the premises.

Dated \_\_\_\_\_ A.D. 20\_\_\_\_\_

In presence of \_\_\_\_\_

**NOTICE. THE SIGNATURE OF THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE, IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE WHATEVER .**

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**Exhibit 10.1**

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#### ASSET PURCHASE AGREEMENT

THIS AGREEMENT, made and entered into effective this 27 day of March, 2005, by and between VIPER POWERSPORTS INC., a Nevada corporation ("Powersports") and THOR PERFORMANCE INC., a Minnesota corporation ("Thor").

WITNESSETH, WHEREAS Powersports is a publicly-trading corporation which is in the process of merging with an active corporation engaged in the business of developing, producing and marketing upscale motorcycles under the Viper brand;

FURTHER WHEREAS Thor is a development stage company which has been engaged in developing high performance V-Twin engine technology along with other engine technology for engines other than V-Twin configuration; and Powersports has offered to purchase all of the assets of Thor on the terms and conditions of this Agreement; and

FURTHER WHEREAS Powersports and Thor now mutually desire to enter into this asset purchase agreement whereby all assets of Thor will be exchanged for common capital stock of Powersports.

NOW THEREFORE, for valuable consideration and upon the mutual representations, warranties, covenants, conditions and understandings contained herein, the parties hereby agree as follows:

1. Plan of Asset Purchase - It is the agreement and intention of both parties hereto that all of the assets of Thor shall be transferred, assigned and sold to Powersports solely for capital common stock of Powersports as set forth in this Agreement, it further being the intention and understanding of both parties hereto that this asset purchase transaction shall qualify as a tax-free reorganization under Section 368 of the Internal Revenue Code.

2. Restricted Securities - All common stock of Powersports issued incident to this asset purchase shall be "restricted securities" as defined in federal securities laws, meaning that such shares will not be registered under any securities laws or regulations, and must be taken by Thor for long-term investment and not with a present view toward further transfer, resale or other distribution thereof; and accordingly any future transfer or disposition of such shares must be either i) registered under relevant federal and state securities laws, or ii) exempt from such registration under an appropriate exemption such as Rule 144 of the Securities Act of 1933, as amended. All certificates issued and exchanged by Powersports for the assets of Thor in this transaction will bear a standard restrictive legend to evidence such investment intent of Thor.

3. Exchange of Stock for Assets - Thor's assets shall be exchanged solely for 2,996,575 common shares of capital stock of Powersports, \$.001 par value per share, after which Powersports shall own all of the assets currently owned by Thor.

4. Description of Assets - Assets of Thor being purchased by Powersports in this transaction include but are not limited to the following:

- i. All development technology, prototype development, intellectual property and related designs and drawings, any tooling and molds, equipment related to Thor development, and any other assets listed on Exhibit A hereto;
- ii. any accounts receivable, loans receivable or advances receivable held by Thor;
- iii. all contract rights of Thor with third parties including development production contracts with MCD and outsource production contracts with PAS and its affiliated companies;

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- iv. any office equipment and supplies owned by Thor; and v. cash on hand of Thor which shall include enough capital funds to complete the MCD development contracts.

5. Effective and Closing Date - The closing date of this asset purchase agreement shall be on or before March 31, 2005, unless extended by mutual written consent of both parties hereto. For accounting and auditing purposes, however, the effective date of this transaction shall be March 31, 2005 even if there is such an extension of the closing date.

6. Delivery of Common Stock - As of the Closing Date of this transaction, Powersports shall submit an appropriate instruction letter to its independent transfer agent which document shall instruct such transfer agent to issue certificates of common stock of Powersports to Thor as required by this Agreement and dated as of the effectiveness of this transaction.

Powersports also shall obtain a written representation from Thor to the effect and meaning that Thor is receiving restricted securities of Powersports incident to this transaction.

After delivery of such common stock to Thor, all of such common shares related to this asset purchase shall be legally and validly issued, and fully paid and nonassessable.

7. Submission of Agreement to Directors and Shareholders - Approval of this Agreement and its asset purchase terms shall be obtained from the Board of Directors of Powersports and from both the Board of Directors and share holders of Thor as required by their respective bylaws and the governing corporate laws of Nevada and Minnesota as the case may be. The Board resolution of Thor approving this asset purchase shall also specify that this Agreement be submitted to Thor shareholders for approval at a shareholder meeting to be held as required by its bylaws and Minnesota corporate laws. Accordingly, the respective officers of both constitution corporations hereto shall promptly prepare the necessary documents, resolutions and notices required to effectuate this Agreement, with the intention of both parties hereto that this transaction be deemed effective March 31, 2005.

8. Conduct of Business of Powersports - Between the date of this Agreement and effectiveness of this Agreement, Powersports shall conduct its business in the normal and customary manner of a commercial enterprise in accordance with its existing policies and practices and shall:

- i) preserve its business organization and business plan intact; ii) not sell any assets other than in accordance with its present business plan or in the ordinary course of business; iii) not incur any material obligations or liabilities except for working capital purposes; and iv) preserve all supplier, financial and dealer network relationships and contacts now existing.

9. Conduct of Business of Thor - Between the date of this Agreement and effectiveness of this Agreement, Thor shall conduct its business and development in the normal and customary manner of an early stage commercial enterprise in accordance with its existing policies and practices and shall:

- i) preserve its business organization and business plan intact; ii) not enter into any further material development contracts or commitments without the written consent of Powersports; iii) not sell any material assets or technology without the written consent of Powersports; iv) not incur any material obligations or liabilities except for working capital purposes or to support ongoing development projects; and v) preserve all supplier, financial and dealer network relationships and contacts now existing.

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10. Consummation of Transaction - Each corporate party hereto and their respective officers and directors shall use their best efforts to cause all terms of their respective obligations and transactions to complete and close this asset purchase agreement, to be completed or satisfied

as soon as possible, including but not limited to obtaining all required consents, waivers, amendments, modifications, approvals, authorizations and meetings.

11. Due Diligence Investigations - Between the date of this Agreement and the effective date of this transaction, the parties hereto and their respective representatives may make such investigation of each other and their respective business records and financial affairs, assets and liabilities, and any other matters as each of the parties deems necessary or advisable in furtherance of this Agreement and its terms and conditions, including having access to the premises and books of each other and documents setting forth any material contract or transaction or financial record of each other at all reasonable times; and the executive officers of each party hereto shall furnish to each other whatever financial data and information and operational and development information and technology with respect to each other as is reasonably requested by the other party hereto.

Neither Powersports or Thor or any of their respective managements or representatives shall disclose any private or confidential materials or information on the other party which was obtained or discovered in connection with their respective due diligence review and investigation of each other. In the event this asset purchase transaction is not consummated for any reason whatsoever, Powersports and Thor shall then return promptly any and all documents, papers, intellectual property documentation, technology property, and any other written, graphic or financial materials or records obtained by them incident to the due diligence reviews and investigations carried on by either party hereto.

12. Representations and Warranties - Both parties hereto jointly and severally represent and warrant to each other the following:

a) all respective outstanding capital stock of each corporation has been legally and validly issued and is fully paid and nonassessable, and none of the outstanding capital shares of either corporation hereto have been issued in violation of any preemptive or similar rights, or in violation of any state or federal securities laws or regulations.

b) None of the capital shares of either corporation is subject to any voting trust or other such restrictive agreement which could restrict their future transfer.

c) Neither party hereto has any outstanding options or warrants, and none are contemplated other than matters already disclosed to the other party hereto.

d) Neither party hereto owns, directly or indirectly, any shares of capital stock or other equity interests of any other corporation or unincorporated business entity; nor does either corporation hereto have any obligation, direct or indirect, to purchase or subscribe for any such equity interest in a third party other than the pending merger agreement between Powersports and Viper Motorcycle Company; nor does either party hereto have any obligation to advance or loan money to a third party person or entity.

e) Each party hereto is duly organized, validly existing and in good standing in its state of incorporation, and each has full corporate power and authority to own and operate their properties and assets and carry on any business currently being conducted by each of them.

f) This Agreement is a valid and binding agreement of each party hereto, and compliance with the terms and conditions of this Agreement by each party hereto will not result in (i) a breach or default of the Articles of Incorporation or Bylaws of either party, (ii) a breach or violation under any lien, pledge, security interest or other encumbrance on assets or activities to which either party is subject, (iii) a breach or default of any term or provision of any agreement, lease, contract, note, mortgage or other obligation of either corporation or of any law, rule, ordinance or regulation, or governmental judgment or decree or license to which either party is subject, unless such breach is of a technical or minimal nature so as to not have a material adverse effect on the financial condition, properties, business, future prospects or results of operations of either party hereto.

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g) Neither corporation hereto is the subject of any pending litigation or governmental proceedings not reflected in their respective written disclosures already submitted to the other party incident to the negotiations for this Agreement; and no litigation, claims, assessments or proceedings have been threatened against either party hereto of a material nature or amount.

h) The officers executing this Agreement for each party hereto are duly authorized to execute this Agreement on behalf of their respective corporate entities.

i) All financial statements which have been submitted to either party hereto by the other party hereto for this asset purchase transaction, and any further financial statements which may be provided by either party hereto, have been, or will be, complete and accurate for the dates and periods indicated thereon and fairly present the financial condition and operations for the periods covered in such financial statements; and there are no material liabilities, either fixed or contingent, not reflected in such financial statements.

j) Neither of the parties hereto have any material governmental taxes or assessments due incident to its properties or business operations other than what has been disclosed to the other party hereto on financial statements submitted to each other.

k) Each party hereto has good and marketable title to any assets owned by it, free and clear of all mortgages, liens or encumbrances thereon except for any reflected in the financial statements of either party hereto.

l) All corporation record books, financial records and material corporate documents of each party shall be made available to the other party hereto prior to the closing of this merger transaction.

m) Each party hereto has complied with all state and federal laws and regulations regarding their respective incorporations and past issuances and/or sales of securities, and no contingent liability exists against either party hereto regarding such incorporations or issuances of securities.

n) Neither corporate party hereto has any material outstanding debt other than what has been disclosed- to the other party hereto in financial statements or other written disclosure provided incident to this Agreement.

o) As of the date hereof, and as of the Closing Date, each corporate party hereto will have, to the best of their respective knowledge and belief, disclosed to each other all events, conditions, obligations and facts materially affecting the business, affairs and prospects of each other; and neither party hereto has now, nor will not as of the Closing Date, have withheld knowledge of any such events, conditions, obligations or facts which it knows, or has reasonable grounds to know, may materially affect its business, worth or future prospects.

p) The record of all issuances and transfers of common stock of Powersports have been maintained by its independent transfer agent in good and current order and reflects accurately the record ownership of all issued and outstanding common stock of Powersports. Prior to closing of this Agreement, Thor will submit a true and accurate record of all capital stock ownership of Thor which will likewise reflect the record ownership of all issued and outstanding capital stock of Thor in good, current and accurate order.

q) Powersports is in good standing with the National Quotation Bureau for inclusion of daily quotes under the Pink Sheets quotation system in order to have current bid and ask quotations on a current basis.

13. Mutual Covenants - Powersports and Thor both hereby covenant, warrant and agree that from the date hereof to the Closing Date of this merger transaction, unless express written consent is obtained from the other party, each party shall:

(i) conduct their respective business and operations as planned at present and pursuant to their current business plans disclosed to each other, and not outside the normal and ordinary course of business;

(ii) not make any material increases in debt, contract, obligations or encumbrances against any assets owned by either party, nor transfer or sell any of their assets or properties;

(iii) not make any termination, change or violation of any lease, contract, license or other commitment having a material adverse effect on the business or assets of either party;

(iv) neither party shall declare any cash dividend or stock dividend; nor shall either party make any distribution to shareholders of any kind by way of liquidation dividend, partial distribution, redemption or otherwise;

(v) pay no bonuses or salary increases or extraordinary compensation to officers or directors or representatives of either party, or enter into employment agreements unless consented "to in writing by the other party hereto;

(vi) not make any loan, advance or material transaction with any officer or director or affiliate or associate of either party hereto;

(vii) make no purchase of real property or material personal property other than in the ordinary course of business;

(viii) not amend any bylaws or articles of incorporation or make any material changes in accounting or financial practices or records unless pursuant to the terms or intent and purpose of this Agreement;

(ix) not borrow any money unless consented to in writing by the other party;

(x) not enter into any other business combination or letter of intent for a merger or similar arrangement with a third party, or offer assets

or capital stock' to a third party in contemplation of some type of business combination unless this Agreement has been terminated by the parties hereto; and

(xi) Each party hereto warrants and represents hereby that- any information or data supplied to the other party from the date hereof for the purpose of furthering or consummating this business combination, shall not contain any statement which, at the time and in the light of the circumstances under which it is offered or made, is false or misleading with respect to any material fact.

14. Survival and Accuracy of Representations and Warranties - Prior to the closing date of this Agreement, neither party hereto shall enter into any transaction or take any action, and each party hereto shall use its best efforts to prevent the occurrence of any event, which would result in any of the representations, warranties or covenants contained herein or in any agreement or document delivered pursuant hereto, not to be true and correct, or not to be performed as contemplated, at and as of the time immediately after the occurrence of such transaction or event.

All representations, warranties and covenants contained herein shall survive the Closing Date of this Agreement and the consummation of the transactions hereby for two years from the Closing Date hereof; provided, however, that no officer, director or shareholder of either party hereto shall be liable personally for any damages, claims, expenses or liabilities resulting from the inaccuracy or incompleteness of any representation or warranty which is made in good faith.

15. Closing Conditions - Unless waived in writing, all obligations of the respective parties hereto under this Agreement are subject to fulfillment of the following conditions prior to or as of the Closing Date of this Agreement:

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i) the representations and warranties herein and in any documents or certificates delivered hereto shall be true and correct in all material respects at and as of the Closing Date as though such representations and warranties were made at and as of such time;

ii) all conditions precedent to the consummation of this Agreement shall have been satisfied or have been waived by the other party;

iii) Both parties shall have complied with and have performed all material terms of this Agreement necessary to complete this business combination;

iv) this Agreement shall have been approved by the directors and shareholders of each party hereto as required by their respective corporate laws;

v) All shares of capital stock issued pursuant to the stock issuance terms of this Agreement shall be issued pursuant to all corporate action legally taken for their issuance, and shall be legally and validly issued and fully paid, and nonassessable after issuance, and shall be issued in whatever certificate amounts are necessary to complete the stock issuances required by the terms hereof, and all of such certificates shall be in proper form and amount and shall bear the standard restrictive legend to satisfy the requirements of securities laws regarding their exemption from registration;

vi) As of the Closing Date, neither party shall have any outstanding shares of capital stock other than those already disclosed to the other party incident to the entering into this Agreement;

vii) Each party hereto shall have completed its due diligence review of the financial, corporate and business records and affairs of the other party and shall further be satisfied with such due diligence reviews;

viii) There shall be no pending or threatened proceeding or action seeking to enjoin or impair the consummation of this business combination in any material degree;

ix) There shall have been no material adverse change in the business or financial condition of either corporate party hereto and

x) No material claim, suit, action or governmental proceeding shall be pending or threatened against either corporate party hereto, which if adversely determined would prevent or materially hinder the consummation of this business combination, 'or result in the payment of material damages as a result thereof.

16.; Expenses of Parties; No Finder Involved - Each party hereto shall pay its respective legal and other incidental expenses incident to the negotiation, entering into and consummation of this business combination; and each party hereto shall also pay any accounting expenses necessary to provide due diligence financial records and information to the other party hereto relating to this agreement.

Each party hereto represents hereby that no finder or similar person is involved in this business combination, and each party accordingly

further represents that it owes no fees to any "finding" person relating to this Agreement and asset purchase transaction.

17. Closing - Upon the closing of this Agreement, the following transactions shall occur or have occurred, all of which shall be deemed to be simultaneous:

a) Powersports shall have delivered appropriate instructions to independent transfer agent to cause the amount of capital stock of Powersports to be set aside with stock certificates available therefore, in order to cover the issuance of all common stock for assets exchange under this Agreement; and

b) If required by either party hereto, each party shall deliver to the other party at Closing a Certificate of CEO and Certificate of Incumbency which may be on the same document) certifying that all representations and warranties made in this Agreement by such party are true and correct as of the Closing Date, and further certifying and including the current signatures of all officers and directors of the party; and

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c) Each corporate party hereto shall deliver at Closing certified copies of the resolutions of the respective Boards of Directors and Shareholders of such party adopting and approving this Agreement and business combination; and

d) Each party hereto also shall furnish the other party with whatever instruments and documents are required to be delivered pursuant to this Agreement, or which may be reasonably requested by the other party in furtherance of the intent and terms of this Agreement.

18. Termination - This Agreement and the transactions contemplated hereby may be terminated prior to Closing Date as follows:

- i) by written mutual consent of both parties hereto; or
- ii) by either party hereto, if there has been a material misrepresentation or breach of the warranties herein of a material nature by the other party hereto; provided, however, that if such breach is cured by the breaching party within 10 days of written notice thereof to the breaching party from the other party hereto, it shall not constitute grounds for termination; or
- iii) by either party hereto if a material term of the closing conditions or conditions precedent (if any) are not satisfied, unless the party not required to perform such condition has waived its performance in writing; or iv) by either party hereto if the closing has not taken place by April 30, 2005,.

19. General -

I. Notices - Any and all notices required hereunder shall be in writing and hand-delivered or sent by certified mail, postage prepaid, as follows:

If to Powersports:

John Provo, CEO & Director  
3960 Lake Curve  
Robbinsdale, MN 55422

If to Thor:

Garry Lowenthal, CFO  
1836 North Prior Ave.  
Falcon Heights, MN 55113

II. Severability - If any part of this Agreement is deemed to be invalid or unenforceable for any reason, the balance of this Agreement shall remain in full force and effect.

III. Waiver - Any failure on the part of either party hereto to comply with or satisfy any term or condition of this Agreement may be waived in writing by the other party hereto.

IV. Entire Agreement - This Agreement constitutes the entire agreement and understanding of the parties hereto relating to this Asset Purchase Agreement, and supersedes and cancels any prior written or oral agreements or understandings regarding the subject matter of this Agreement; and this Agreement cannot be modified or amended unless by mutual written consent of both parties hereto.

V. Parties In Interest and Assignment - This Agreement shall inure to the benefit of and bind both parties hereto and their respective successors if any, or permitted assigns if any. Neither party hereto shall assign any interest in this Agreement to a third party without the written consent of the other party.

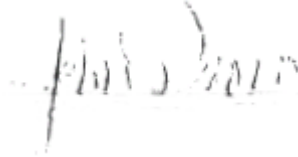
VI. Governing Law - This Agreement shall be governed by the laws of the State of Minnesota, except insofar as Nevada corporate law is relevant to the corporate approval of this business combination due to Powersports being a Nevada corporation.

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VIII. Expenses - In the event this Agreement is terminated by either party incident to its terms, or abandoned by mutual consent of both parties hereto, each party hereto shall pay its own respective expenses and costs related to negotiations and preparation of this Agreement and any other due diligence or other matters related to his Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the day and year first above written.

VIPER POWERSPORTS INC.



By

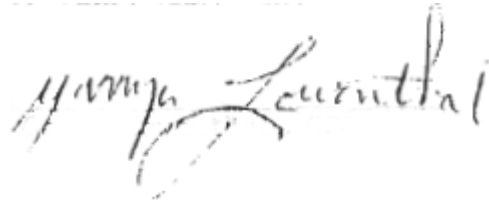
John Provo, CEO

And



Robert Knutson, Secretary

THOR PERFORMANCE INC.



By

Garry Lowenthal, CFO

**Exhibit 10.2**

**2005-2006 VIPER MOTORCYCLE COMPANY  
DEALER AGREEMENT**

DATE:

\_\_\_\_\_

PARTIES:

Viper Motorcycle Company  
Here within referred to as Viper  
5733 International Parkway  
New Hope, MN 55428

\_\_\_\_\_  
("Dealer" (Corporation or entity))

\_\_\_\_\_  
("Dealer Operator")

\_\_\_\_\_  
("Authorized Retail Location")

Dealer may sell, subject to all the terms and conditions described in this agreement, Viper Motorcycles, together with related parts, accessories

and clothing for Viper Motorcycle Company (“Products”). Dealer acknowledges that this Agreement grants no rights regarding any other products manufactured and/or sold by Viper Motorcycle Company.

**This agreement includes an arbitration provision (See Section 18)**

By \_\_\_\_\_

(Representative of Viper Motorcycle Company)

The undersigned is authorized to execute this Agreement on behalf of the Dealer

By \_\_\_\_\_

(Dealer Signature)

Title: \_\_\_\_\_

Date: \_\_\_\_\_

The additional terms and conditions of this Agreement are as follows:

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**1. Appointment of Dealer.**

a. Subject to the terms of this agreement, Viper Motorcycle Company nonexclusive dealer at retail of Products at the Authorized retail Location. This is a personal services agreement, entered into in reliance on the qualifications of the Dealer Operator and on Dealer’s assurances that the Dealer Operator will provide personal service by exercising full managerial authority over dealership operations. Dealer Operator will have an unencumbered ownership interest in Dealer of at least 15 percent at all times. Dealer Operator must be a competent businessperson, an effective manager, must have demonstrated a caring attitude towards customers, and have demonstrated the ability to manage a dealership. The Dealer Operator, however, is not a party to this Agreement and has no independent rights hereunder.

b. Dealer acknowledges that Viper distributes its Products through a network of authorized dealers at approved locations, and that those dealers must be appropriate in number, located properly, and have proper facilities to represent and service the Products competitively. Through such a dealer network, Viper Motorcycle Company can maximize the convenience of customers in purchasing Products and having them serviced. Accordingly, Dealer may not in any way sell or otherwise deal in the Products at any location other than the Authorized Location without Viper Motorcycle Company’s prior written consent, which consent may be withheld in Viper Motorcycle Companies pursuant to its business judgment. Viper reserves the right, in its sole discretion pursuant to its business judgment, to appoint any other dealer at any other location or to allow another dealer to relocate. Nothing in this Agreement is intended to require Dealer’s consent to the establishment of an additional dealer or the relocation of another dealer.

**2. Purchase of Products by Dealer.**

a. Viper will sell Products to Dealer subject to availability and the terms of this Agreement. Viper Motorcycle Company (in whole or in part) any order without liability to Dealer or any other person. Without limiting the generality of the foregoing, Viper Motorcycle Company reserves the right unilaterally to alter accepted purchase orders by decreasing the quantity of any particular products subject to such order, and agrees to give Dealer written or oral notice of such change. Dealer will cooperate with any program established by Viper Motorcycle Company for advance ordering of Products.

b. Viper may discontinue or change the specifications for and design of any Products, alter or substitute materials in any Products, and add to the Products without notice, or any liability to Dealer.

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c. Dealer shall accept all Products ordered. No cancellation of any order and no returns may be made without Viper’s written authorization. All sales are solely subject to the provisions of this Agreement and Viper’s general sales terms, conditions, and programs, notwithstanding the terms and conditions of any purchase order or other communications from Dealer. All title to and risk of loss for the Products shall pass to Dealer upon shipment from factory.

d. All delivery dates agreed upon by the parties are tentative, notwithstanding any terms in any order or other communication of either party. Viper will attempt to deliver in accordance with such dates, but shall not be in breach of any duty to Dealer if it fails to meet such delivery dates for any reason.

### **3. Price and Payment.**

a. Products will be sold at the dealer prices, terms, and discounts established by Viper and in effect on the date of Viper Motorcycle Company's shipment regardless of when the order was submitted or accepted. Viper Motorcycle Company may change such prices and discounts in effect upon thirty (30) days prior written or oral notice to Dealer.

b. Full payment on all Products is due and payable in cash upon shipment unless Viper has agreed otherwise in writing in advance, in which case the payment for such product is due and payable as provided in such other agreement. Dealer may participate in any financing plans established from time to time by Viper or by others at Viper's request for its sale of Products, if permitted under local law and if Dealer qualifies under and meets all of the terms thereof. Dealer's participation in such financing plan will be subject to all of the terms and conditions of such plan, as may be changed from time to time. If Dealer fails to fulfill its obligations under any such financing plan and Viper is required to repurchase any Products to Dealer, Dealer shall reimburse Viper for any deficiency between the repurchase cost and resale price and for any costs and expenses which Viper incurs in connection with the sale of any such Products, notwithstanding any voluntary surrender agreement with any financing institution. Viper may deduct any amounts due or becoming due from Dealer to Viper or any amounts held by Viper, from any sums or accounts due or to become due from Viper to Dealer to satisfy such deficiencies.

**4. Security Interest.** Dealer grants Viper a continuing first priority purchase money security interest on all products now or here after acquired or reacquired by Dealer, and all proceeds thereof, secure any and all of its indebtedness or obligations of any character to Viper, regardless of when incurred. Dealer will execute or procure all financing statements, personal guaranties and other instruments, agreements and documents relating to assurance of payment of all Dealers' obligations to Viper's requests.

**5. Reporting of Packing Shortages and Defects.** Dealer shall inspect all products immediately upon arrival. Dealer shall notify Viper in writing within ten (10) days after the arrival of any products of any packing shortages and shall submit all packing slips and inspection reports along with such written notice of any claimed packing shortage. Viper reserves the right to refuse to adjust any packing shortage if Dealer has not complied with this notice requirement. Dealer shall, within ten (10) days after arrival, notify Viper in writing of any other failure of any Products to conform to this Agreement which is reasonably discoverable upon such arrival, and shall notify Viper in writing of any other failures to conform within ten (10) days after the earlier of (i) the date of actual discovery or (ii) the date on which such failures should have been discovered in the exercise of reasonable diligence. All shortages or other failures to conform not reported to Viper as required by this Section 5 shall be deemed waived by Dealer.

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**6. Duties of Dealer.** Dealer shall use its best efforts to promote and increase the distribution and sale of Products. Without limiting the generality of the foregoing, Dealer shall:

a. Purchase such number and model mix of Products as shall be agreed by Viper and Dealer at the commencement of each season. Such purchases by Dealer shall comply with Viper's then existing Stocking Requirements Program, which is incorporated herein. Viper has the right to modify the Stocking Requirements Program in its sole discretion pursuant to its business judgment. Absent agreement for purchases for the season, Viper shall have the right to specify such numbers in its absolute discretion pursuant to its business judgment, considering such information as it has available concerning Dealer's previous sales, local population, the motorcycle market and other factors Viper deems appropriate. Dealer shall at all times employ a sales person dedicated to sales of the product.

b. Maintain a suitable, modern place of business at the Authorized Location with adequate space and facilities for sales, service, display, arid storage, and display prominently there a Viper 5' x 8' outdoor electric sign, in form and of a quality satisfactory to Viper, and maintain reasonable business hours for the vicinity in which it operates. If local sign ordinances prohibit prominent display of the Viper sign, Dealer must obtain written approval from the Viper Vice President of Sales of this requirement, in which case Viper shall have the right in its sole discretion pursuant to its business judgment to require Dealer to provide a sign. Dealer's facility shall conform to Viper's Image Requirements and will have sufficient showroom space to display representative models of each of the Products, pursuant to the Stocking Requirements Program.

c. Maintain an adequate stock of Viper parts, accessories and clothing, or parts, accessories, and clothing meeting quality specifications equal to or better than those sold by Viper and at all times employ a parts person for the Products.

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d. Perform Viper warranty and service program(s) in effect from time to time, maintain and train adequate staff and personnel, maintain adequate tools and service equipment to perform such warranty and service program(s) and send service personnel to schools conducted by Viper from time to time. Dealer shall be responsible for all out-of-pocket expenses incurred by such personnel, including (without limitation) transportation and lodging. Dealer at all times shall employ a full-time service manager satisfactory to Viper and who has completed Viper's service school.

e. Sell motorcycles only after the units are uncrated and set up in accordance with Viper pre-delivery instructions located within the hardware packages.

f. Conduct reasonable amounts of local advertising (in newspapers, on radio, or in other appropriate media), place prominent Yellow Page display ad and spend reasonable amounts on local promotional activities relating to Viper products, and participate in cooperative advertising and other promotional programs adopted by Viper from time to time. Dealer shall not use any advertising copy or other materials, which have not been approved in advance in writing by Viper and must comply with all advertising regulations regarding safety prescribed by Viper, including but not limited to age recommendations and warnings.

g. Attend all national Viper sales meeting and seminars. Dealer shall be responsible for all out-of-pocket expenses incurred by such personnel, including (without limitation) transportation and lodging.

h. Submit orders for Products, warranty reimbursement claims, claims or other information as Viper may designate.

i. Obtain and maintain insurance, through solvent and reputable carriers, in sufficient types and amounts and provide Viper with a copy of the certificate of insurance.

j. Reimburse Viper for any payment Viper makes to any retail financing institution relating to dealer's obligations under agreements with said financial institutions.

k. Maintain a flooring account with an approved financial institution with a credit line sufficient to cover its orders.

l. Promptly inform Viper of any changes or proposed changes in state or local regulations and legislation, of which Dealer is aware, relating to the Products and inform Viper of any matters, of which Dealer is aware, indicating a safety concern regarding the Products.

m. Comply with all laws and regulations applicable to its business of selling Products and maintain all necessary licenses and permits.

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n. Sell Products only to consumers purchasing Products for consumer use in the United States, or to other authorized Viper dealers of products who at that time have an effective Dealer Agreement for the product line with Viper itself. Dealer agrees to refrain from selling or transferring products to anyone else including, but not limited to, dealers not approved in writing by Viper.

o. Communicate to purchasers all safety and other information Viper requires it to communicate to such purchasers, and take all other steps required by Viper regarding safety matters, including but not limited to, cooperation with Product modification or recall programs.

p. Make no representations, which are inconsistent with safety-related requirements specified by Viper, to actual or prospective Product purchasers and comply with all age recommendations as prescribed by state law. Dealer shall provide its staff with adequate training to ensure compliance with this requirement.

q. Maintain minimum new working capital necessary for Dealer to conduct dealership operations under this Agreement.

r. Maintain records for a minimum of five years of (i) all sales of Products, parts, or service; (ii) all warranty records; and (iii) profit and loss statements of the Dealer. Dealer shall make such records available to NMC for examination or audit upon request.

**7. Warranty.** The Viper warranty on the Products shall be as set forth in the current Viper Warranty program furnished to Dealer by Viper. SUCH WARRANTIES SHALL BE THE ONLY WARRANTIES MADE OR DEEMED TO BE MADE TO ANY PERSON BY NMC AND ARE EXPRESSLY IN LIEU OF ALL OTHER MERCHANTABILITY, FITNESS FOR A PARTICULAR

PURPOSE, AND NONINFRINGEMENT. THE REMEDIES SET FORTH IN SUCH WARRANTIES SHALL BE THE ONLY REMEDIES AVAILABLE TO ANY PERSON. Neither Dealer nor any other person shall have authority to bind Viper to any other representation or warranty. Dealer shall indemnify Viper for all losses, damages, liabilities, or expenses (including but not limited to reasonable attorneys' fees and litigation expenses) which Viper may incur as a result of or in connection with any claim under such warranty by reason of any act or omission of Dealer, its servants or agents. Viper neither assumes nor authorizes anyone to assume for it any other obligation or liability in connection with its Products, and Viper's maximum liability under the Viper Warranty Program is to repair or replace the Product.

8. **Trademarks.** Dealer may use the trademark "Viper Motorcycle Company," the logo, "Viper Motorcycle Company" and any other Viper trademarks authorized by Viper in writing, in forms approved in writing by Viper, (the "Trademarks"), in connection only with promotion, advertising, selling, and servicing of the Products, and for no other purpose. Dealer shall not use the Trademarks in connection with any products (whether or not for resale) that are not specifically authorized by Viper. Dealer shall not use any of the Trademarks as a part of Dealer's firm, trading, or corporate name, and shall not display or use such Trademarks except in a form or Manner approved by Viper in writing in advance. If Dealer for any reason ceases to be an authorized dealer of the products, Dealer will immediately cease all use of the Trademarks and will remove all signs bearing such Trademarks use in connection with its business.

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9. **Certain Reports.** Upon request, Dealer shall furnish Viper a detailed written inventory of Products on hand, together with complete information with respect to its sales of Products, including orders received; shipments made, and unfilled orders on hand. Dealer also shall furnish to Viper, on Viper's request, additional written reports and copies of forms or other documents in Dealer's possession or under its control which Viper in good faith believes will assist it in evaluating the market and/or Dealer's performance under this Agreement. Such reports shall be in forms specified by Viper. Dealer also agrees to submit to Viper on request such financial statements and other information relating to Dealer's financial condition as Viper may request. Dealer also agrees to submit, if requested by Viper, a Business plan for Dealer's operations.

10. **Viper Motorcycle Company Duties.** Except as otherwise provided herein, Viper's duties shall be limited to:

- a. Providing parts catalogs, service manuals, current servicing information, and such service training, as Viper reasonably deems necessary to qualify Dealer's employees to service the Products. The time, place, and frequency of such training are to be determined by Viper.
- b. Conducting annual Dealer sales reviews, individually and in groups.

11. **Independent Contractor.** Dealer for all purposes shall be an independent contractor, and not an agent, employee, partner, joint venturer, or franchisee of Viper. Dealer shall have the sole right to determine the manner in which it performs its duties under this Agreement, except as otherwise expressly provided in this Agreement. No fiduciary obligations are created by this Agreement.

12. **Confidential Information.** Viper has communicated and will communicate to the Dealer valuable information with respect to the Products and the servicing thereof, as well as promotional and advertising know-how and sales merchandising information which Dealer agrees is of substantial value to Viper's business. Dealer acknowledges that such information is confidential, and Dealer shall maintain its confidentiality and not disclose it to any other party during or after the termination of this Agreement, and shall take reasonable steps to prevent its employees, officers, agents, shareholders, or partners from doing so.

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13. **Termination.**

a. Unless otherwise terminated for any of the causes and in the manner specified in Sections 13(b), (c) or (d) or any other section of this Agreement, this Agreement shall remain in force from the date specified at the top of this Agreement until September 30, 2006, when it shall automatically expire, unless Viper shall give Dealer written notice, prior to such date, of its intention to renew this Agreement until the following September 30 and Dealer consents to such renewal in writing within thirty (30) days thereafter. Viper Motorcycle Company's offer to renew shall occur only in the form of a letter signed by a duly authorized representative of Viper expressly stating that it is an offer to renew, and inviting Dealer accept such offer. Requests for sales projections for future periods, requests for orders for future periods, invitations to annual or other conventions or meetings, or any other act whatsoever other than the specified written notice, shall not constitute an offer to renew this Agreement. Nothing shall prohibit Viper from offering to renew upon terms and conditions different from or additional to the terms and conditions of this agreement.

b. If any of the following events occur, Viper has the absolute right, in its sole discretion pursuant to its business judgment, upon ten (10) days written notice, terminate this Agreement, except that no advance notice shall be required as to Sections 13 (b) (i) or (v):

(i) Dealer becomes insolvent, or a petition in bankruptcy is filed, or Dealer makes a general assignment for the benefit of creditors, or if a receiver or trustee is appointed for any significant portion of Dealer's property, or if a petition for dissolution or for an assignment or for the reorganization of its affairs is filed; or

(ii) There is any material adverse change in the financial position of Dealer which Viper believes may impair its prospect of receiving timely and full payment of may increase Viper's own financial risk; or

(iii) There is, without Viper's prior written approval, any change in Dealer's facility location or in Dealer's executive management, ownership, or control; or

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(iv) Refusal by Dealer to timely furnish sales, service, or financial information, or to permit Viper's examination or audit of Dealer's accounts and records; or

(v) Any finding by a governmental agency or court or a settlement or plea arising from charges that Dealer, or predecessor of Dealer owned or controlled by the same person, committed a misdemeanor or unfair or deceptive business practice or a felony, which in Viper's sole business judgment may adversely affect the reputation or interests of Viper; or

(vi) Failure of Dealer to maintain a line of credit pursuant to paragraph 6(k) above; or

(vii) Failure of Dealer to timely pay its obligations to Viper; or

(viii) Failure of Dealer to conduct customary sales and service operations during customary business hours for 30 days; or

(ix) Dealer materially breaches any provision of this Agreement. No provision of this Agreement indication that a particular breach or default shall be deemed material is intended to imply that other breaches or defaults not so identified shall not also be considered to be material.

c. If Viper, in its sole business judgment, determines that Dealer's facility at the Authorized Location is not acceptable, or that Dealer has failed to adequately perform its sales or service responsibilities, Viper shall notify Dealer of the nature of which Dealer will have the opportunity to correct the failure. If Dealer does not correct the failure by the expiration of the period, Viper may terminate this Agreement by giving the Dealer 60 days advance written notice. This paragraph does not apply to the reasons for termination set forth in paragraph 13(b) (i)-(ix) above.

d. Upon termination or nonrenewal of this Agreement by either party, for any reason whatsoever, all Dealer's rights and privileges hereunder shall cease and terminate immediately. Dealer shall nevertheless remain obligated under the provisions of the Agreement, which by their express terms or by implication survive termination or nonrenewal. All indebtedness of Dealer to Viper shall become immediately due and payable. Dealer and Dealer's guarantors shall also remain obligated under any agreements between it or them and Viper or a financing institution with respect to the financing of its purchase of Products. Dealer, at its expense, promptly shall return to Viper all service or other manuals and promotional and advertising materials (including but not limited to indoor and outdoor signs and logos) provided by Viper hereunder.

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e. Viper Motorcycle Company will repurchase Dealer's inventory of current model new, unused and undamaged Viper motorcycles in crates, motorcycle parts and accessories, for the current and the immediately preceding two (2) model years, and the current year's model motorcycle clothing, provided that (i) Viper elects not to renew this Agreement under Section 13 (a), (ii) Dealer is not in default to Viper or to any financing institution, (iii) Dealer has paid any sums due Viper, and (iv) Dealer releases Viper (in form and substance satisfactory to Viper) from all claims and liabilities, except future warranty claims. All such repurchased Products shall at delivery be free and clear of all liens, security interests, claims, or other encumbrances of any kind. If Viper does not purchase all of the Products owned by Dealer upon any such nonrenewal, then Dealer may sell the balance of any such Products on hand.

f. Within Thirty (30) days after termination or nonrenewal of this Agreement, Dealer shall assign and transfer to Viper or its designee such unfilled orders and contracts, together with any advance payments thereon, for the purchase of Products from Dealer as

Viper or such designee elects to accept. Viper shall have no obligation to reimburse Dealer for any expenses in procuring such orders.

g. Should any provision of the Section 13 be inconsistent with any applicable law protecting Dealer, Dealer agrees to waive any and all rights and remedies it may have under such law to the extent it may waive such rights and remedies.

**14. Limitation of Remedies.**

a. No party terminating or failing to renew this Agreement in accordance with its terms shall by reason of such termination or failure to renew be liable to the other for compensation, reimbursement, or damages of any kind relating to such termination or nonrenewal, whether for expenditures, investments, losses, lost profits, or commitments in connection with the business or goodwill of the other party, or otherwise.

b. In the event of the failure of either party to fulfill any of its obligations hereunder, the exclusive remedy of the other party shall be to request that such obligation be fulfilled and, if that does not occur promptly thereafter, to terminate this Agreement, and where appropriate pursue arbitration under paragraph 18 below. Neither party shall have any liability to the other for damages for any violation of the terms of this Agreement except for monies due hereunder and neither party shall have any liability to the other for lost profits, loss of good will, or other incidental or consequential damages. The foregoing limitation on liability does not apply to the indemnity provisions of paragraphs 7 and 17.

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c. Either party may bring no action, regardless of form, or request for arbitration arising out of this Agreement more than two (2) years after the cause of action or claim has arisen, or in the case of a claim for nonpayment, more than two (2) years from the date payment was due.

**15. Force Majeure and Suspension of Performance for Breach.** Viper Motorcycle Company shall not be liable to any person for any delay in delivery or for non-delivery caused in whole or in part by the occurrence of any contingency beyond the control of Viper. Additionally, if Dealer is at any time in breach (whether or not such breach is material) of any obligation to Viper under this or any other agreement between them or between Dealer, the financier of inventory, Viper may without notice suspend its own performance under this and/or such other agreements until such breach is cured, in addition to exercising any other rights and remedies Viper may have with respect to such breach.

**16. Notices.** All notices required or permitted by this Agreement shall be addressed to the recipient at the address designated above, or any other address hereafter designated in writing by the recipient, shall be in writing (except where otherwise expressly permitted by this Agreement) and shall be either hand delivered, or sent by facsimile or first class mail, correct postage prepaid. Such notices shall be considered given when given orally (if oral notice is permitted), hand delivered, confirmation is received of the facsimile transmission or mailed, as the case may be.

**17. Indemnity.** Dealer will defend, indemnify, and hold Viper harmless from and against any and all claims, loss, damage, liability, and expense relating to or arising out of any breach of this Agreement by Dealer or relating to any other act or omission of Dealer or any of its employees or agents. This provision shall survive termination or nonrenewal of this Agreement by any party for any reason.

**18. Arbitration.**

a. All disputes, controversies, and claims arising out of or in connection with the execution, interpretation, performance, nonperformance, or breach (including without limitation the validity, scope, enforceability, and voidability under any statute, regulation, ordinance, or ruling), or termination or nonrenewal of this Agreement, or of any provision of this Agreement (including without limitation this arbitration provision and the arbitrability of any issue), or arising out of or in connection with any claimed duty, right, or remedy (whether arising under this Agreement or any statute, regulation, ordinance, or other rule of law or otherwise) relating to any of the foregoing, shall be solely and finally settled by arbitration in Minneapolis, Minnesota in accordance with the United States Arbitration Act (9 U.S.C. 1 *et. Seq.*), and the rules of the American Arbitration Association relating to commercial arbitration. There shall be a single arbitrator who shall be a lawyer with at least five years of significant experience related to business law. The arbitrator shall have the right to award or include in any award the specific performance of this Agreement; provided, that the arbitrator shall not have the right to issue any award or include in any award any relief which is more than could be awarded by a federal or state court located in the State of Minnesota. Viper shall have the right to prevent or remedy a material breach of this Agreement by the Dealer if such breach could materially impair the goodwill associated with the Viper trademarks or names. Viper Motorcycle Company shall be entitled without bond to the entry of temporary restraining orders and temporary and permanent injunctions relating to the latter.

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b. The arbitrator's decision or award shall be fully and finally binding on the parties and the parties waive all respective rights to further appeal or redress in any other forum as to matters decided by such arbitratory, except solely for the purpose of obtaining execution of the decision and award rendered by the arbitrator, and except and permitted by 9 U.S.C. subsections 10 and 11. The parties agree that judgment upon the award of the arbitratory may be entered in any court having jurisdiction over the losing party or its assets. The arbitrator shall divide all costs (other than attorney's fees) incurred in conducting the arbitration in the final award in accordance with what he or she deems just and equitable under the circumstances. Viper and Dealer shall fully perform this Agreement during the pendency of any arbitration proceeding, except any proceeding relating to any cancellation, termination, or nonrenewal of this Agreement.

c. The parties agree to facilitate arbitration by:

- (i) promptly making available to one another and to the arbitrator for inspection and copying all documents, books, and records required by the arbitrator to be made available; and
- (ii) observing strictly the time periods established by the arbitrator for the submission of evidence and of briefs and the holding of hearings.

d. If either party asserts in any forum a claim, counterclaim, or defense, the subject matter of which, under statute or current judicial decision is nonarbitrable for public policy reasons, the parties agree that any legal proceedings relating to such nonarbitrable matters shall be stayed pending the decision and award of the arbitrator with respect to matters which are subject to arbitration. Any such nonarbitrable cause of action arising between the parties shall be brought only in a court having jurisdiction and venue in Minneapolis Minnesota.

e. This Section 18 shall survive termination or nonrenewal of this Agreement by either party for any reason.

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**19. Miscellaneous.**

a. Dealer shall not assign, or sell any part of its rights or obligations under this Agreement or the ownership of Dealer without the prior written consent of Viper. Any attempt to do so without such prior written consent shall be wholly void and without effect. If Dealer wishes to change ownership, it must submit a proposal to Viper in writing, using the forms supplies by Viper, at least 60 days prior to the effective date of such change. Viper has the right, in its sole discretion pursuant to its business judgment, to approve or disapprove such a change. If Dealer submits a proposal for a change of ownership, Viper shall have a right of first refusal to purchase the dealership assets regardless of whether the proposed buyer is qualified to be a dealer. Viper Motorcycle Company will have a reasonable opportunity to inspect the assets, including real estate, before making its decision. Viper may assign any rights or obligations under this Agreement to any affiliated or successor company, and will provide Dealer written notice of such assignment or delegation. Such assignment shall not relieve Viper of liability for the performance of its obligations under this Agreement. This Agreement shall be binding upon and inure to the benefit of the permitted successors and assigns of Dealer and the successors and assigns of Viper. This Agreement is not enforceable by any third parties and is not intended to convey any rights or benefits to anyone who is not a party to this Agreement.

b. If any part of this Agreement is held by the final order of any court, tribunal, or administrative agency having jurisdiction over this Agreement of the subject matter hereof to be invalid, contrary to the law or public policy, or otherwise enforceable, such part or parts shall be severed here from to the minimum extent necessary to avoid such invalidity or illegality and such severance shall not affect any other part of parts of this Agreement.

c. Dealer is responsible for all local, state, and federal or other applicable taxes and tax returns related to its dealership business and will hold Viper harmless from any related claims or demands made by any taxing authority.

d. This Agreement and the enforcement hereof shall be governed by the internal laws (but not the choice or conflicts of law rules) of the State of Minnesota. This provision shall survive the termination or nonrenewal of this Agreement by any party for any reason.

e. The following agreements and undertakings are hereby incorporated into Agreement:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

f. This Agreement cancels and supersedes all prior written and unwritten agreements and understandings between the parties pertaining to the matters covered in this Agreement. No obligations, agreements or understandings shall be implied from any of the terms and provisions of this Agreement, all obligations, agreements and understandings with respect to the subject matter hereof being expressly set forth herein. The parties in entering into this Agreement forth herein, relied upon no representations or statements, other than those expressly set. No modifications or waiver of, addition to, or deletion from the terms of the Agreement shall be effective unless reduced to writing and signed by Dealer and a representative of Viper authorized to execute this Agreement. No waiver of any particular breach shall be deemed to apply to any other breach, whether prior or subsequent to the waiver. No provision of any purchase order submitted by Dealer shall be binding on Viper, even if accepted by Viper, other than quantity and description, and even those provisions shall be subject to alteration by Viper as elsewhere provided in this Agreement.

## Exhibit 10.3

### VENDOR AGREEMENT

This Vendor Agreement (“Agreement”) is made as of May 29, 2003 between GE Commercial Distribution Finance Corporation (“CDF”), having a principal place of business at 655 Maryvilla Centre Drive, St. Louis, Missouri 63141, and Viper Motorcycle Company (“Vendor”), having a principal place of business located at 5733 International Parkway, New Hope, MN 55428.

Vendor sells various products (“Merchandise”) to dealers and/or distributors (individually and collectively “Dealer”) who may require financial assistance in order to make such purchases from Vendor. To induce CDF to finance acquisition of Merchandise by any Dealer and in consideration thereof, Vendor and CDF agree that

1. **Vendor’s Warranties**. Whenever a Dealer requests the shipment of Merchandise from Vendor and that CDF finance such Merchandise, Vendor may deliver to CDF an invoice(s) describing the Merchandise. By delivery of an invoice, Vendor warrants the following:
  - a. That Vendor transfers to Dealer all right, title and interest in and to the Merchandise so described, contingent upon CDF’s approval to finance the transaction:
  - b. That Vendor’s title to the Merchandise is free and clear of all liens and encumbrances when transferred to Dealer:
  - c. That the Merchandise is in salable condition suitable for ordinary retail sale, free of any defects:
  - d. That the Merchandise is the subject of a bonafide order by Dealer placed with and accepted by Vendor, and that Dealer has requested the transaction be financed by CDF; and
  - e. That the Merchandise subject to the transaction has been shipped to Dealer not more than ten (10) days prior to the invoice date.

If Vendor breaches any of the above-described warranties, Vendor will immediately: (i) pay to CDF an amount equal to the total unpaid balance (being principal and finance charges) owed to CDF on all Merchandise related to the breach; and (ii) reimburse CDF for all costs and expenses (including, but not Limited to, reasonable attorneys’ fees) incurred by CDF as a result of the breach.

2. **Financing of Merchandise**. CDF will only be bound to finance Merchandise which CDF has accepted to finance (such acceptances will be indicated by CDF’s issuance of an approval number, draft or other instrument to Vendor in payment of the invoice, less the amount of CDF’s charges as agreed upon from time to time) and only if: (a) the Merchandise is delivered to Dealer within thirty (30) days following CDF’s acceptance: (b) CDF has received Vendor’s invoice for such Merchandise within ten (10) days from the date of delivery of the Merchandise to Dealer: (c) CDF’s approval number is on the invoice: and (d) CDF has not revoked its acceptance prior to the shipment of the Merchandise to Dealer. With respect to any invoice, if CDF has not advanced funds within forty-five (45) days of CDF’s issuance of an approval number for such invoice, the invoice shall be deemed not received by CDF and CDF shall not be bound to finance such Merchandise.

3. **Purchase of Merchandise**. Whenever CDF deems it necessary in to sole discretion to repossess or if CDF otherwise comes into possession, actual or constructive, of any Merchandise in which it has a security interest or other lien, Vendor will purchase such Merchandise from CDF at the time of CDF’s repossession or other acquisition of possession in accordance with the following terms and conditions:

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a. Vendor will purchase such Merchandise, regardless of its condition, at the point where CDF repossesses it or where it otherwise comes into CDF's possession;

b. The purchase price Vendor will pay to CDF for such Merchandise will be due and payable immediately in full, and will be an amount equal to (i) the total unpaid balance (being principal and finance charges) owed to CDF with respect to such Merchandise, or Vendor's original invoice price for such Merchandise, whichever is greater, and (ii) all costs and expenses (including, but not limited to, reasonable attorneys' fees) paid or incurred by CDF in connection with the repossession of such Merchandise; and

c. Vendor shall not assert or obtain any interest in or to any Merchandise acquired by Vendor until the purchase price therefor is paid in full.

**4. Additional Terms of Purchase**. In addition to Vendor's obligations set forth above, if CDF at any time repossesses or otherwise comes into possession of any Merchandise from any Dealer who received the Merchandise from a third party and not directly from Vendor, Vendor shall purchase such Merchandise from CDF on demand, in accordance with the terms set forth above in Section 3: provided, however, (a) CDF will first request such third party to purchase such Merchandise from CDF; and (b) if such third party fails to immediately purchase such Merchandise from CDF, Vendor shall immediately purchase such Merchandise and pay CDF a purchase price therefor in an amount equal to the total unpaid balance (being principal and finance charges) owed to CDF with respect to such Merchandise and all costs and expenses (including, without limitation, reasonable attorneys' fees) paid or Incurred by CDF in connection with its repossession of such Merchandise, but in no event will Vendor's liability with respect to any item of such Merchandise exceed Vendor's invoice price for such item.

**5. Extension of Time: Waivers**. CDF may extend the time of a Dealer in default to fulfill its obligations to CDF without notice to Vendor and without altering Vendor's obligations hereunder. Vendor waives any rights it may have to notice of nonpayment, nonperformance, dishonor, the amount of indebtedness of a Dealer outstanding at any time, any legal proceeding against a Dealer, and any other demands and notices except as required by law, and any rights it may have to require CDF to proceed against a Dealer or the Merchandise or to pursue any other remedy in CDF's power. Vendor's liability to CDF is direct and unconditional and will not be affected by any change in the terms of payment or performance of any agreement between CDF and Dealer, or the release, settlement or compromise of or with any party liable for the payment or performance thereof, the release or non-perfection of any security interest granted CDF in any agreement between CDF and Dealer, any change in Dealer's financial condition, or the interruption of business relations between CDF and Dealer.

**6. Expenses; Release of Information**. Vendor will pay all CDF's expenses (including, but not limited to, court costs, arbitration fees and reasonable attorneys' fees) in the event CDF is required to enforce its rights against Vendor. Vendor will release to CDF any credit financial or other information on any Dealer upon each request by CDF. Vendor will immediately notify CDF if Vendor reasonably believes that Dealer has violated the terms of any franchise, permission, license or right to sell or deal in the Merchandise.

**7. Invoices**. Invoices submitted to CDF by Vendor should Indicate that the Merchandise is "Sold to (Name of Dealer) and "Financed by GE Commercial Distribution Finance Corporation." However, if Vendor's invoices read "Sold to GE Commercial Distribution Finance Corporation", and, regardless of the invoice. Vendor acknowledges and agrees that CDF is not purchasing Merchandise, but is only financing said Merchandise for Dealer.

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**8. Successors and Assigns: Obligations**. This Agreement will be binding upon and inure to the benefit of CDF's successors and assigns. Vendor cannot assign this Agreement without CDF's prior written consent. CDF may perform or cause to be performed any or all of its obligations hereunder by any of its subsidiaries and/or affiliated companies. Vendor's obligations under this Agreement inure to the benefit of any of CDF's subsidiaries and/or affiliated companies.

**9. Events of Default**. The occurrence of any of the following events shall be deemed an "Event of Default" under this Agreement (a) Vendor's failure to pay when due any amount owed CDF hereunder or under any other agreement between CDF and Vendor; (b) Vendor's failure to perform or observe any covenant, term or provision hereunder or under any other agreement between CDF and Vendor; (c) termination or impairment of any guaranty of Vendor's obligations hereunder; (d) Vendor shall cease existence as a corporation, partnership, limited liability company or trust, as applicable; (e) Vendor ceases or suspends business; (f) Vendor makes a general assignment for the benefit of creditors; (g) Vendor becomes insolvent or voluntarily or involuntarily becomes subject to the Federal Bankruptcy Code, any state insolvency law or any similar law; (h) any receiver is appointed for any assets of Vendor; (I) Vendor sells, transfers or assigns all or substantially all of its assets; (j) Vendor merges its business with another business, regardless of whether Vendor is the surviving entity; or (k) there is any material adverse change in Vendor's financial condition.

**10. Remedies Upon Default.** Upon the occurrence of any Event of Default, CDF shall have the right, at CDF's option, to immediately exercise one or more of the following remedies: (a) refuse to extend any further financing to Dealers; (b) terminate the Agreement; or (c) exercise any other rights it may have under the laws of the state governing this Agreement.

**11. Termination.** Either party may terminate this Agreement by notice to the other in writing, the termination to be effective thirty (30) days after receipt (which receipt is presumed to be five (5) business days after the same is sent) of notice by the other party provided, however, that CDF may terminate this Agreement immediately if an Event of Default has occurred. In any event, no termination of this Agreement will affect any of Vendor's (or its assignees, whether permitted or unpermitted) liability with respect to any financial transactions entered into by CDF with any Dealer prior to the effective date of termination, including, without limitation, transactions that will not be completed until after the effective date of termination.

**12. Miscellaneous.** Vendor will notify CDF of any change in its name or business structure. Vendor waives notice of CDF's acceptance of this Agreement. This Agreement is not intended, nor shall it be deemed to, directly or indirectly, benefit any person of entity, including any Dealer, who is not a party hereto. If at any time any one or more of the provisions of this Agreement becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby. CDF's failure to exercise any rights granted hereunder shall not operate as a waiver of those rights. The rights of CDF under this Agreement are cumulative, may be exercised as often as it considers appropriate, and are in addition to its rights under the general law.

**13. No Oral Agreements.** There are no oral or unwritten agreements between CDF and Vendor regarding the subject matter hereof. Vendor and CDF acknowledge and agree that all agreements and understandings between them are set forth in this Agreement and any terms letter(s) executed in connection herewith (as the same may be revised from time to time without necessitating an amendment of this Agreement) ("Terms Letter(s)") or in any other writing between the parties relating hereto. The Terms Letter(s) are hereby incorporated into this Agreement by reference and form a part of this Agreement.

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**14. BINDING ARBITRATION.** Any controversy or claim arising out of or relating to this Agreement, the relationship resulting in or from this Agreement, the breach of any duties hereunder or any other relationship, transaction or dealing between the parties (collectively "Disputes") will be settled by binding arbitration in accordance with the Commercial Arbitration Rules of either: (a) The American Arbitration Association ("AAA"); or (b) United States Arbitration & Mediation ("USA&M"). The party first filing an arbitration claim shall designate which arbitration forum and rules are to be applied for all disputes between the parties. The arbitration rules are found at [www.adr.org](http://www.adr.org) for AAA, and at [www.usam-midwest.com](http://www.usam-midwest.com) for USA&M. AAA claims may be filed in any AAA office. Claims filed with USA&M shall be filed in their Midwest office located at 720 Olive Street, Suite 2020, St. Louis, Missouri 63101. Notwithstanding the foregoing, the parties agree that either party may pursue claims against the other that do not exceed Fifteen Thousand Dollars (\$15,000) in the aggregate in a court of competent jurisdiction. Except as otherwise stated herein, all notices, arbitration claims, responses, requests and documents will be sufficiently given or served if mailed or delivered: (a) to CDF at 655 Maryville Centre Drive, St. Louis, Missouri 63141-5832, Attention: General Counsel; and (b) to any other party at the address specified herein; or such other address as the parties may specify from time to time in writing. The parties agree that all arbitrators selected will be attorneys with at least five (5) years secured transactions experience. Each party hereby consents to a documentary hearing for all arbitration claims, by submitting the dispute to the arbitrator(s) by written briefs and affidavits, along with relevant documents. However, arbitration claims will be submitted by way of an oral hearing, if any party requests an oral hearing within forty (40) days after service of the claim, and that party remits the appropriate deposit for AAA's fees and arbitrator compensation within ten (10) days of making the request. The site of all oral arbitration hearings will be in the Division of the Federal Judicial District in which AAA or USA&M maintains a regional office that is closest to Vendor. Any award rendered by the arbitrator(s) may be entered as a judgment or order and confirmed or enforced by either party in any state or federal court having competent jurisdiction thereof. Nothing herein will be construed to prevent CDF's or Vendor's use of bankruptcy, receivership, injunction, repossession, replevin, claim and delivery, sequestration, seizure, attachment, foreclosure, and/or any other prejudgment or provisional action or remedy relating to any Merchandise for any current or future debt owed by either party to the other. Any such action or remedy will not waive CDF's or Vendor's right to compel arbitration of any Dispute. The non-prevailing party will pay all of the costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by the prevailing party in any arbitration proceeding. If either party brings or appeals any judicial action to vacate or modify any award rendered pursuant to arbitration or opposes the confirmation of such award and the party bringing or appealing such action or opposing confirmation of such award does not prevail, such party will pay all of the costs and expenses (including, without limitation, court costs, arbitrators fees and expenses and attorneys' fees) incurred by the other party in defending such action. Additionally, if either party brings any action for judicial relief in the first instance without pursuing arbitration prior thereto, the party bringing such action for judicial relief will be liable for and will immediately pay to the other party all of the other party's costs and expenses (including, without limitation, court costs and attorneys' fees) to stay or dismiss such judicial action and/or remove it to arbitration. The failure of either party to exercise any rights granted hereunder shall not operate as a waiver of any of those rights. THE LAWS OF THE STATE OF MISSOURI WILL GOVERN THIS AGREEMENT AND ALL TRANSACTIONS HEREUNDER AS TO INTERPRETATION, ENFORCEMENT, VALIDITY, CONSTRUCTION, EFFECT AND IN ALL OTHER RESPECTS; PROVIDED, HOWEVER, THAT THE FEDERAL ARBITRATION ACT ("FAA"), TO THE EXTENT INCONSISTENT, WILL SUPERSEDE THE LAWS OF SUCH STATE AND GOVERN. This Agreement concerns transactions involving commerce among the several states. The arbitrators will not be empowered to award punitive

damages. The agreement to arbitrate will survive termination of this Agreement. IF THIS AGREEMENT IS FOUND TO BE NOT SUBJECT TO ARBITRATION, EACH PARTY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE COURTS LOCATED WITHIN SUCH STATE AND AGREE THAT ALL LEGAL PROCEEDINGS WILL BE TRIED IN A COURT OF COMPETENT JURISDICTION BY A JUDGE WITHOUT A JURY. EACH PARTY WAIVES ANY RIGHT TO A JURY TRIAL IN ANY SUCH PROCEEDING.

THIS CONTRACT CONTAINS BINDING ARBITRATION, JURY WAIVER AND PUNITIVE DAMAGE WAIVER PROVISIONS.

ATTEST:

Viper Motorcycle Company



Robert O. Knutson  
Secretary

By: \_\_\_\_\_  
Name: John L. Flebelkom  
Title: President

GE COMMERCIAL DISTRIBUTION FINANCE CORPORATION



By: \_\_\_\_\_  
Name: Paul R ???  
Title: SR. VICE PRESIDENT

- 1 Name of Vendor
- 2 Signature of Vendor's Authorized Representative, if Vendor is a corporation, an officer must sign
- 3 Signature of Vendor's Secretary or Assistant Secretary, if Vendor is a Corporation; if Vendor is a Sole Proprietor, the signature must be either witnessed by a CDF employee or notarized; if Vendor is a member-managed Limited Liability Company, all members must sign and the signature must be either witnessed by a CDF employee or notarized; if Vendor is a Partnership, also complete the Partnership Certificate - Vendor Agreement; If Vendor is a Limited Liability Company, also complete the Limited Liability Company Certificate - Vendor Agreement

**DO NOT COMPLETE THE NOTARY BELOW, IF VENDOR IS A CORPORATION**

NOTARY STATEMENT

On this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_, before me, the subscriber, a Notary Public, personally appeared \_\_\_\_\_ known to me to be the person(s) described in and who executed the above Vendor Agreement, and who acknowledged, the execution thereof to be their free act and deed.

Notary Public: \_\_\_\_\_

My Commission Expires: \_\_\_\_\_, 20\_\_\_\_\_

(SEAL)

(SEAL)

GE Commercial Distribution Finance Corporation

???

May 29, 2003

Viper Motorcycle Company  
5733 International Parkway  
New Hope, MN. 55428

Dear John L. Flebelkom:

As we discussed, I have outlined the following financing terms, which will apply to the inventory-financing program for motorcycles (manufactured/distributed) by Viper Motorcycle Company financed by General Electric Commercial Distribution Finance. (GE CDF)

Program Name: Viper Motorcycle Company Zero, 30, 60 and 90 Day Plans  
Program Effective: Ongoing  
Eligible \_\_\_: G5 CDF Approved Viper Dealers  
Subsidized Flooring Period: Zero, 30\*, 60\*\*, 90\*\*\*  
Funding: 15 days  
Electronic Payment System (EPS): Yes  
Discount Rate: 0%, .90%\*, 1.70%\*\* , 2.40%\*\*\*  
Prime Adjustment: The discount rate increases or decreases 4 basis points with each corresponding 30 basis points increase or decrease in the prime rate.  
Current Prime Rate: 4.25%  
Definition of Prime: Prime means the highest prime rate or reference rate of interest publicly announced from time to time by Chase Manhattan Bank, N.A. and Citibank, N.A., and such rate in effect on the last business day of any calendar month will be prime for the following calendar month, subject to 6.00% minimum prime.  
Advance Amount: 100%, 99.10%\*, 98.30%\*\* , 97.60%\*\*\*  
???: N/A  
Maturity: 365 days

Your invoices submitted to GE CDF should indicate that the inventory is Sold to (*Name of Dealer*) and Financed by GE CDF. However, if your invoices say Sold To GE CDF Corporation, you hereby acknowledge the fact that GE CDF is not purchasing the inventory, but is only financing the inventory for the particular dealer.

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As you know, execution of this ??? shall not form an enforceable contract between your company and GE CDF until we have executed a Vendor Agreement on terms that are ??? agreeable to both parties. A fully executed Vendor Agreement is prerequisite to any ??? agreement between us.

If the above program terms and acceptable, please sign and return this letter to my attention. If you wish to discuss any elements of the program I can be reached at (630) 241-9703. My fax number is (630) 241-4397.

Sincerely,

GE CDF

By:

Michael A. ???

Title: Regional Sales Manager

The terms as stated above are agreed to and accepted on this 29<sup>th</sup> day of May, 2003

Viper Motorcycle Company

By:



Page 2



Compass Bank

P.O. Box 4444  
Houston, Texas 77210-4444  
713 499-8645 / Fax 713 499-8659  
Toll Free 888 627-8860 / Fax 888 627-8861  
www.compassweb.com

**International Trade Services**

**AMENDMENT TO LETTER OF CREDIT NO. S26434Z**

**DATE: FEBRUARY 8, 2005**

**APPLICANT:  
VIPER MOTORCYCLE COMPANY  
5733 INTERNATIONAL PARKWAY  
NEW HOPE, MINNESOTA 55428**

**BENEFICIARY:  
GE COMMERCIAL DISTRIBUTION  
FINANCE CORPORATION  
655 MARYVILLE CENTRE DRIVE  
ST. LOUIS, MISSOURI 68141**

**AMENDMENT NUMBER ONE (1)**

GENTLEMEN:

PLEASE BE ADVISED THAT THE SUBJECT LETTER OF CREDIT HAS BEEN AMENDED AS FOLLOWS:

- **LETTER OF CREDIT AMOUNT HAS BEEN INCREASED BY USD100,000.00 (ONE HUNDRED THOUSAND AND NO/100 U.S. DOLLARS) TO A NEW TOTAL AMOUNT OF USD200,000.00 (TWO HUNDRED THOUSAND AND NO/100 U.S. DOLLARS).**
- **LETTER OF CREDIT EXPIRY DATE HAS BEEN EXTENDED TO FEBRUARY 13, 2006.**

THIS AMENDMENT IS TO BE CONSIDERED AS PART OF THE ABOVE CREDIT AND MUST BE ATTACHED THERETO.

ALL OTHER TERMS AND CONDITIONS OF THE CREDIT REMAIN UNCHANGED.

THIS CREDIT IS SUBJECT TO INTERNATIONAL STANDBY PRACTICES, ISP98, AS PUBLISHED BY THE INSTITUTE OF INTERNATIONAL BANKING LAW & PRACTICE, BEARING INTERNATIONAL CHAMBER OF COMMERCE (ICC) PUBLICATION NO. 590.



\_\_\_\_\_  
AUTHORIZED SIGNATURE

TLC

**STANDBY EQUITY DISTRIBUTION AGREEMENT**

**THIS AGREEMENT** dated as of the 25<sup>th</sup> day of August 2005 (the “Agreement”) between **CORNELL CAPITAL PARTNERS, LP**, a Delaware limited partnership (the “Investor”), and **VIPER POWERSPORTS INC.**, a corporation organized and existing under the laws of the State of Nevada (the “Company”).

**WHEREAS**, the parties desire that, upon the terms and subject to the conditions contained herein, the Company shall issue and sell to the Investor, from time to time as provided herein, and the Investor shall purchase from the Company up to Fifteen Million Dollars (\$15,000,000) of the Company’s common stock, par value \$0.001 per share (the “Common Stock”); and

**WHEREAS**, such investments will be made in reliance upon the provisions of Regulation D (“Regulation D”) of the Securities Act of 1933, as amended, and the regulations promulgated thereunder (the “Securities Act”), and or upon such other exemption from the registration requirements of the Securities Act as may be available with respect to any or all of the investments to be made hereunder.

**WHEREAS**, the Company has engaged Monitor Capital Inc. (the “Placement Agent”), to act as the Company’s exclusive placement agent in connection with the sale of the Company’s Common Stock to the Investor hereunder pursuant to the Placement Agent Agreement dated the date hereof by and among the Company, the Placement Agent and the Investor (the “Placement Agent Agreement”).

**NOW , THEREFORE**, the parties hereto agree as follows:

**ARTICLE I.  
Certain Definitions**

Section 1.1. “Advance” shall mean the portion of the Commitment Amount requested by the Company in the Advance Notice.

Section 1.2. “Advance Date” shall mean the date the David Gonzalez Attorney Trust Account is in receipt of the funds from the Investor and David Gonzalez, Esq., is in possession of free trading shares from the Company and therefore an Advance by the Investor to the Company can be made and David Gonzalez, Esq. can release the free trading shares to the Investor. The Advance Date shall be the first (1<sup>st</sup>) Trading Day after expiration of the applicable Pricing Period for each Advance.

Section 1.3. “Advance Notice” shall mean a written notice to the Investor setting forth the Advance amount that the Company requests from the Investor and the Advance Date.

Section 1.4. “Advance Notice Date” shall mean each date the Company delivers to the Investor an Advance Notice requiring the Investor to advance funds to the Company, subject to the terms of this Agreement. No Advance Notice Date shall be less than five (5) Trading Days after the prior Advance Notice Date.

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Section 1.5. “Bid Price” shall mean, on any date, the closing bid price (as reported by Bloomberg L.P.) of the Common Stock on the Principal Market or if the Common Stock is not traded on a Principal Market, the highest reported bid price for the Common Stock, as furnished by the National Association of Securities Dealers, Inc.

Section 1.6. “Closing” shall mean one of the closings of a purchase and sale of Common Stock pursuant to Section 2.3.

Section 1.7. “Commitment Amount” shall mean the aggregate amount of up to Fifteen Million Dollars (\$15,000,000) which the Investor has agreed to provide to the Company in order to purchase the Company’s Common Stock pursuant to the terms and conditions of this Agreement.

Section 1.8. “Commitment Period” shall mean the period commencing on the earlier to occur of (i) the Effective Date, or (ii) such earlier date as the Company and the Investor may mutually agree in writing, and expiring on the earliest to occur of (x) the date on which the Investor shall have made payment of Advances pursuant to this Agreement in the aggregate amount of Fifteen Million Dollars (\$15,000,000), (y) the date this Agreement is terminated pursuant to Section 2.4, or (z) the date occurring twenty-four (24) months after the Effective Date.

Section 1.9. “Common Stock” shall mean the Company’s common stock, par value \$0.001 per share.

Section 1.10. “Condition Satisfaction Date” shall have the meaning set forth in Section 7.2.

Section 1.11. “Damages” shall mean any loss, claim, damage, liability, costs and expenses (including, without limitation, reasonable attorney’s fees and disbursements and costs and expenses of expert witnesses and investigation).

Section 1.12. “Effective Date” shall mean the date on which the SEC first declares effective a Registration Statement registering the resale of the Registrable Securities as set forth in Section 7.2(a).

Section 1.13. “Escrow Agreement” shall mean the escrow agreement among the Company, the Investor, and David Gonzalez, Esq., dated the date hereof.

Section 1.14. “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

Section 1.15. “Material Adverse Effect” shall mean any condition, circumstance, or situation that would prohibit or otherwise materially interfere with the ability of the Company to enter into and perform any of its obligations under this Agreement or the Registration Rights Agreement in any material respect.

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Section 1.16. “Market Price” shall mean the lowest VWAP of the Common Stock during the Pricing Period.

Section 1.17. “Maximum Advance Amount” shall be Five Hundred Thousand Dollars (\$500,000) per Advance Notice.

Section 1.18. “NASD” shall mean the National Association of Securities Dealers, Inc.

Section 1.19. “Person” shall mean an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

Section 1.20. “Placement Agent” shall mean Monitor Capital Inc., a registered broker-dealer.

Section 1.21. “Pricing Period” shall mean the five (5) consecutive Trading Days after the Advance Notice Date.

Section 1.22. “Principal Market” shall mean the Nasdaq National Market, the Nasdaq SmallCap Market, the American Stock Exchange, the OTC Bulletin Board or the New York Stock Exchange, whichever is at the time the principal trading exchange or market for the Common Stock.

Section 1.23. “Purchase Price” shall be set at ninety six percent (96%) of the Market Price during the Pricing Period.

Section 1.24. “Registrable Securities” shall mean the shares of Common Stock to be issued hereunder (i) in respect of which the Registration Statement has not been declared effective by the SEC, (ii) which have not been sold under circumstances meeting all of the applicable conditions of Rule 144 (or any similar provision then in force) under the Securities Act (“Rule 144”) or (iii) which have not been otherwise transferred to a holder who may trade such shares without restriction under the Securities Act, and the Company has delivered a new certificate or other evidence of ownership for such securities not bearing a restrictive legend.

Section 1.25. “Registration Rights Agreement” shall mean the Registration Rights Agreement dated the date hereof, regarding the filing of the Registration Statement for the resale of the Registrable Securities, entered into between the Company and the Investor.

Section 1.26. “Registration Statement” shall mean a registration statement on Form S-1 or SB-2 (if use of such form is then available to the Company pursuant to the rules of the SEC and, if not, on such other form promulgated by the SEC for which the Company then qualifies and which counsel for the Company shall deem appropriate, and which form shall be available for the resale of the Registrable Securities to be registered thereunder in accordance with the provisions of this Agreement and the Registration Rights Agreement, and in accordance with the intended method of distribution of such securities), for the registration of the resale by the Investor of the Registrable Securities under the Securities Act.

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Section 1.27. “Regulation D” shall have the meaning set forth in the recitals of this Agreement.

Section 1.28. “SEC” shall mean the Securities and Exchange Commission.

Section 1.29. “Securities Act” shall have the meaning set forth in the recitals of this Agreement.

Section 1.30. “SEC Documents” shall mean Annual Reports on Form 10-KSB, Quarterly Reports on Form 10-QSB, Current Reports on Form 8-K and Proxy Statements of the Company as supplemented to the date hereof, filed by the Company for a period of at least twelve (12) months immediately preceding the date hereof or the Advance Date, as the case may be, until such time as the Company no longer has an obligation to maintain the effectiveness of a Registration Statement as set forth in the Registration Rights Agreement.

Section 1.31. “Trading Day” shall mean any day during which the New York Stock Exchange shall be open for business.

Section 1.32. “VWAP” shall mean the volume weighted average price of the Company’s Common Stock as quoted by Bloomberg, LP.

## ARTICLE II. Advances

Section 2.1. Investments.

(a) Advances. Upon the terms and conditions set forth herein (including, without limitation, the provisions of Article VII hereof), on any Advance Notice Date the Company may request an Advance by the Investor by the delivery of an Advance Notice. The number of shares of Common Stock that the Investor shall receive for each Advance shall be determined by dividing the amount of the Advance by the Purchase Price. No fractional shares shall be issued. Fractional shares shall be rounded to the next higher whole number of shares. The aggregate maximum amount of all Advances that the Investor shall be obligated to make under this Agreement shall not exceed the Commitment Amount.

Section 2.2. Mechanics.

(a) Advance Notice. At any time during the Commitment Period, the Company may deliver an Advance Notice to the Investor, subject to the conditions set forth in Section 7.2; provided, however, the amount for each Advance as designated by the Company in the applicable Advance Notice, shall not be more than the Maximum Advance Amount. The aggregate amount of the Advances pursuant to this Agreement shall not exceed the Commitment Amount. The Company acknowledges that the Investor may sell shares of the Company’s Common Stock corresponding with a particular Advance Notice on the day the Advance Notice is received by the Investor. There shall be a minimum of five (5) Trading Days between each Advance Notice Date.

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(b) Date of Delivery of Advance Notice. An Advance Notice shall be deemed delivered on (i) the Trading Day it is received by facsimile or otherwise by the Investor if such notice is received prior to 12:00 noon Eastern Time, or (ii) the immediately succeeding Trading Day if it is received by facsimile or otherwise after 12:00 noon Eastern Time on a Trading Day or at any time on a day which is not a Trading Day. No Advance Notice may be deemed delivered on a day that is not a Trading Day.

Section 2.3. Closings. On each Advance Date, which shall be the first (1<sup>st</sup>) Trading Day after expiration of the applicable Pricing Period for each Advance, (i) the Company shall deliver to David Gonzalez, Esq. (the “Escrow Agent”) shares of the Company’s Common Stock, representing the amount of the Advance by the Investor pursuant to Section 2.1 herein, registered in the name of the Investor which shall be delivered to the Investor, or otherwise in accordance with the Escrow Agreement and (ii) the Investor shall deliver to Escrow Agent the amount of the Advance specified in the Advance Notice by wire transfer of immediately available funds which shall be delivered to the Company, or otherwise in accordance with the Escrow Agreement. In addition, on or prior to the Advance Date, each of the Company and the Investor shall deliver to the other through the Investor’s counsel, all documents, instruments and writings required to be delivered by either of them pursuant to this Agreement in order to implement and effect the transactions contemplated herein. Payment of funds to the Company and delivery of the Company’s Common Stock to the Investor shall occur in accordance with the conditions set forth above and those contained in the Escrow Agreement; provided, however, that to the extent the Company has not paid the fees, expenses, and disbursements of the Investor, the Investor’s counsel, or the Company’s counsel in accordance with Section 12.4, the amount of such fees, expenses, and disbursements may be deducted by the Investor (and shall be paid to the relevant party) from the amount of the Advance with no reduction in the amount of shares of the Company’s Common Stock to be delivered on such Advance Date.

Section 2.4. Termination of Investment. The obligation of the Investor to make an Advance to the Company pursuant to this Agreement shall terminate permanently (including with respect to an Advance Date that has not yet occurred) in the event that (i) there shall occur any stop order or suspension of the effectiveness of the Registration Statement for an aggregate of fifty (50) Trading Days, other than due to the acts of the Investor, during the Commitment Period, or (ii) the Company shall at any time fail materially to comply with the requirements of Article VI and such failure is not cured within thirty (30) days after receipt of written notice from the Investor, provided, however, that this termination

provision shall not apply to any period commencing upon the filing of a post-effective amendment to such Registration Statement and ending upon the date on which such post effective amendment is declared effective by the SEC.

Section 2.5. Agreement to Advance Funds. The Investor agrees to advance the amount specified in the Advance Notice to the Company after the completion of each of the following conditions and the other conditions set forth in this Agreement:

(a) the execution and delivery by the Company, and the Investor, of this Agreement and the Exhibits hereto;

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(b) The Escrow Agent shall have received the shares of Common Stock applicable to the Advance in accordance with Section 2.3. Such shares shall be free of restrictive legends.

(c) the Company's Registration Statement with respect to the resale of the Registrable Securities in accordance with the terms of the Registration Rights Agreement shall have been declared effective by the SEC;

(d) the Company shall have obtained all material permits and qualifications required by any applicable state for the offer and sale of the Registrable Securities, or shall have the availability of exemptions therefrom. The sale and issuance of the Registrable Securities shall be legally permitted by all laws and regulations to which the Company is subject;

(e) the Company shall have filed with the Commission in a timely manner all reports, notices and other documents required of a "reporting company" under the Exchange Act and applicable Commission regulations;

(f) the fees as set forth in Section 12.4 below shall have been paid or can be withheld as provided in Section 2.3; and

(g) the conditions set forth in Section 7.2 shall have been satisfied.

(h) the Company shall have provided to the Investor an acknowledgement, from the Company's independent certified public accountants as to its ability to provide all consents required in order to file a registration statement in connection with this transaction;

(i) The Company's transfer agent shall be DWAC eligible.

Section 2.6. Lock Up Period. On the date hereof, the Company shall obtain from each officer and director a lock-up agreement, as defined below, in the form annexed hereto as Schedule 2.6 agreeing to only sell in compliance with the volume limitation of Rule 144.

Section 2.7. Hardship. In the event the Investor sells shares of the Company's Common Stock after receipt of an Advance Notice and the Company fails to perform its obligations as mandated in Section 2.3, and specifically the Company fails to deliver to the Escrow Agent on the Advance Date the shares of Common Stock corresponding to the applicable Advance, the Company acknowledges that the Investor shall suffer financial hardship and therefore shall be liable for any and all losses, commissions, fees, or financial hardship caused to the Investor.

### **ARTICLE III. Representations and Warranties of Investor**

Investor hereby represents and warrants to, and agrees with, the Company that the following are true and correct as of the date hereof and as of each Advance Date:

Section 3.1. Organization and Authorization. The Investor is duly incorporated or organized and validly existing in the jurisdiction of its incorporation or organization and has all requisite power and authority to purchase and hold the securities issuable hereunder. The decision to invest and the execution and delivery of this Agreement by such Investor, the performance by such Investor of its obligations hereunder and the consummation by such Investor of the transactions contemplated hereby have been duly authorized and requires no other proceedings on the part of the Investor. The undersigned has the right, power and authority to execute and deliver this Agreement and all other instruments (including, without limitations, the Registration Rights Agreement), on behalf of the Investor. This Agreement has been duly executed and delivered by the Investor and, assuming the execution and delivery hereof and acceptance thereof by the Company, will constitute the legal, valid and binding obligations of the Investor, enforceable against the Investor in accordance with its terms.

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Section 3.2. Evaluation of Risks. The Investor has such knowledge and experience in financial, tax and business matters as to be capable of evaluating the merits and risks of, and bearing the economic risks entailed by, an investment in the Company and of protecting its interests in connection with this transaction. It recognizes that its investment in the Company involves a high degree of risk.

Section 3.3. No Legal Advice From the Company. The Investor acknowledges that it had the opportunity to review this Agreement and the transactions contemplated by this Agreement with his or its own legal counsel and investment and tax advisors. The Investor is relying solely on such counsel and advisors and not on any statements or representations of the Company or any of its representatives or agents for legal, tax or investment advice with respect to this investment, the transactions contemplated by this Agreement or the securities laws of any jurisdiction.

Section 3.4. Investment Purpose. The securities are being purchased by the Investor for its own account, and for investment purposes. The Investor agrees not to assign or in any way transfer the Investor's rights to the securities or any interest therein and acknowledges that the Company will not recognize any purported assignment or transfer except in accordance with applicable Federal and state securities laws. No other person has or will have a direct or indirect beneficial interest in the securities. The Investor agrees not to sell, hypothecate or otherwise transfer the Investor's securities unless the securities are registered under Federal and applicable state securities laws or unless, in the opinion of counsel satisfactory to the Company, an exemption from such laws is available.

Section 3.5. Accredited Investor. The Investor is an "Accredited Investor" as that term is defined in Rule 501(a)(3) of Regulation D of the Securities Act.

Section 3.6. Information. The Investor and its advisors (and its counsel), if any, have been furnished with all materials relating to the business, finances and operations of the Company and information it deemed material to making an informed investment decision. The Investor and its advisors, if any, have been afforded the opportunity to ask questions of the Company and its management. Neither such inquiries nor any other due diligence investigations conducted by such Investor or its advisors, if any, or its representatives shall modify, amend or affect the Investor's right to rely on the Company's representations and warranties contained in this Agreement. The Investor understands that its investment involves a high degree of risk. The Investor is in a position regarding the Company, which, based upon employment, family relationship or economic bargaining power, enabled and enables such Investor to obtain information from the Company in order to evaluate the merits and risks of this investment. The Investor has sought such accounting, legal and tax advice, as it has considered necessary to make an informed investment decision with respect to this transaction.

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Section 3.7. Receipt of Documents. The Investor and its counsel have received and read in their entirety: (i) this Agreement and the Exhibits annexed hereto; (ii) all due diligence and other information necessary to verify the accuracy and completeness of such representations, warranties and covenants; (iii) answers to all questions the Investor submitted to the Company regarding an investment in the Company; and the Investor has relied on the information contained therein and has not been furnished any other documents, literature, memorandum or prospectus.

Section 3.8. Registration Rights Agreement and Escrow Agreement. The parties have entered into the Registration Rights Agreement and the Escrow Agreement, each dated the date hereof.

Section 3.9. No General Solicitation. Neither the Company, nor any of its affiliates, nor any person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D under the Securities Act) in connection with the offer or sale of the shares of Common Stock offered hereby.

Section 3.10. Not an Affiliate. The Investor is not an officer, director or a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with the Company or any "Affiliate" of the Company (as that term is defined in Rule 405 of the Securities Act).

Section 3.11. Trading Activities. The Investor's trading activities with respect to the Company's Common Stock shall be in compliance with all applicable federal and state securities laws, rules and regulations and the rules and regulations of the Principal Market on which the Company's Common Stock is listed or traded. Neither the Investor nor its affiliates has an open short position in the Common Stock of the Company, the Investor agrees that it shall not, and that it will cause its affiliates not to, engage in any short sales of or hedging transactions with respect to the Common Stock, *provided* that the Company acknowledges and agrees that upon receipt of an Advance Notice the Investor has the right to sell the shares to be issued to the Investor pursuant to the Advance Notice during the applicable Pricing Period.

#### **ARTICLE IV. Representations and Warranties of the Company**

Except as stated below, on the disclosure schedules attached hereto or in the SEC Documents (as defined herein), the Company hereby

represents and warrants to, and covenants with, the Investor that the following are true and correct as of the date hereof:

Section 4.1. Organization and Qualification. The Company is duly incorporated or organized and validly existing in the jurisdiction of its incorporation or organization and has all requisite corporate power to own its properties and to carry on its business as now being conducted. Each of the Company and its subsidiaries is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the business conducted by it makes such qualification necessary, except to the extent that the failure to be so qualified or be in good standing would not have a Material Adverse Effect on the Company and its subsidiaries taken as a whole.

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Section 4.2. Authorization, Enforcement, Compliance with Other Instruments. (i) The Company has the requisite corporate power and authority to enter into and perform this Agreement, the Registration Rights Agreement, the Escrow Agreement, the Placement Agent Agreement and any related agreements, in accordance with the terms hereof and thereof, (ii) the execution and delivery of this Agreement, the Registration Rights Agreement, the Escrow Agreement, the Placement Agent Agreement and any related agreements by the Company and the consummation by it of the transactions contemplated hereby and thereby, have been duly authorized by the Company's Board of Directors and no further consent or authorization is required by the Company, its Board of Directors or its stockholders, (iii) this Agreement, the Registration Rights Agreement, the Escrow Agreement, the Placement Agent Agreement and any related agreements have been duly executed and delivered by the Company, (iv) this Agreement, the Registration Rights Agreement, the Escrow Agreement, the Placement Agent Agreement and assuming the execution and delivery thereof and acceptance by the Investor and any related agreements constitute the valid and binding obligations of the Company enforceable against the Company in accordance with their terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of creditors' rights and remedies.

Section 4.3. Capitalization. As of the date hereof, the authorized capital stock of the Company consists of 100,000,000 shares of Common Stock, par value \$0.001 per share and 20,000,000 shares of Preferred Stock, \$0.001 par value per share ("Preferred Stock"), of which 8,991,418 shares of Common Stock and 783,000 shares of Preferred Stock were issued and outstanding. All of such outstanding shares have been validly issued and are fully paid and nonassessable. No shares of Common Stock are subject to preemptive rights or any other similar rights or any liens or encumbrances suffered or permitted by the Company. As of the date hereof, (i) other than as disclosed in the March 31, 2005 audit there are no outstanding options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, any shares of capital stock of the Company or any of its subsidiaries, or contracts, commitments, understandings or arrangements by which the Company or any of its subsidiaries is or may become bound to issue additional shares of capital stock of the Company or any of its subsidiaries or options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, any shares of capital stock of the Company or any of its subsidiaries, (ii) other than the Series A Preferred Note outstanding to David Palmund there are no outstanding debt securities (iii) there are no outstanding registration statements other than on Form S-8 and (iv) other than with regard to the PIPE transaction being conducted by Bathgate there are no agreements or arrangements under which the Company or any of its subsidiaries is obligated to register the sale of any of their securities under the Securities Act (except pursuant to the Registration Rights Agreement). There are no securities or instruments containing anti-dilution or similar provisions that will be triggered by this Agreement or any related agreement or the consummation of the transactions described herein or therein. The Company has furnished to the Investor true and correct copies of the Company's Certificate of Incorporation, as amended and as in effect on the date hereof (the "Certificate of Incorporation"), and the Company's By-laws, as in effect on the date hereof (the "By-laws"), and the terms of all securities convertible into or exercisable for Common Stock and the material rights of the holders thereof in respect thereto.

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Section 4.4. No Conflict. The execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby will not (i) result in a violation of the Certificate of Incorporation, any certificate of designations of any outstanding series of preferred stock of the Company or By-laws or (ii) conflict with or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any of its subsidiaries is a party, or result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws and regulations and the rules and regulations of the Principal Market on which the Common Stock is quoted) applicable to the Company or any of its subsidiaries or by which any material property or asset of the Company or any of its subsidiaries is bound or affected and which would cause a Material Adverse Effect. Neither the Company nor its subsidiaries is in violation of any term of or in default under its Articles of Incorporation or By-laws or their organizational charter or by-laws, respectively, or any material contract, agreement, mortgage, indebtedness, indenture, instrument, judgment, decree or order or any statute, rule or regulation applicable to the Company or its subsidiaries. The business of the Company and its subsidiaries is not being conducted in violation of any material law, ordinance, regulation of any governmental entity. Except as specifically contemplated by this Agreement and as required under the Securities Act and any applicable state securities laws, the Company is not required to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform

any of its obligations under or contemplated by this Agreement or the Registration Rights Agreement in accordance with the terms hereof or thereof. All consents, authorizations, orders, filings and registrations which the Company is required to obtain pursuant to the preceding sentence have been obtained or effected on or prior to the date hereof. The Company and its subsidiaries are unaware of any fact or circumstance which might give rise to any of the foregoing.

Section 4.5. Financial Statements. As of their respective dates, the financial statements of the Company (the “Financial Statements”) for the two most recently completed fiscal years and any subsequent interim period complied as to form in all material respects with applicable accounting requirements and the published rules and regulations of the SEC with respect thereto. Such financial statements have been prepared in accordance with generally accepted accounting principles, consistently applied, during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto, or (ii) in the case of unaudited interim statements, to the extent they may exclude footnotes or may be condensed or summary statements) and, fairly present in all material respects the financial position of the Company as of the dates thereof and the results of its operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustments). No other information provided by or on behalf of the Company to the Investor contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

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Section 4.6. No Default. The Company is not in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust or other material instrument or agreement to which it is a party or by which it is or its property is bound and neither the execution, nor the delivery by the Company, nor the performance by the Company of its obligations under this Agreement or any of the exhibits or attachments hereto will conflict with or result in the breach or violation of any of the terms or provisions of, or constitute a default or result in the creation or imposition of any lien or charge on any assets or properties of the Company under its Certificate of Incorporation, By-Laws, any material indenture, mortgage, deed of trust or other material agreement applicable to the Company or instrument to which the Company is a party or by which it is bound, or any statute, or any decree, judgment, order, rules or regulation of any court or governmental agency or body having jurisdiction over the Company or its properties, in each case which default, lien or charge is likely to cause a Material Adverse Effect on the Company’s business or financial condition.

Section 4.7. Absence of Events of Default. Except for matters described in this Agreement, no Event of Default, as defined in the respective agreement to which the Company is a party, and no event which, with the giving of notice or the passage of time or both, would become an Event of Default (as so defined), has occurred and is continuing, which would have a Material Adverse Effect on the Company’s business, properties, prospects, financial condition or results of operations.

Section 4.8 Intellectual Property Rights. The Company and its subsidiaries own or possess adequate rights or licenses to use all material trademarks, trade names, service marks, service mark registrations, service names, patents, patent rights, copyrights, inventions, licenses, approvals, governmental authorizations, trade secrets and rights necessary to conduct their respective businesses as now conducted. The Company and its subsidiaries do not have any knowledge of any infringement by the Company or its subsidiaries of trademark, trade name rights, patents, patent rights, copyrights, inventions, licenses, service names, service marks, service mark registrations, trade secret or other similar rights of others, and, to the knowledge of the Company, there is no claim, action or proceeding being made or brought against, or to the Company’s knowledge, being threatened against, the Company or its subsidiaries regarding trademark, trade name, patents, patent rights, invention, copyright, license, service names, service marks, service mark registrations, trade secret or other infringement; and the Company and its subsidiaries are unaware of any facts or circumstances which might give rise to any of the foregoing.

Section 4.9. Employee Relations. Neither the Company nor any of its subsidiaries is involved in any labor dispute nor, to the knowledge of the Company or any of its subsidiaries, is any such dispute threatened. None of the Company’s or its subsidiaries’ employees is a member of a union and the Company and its subsidiaries believe that their relations with their employees are good.

Section 4.10 Environmental Laws. The Company and its subsidiaries are (i) in compliance with any and all applicable material foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (“Environmental Laws”), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval.

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Section 4.11 Title. The Company has good and marketable title to its properties and material assets owned by it, free and clear of any pledge, lien, security interest, encumbrance, claim or equitable interest other than such as are not material to the business of the Company. Any real property and facilities held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases

with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries.

Section 4.12. Insurance. The Company and each of its subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company and its subsidiaries are engaged. Neither the Company nor any such subsidiary has been refused any insurance coverage sought or applied for and neither the Company nor any such subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not materially and adversely affect the condition, financial or otherwise, or the earnings, business or operations of the Company and its subsidiaries, taken as a whole.

Section 4.13. Regulatory Permits. The Company and its subsidiaries possess all material certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, and neither the Company nor any such subsidiary has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit.

Section 4.14. Internal Accounting Controls. The Company and each of its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Section 4.15. No Material Adverse Breaches, etc. Neither the Company nor any of its subsidiaries is subject to any charter, corporate or other legal restriction, or any judgment, decree, order, rule or regulation which in the judgment of the Company's officers has or is expected in the future to have a Material Adverse Effect on the business, properties, operations, financial condition, results of operations or prospects of the Company or its subsidiaries. Neither the Company nor any of its subsidiaries is in breach of any contract or agreement which breach, in the judgment of the Company's officers, has or is expected to have a Material Adverse Effect on the business, properties, operations, financial condition, results of operations or prospects of the Company or its subsidiaries.

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Section 4.16. Absence of Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending against or affecting the Company, the Common Stock or any of the Company's subsidiaries, wherein an unfavorable decision, ruling or finding would (i) have a Material Adverse Effect on the transactions contemplated hereby (ii) adversely affect the validity or enforceability of, or the authority or ability of the Company to perform its obligations under, this Agreement or any of the documents contemplated herein, or (iii) have a Material Adverse Effect on the business, operations, properties, financial condition or results of operation of the Company and its subsidiaries taken as a whole.

Section 4.17. Subsidiaries. Other than Viper Motorcycle Company, a wholly-owned Minnesota corporation, the Company does not presently own or control, directly or indirectly, any interest in any other corporation, partnership, association or other business entity.

Section 4.18 Tax Status. The Company and each of its subsidiaries has made or filed all federal and state income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject and (unless and only to the extent that the Company and each of its subsidiaries has set aside on its books provisions reasonably adequate for the payment of all unpaid and unreported taxes) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and has set aside on its books provision reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim.

Section 4.19. Certain Transactions. None of the officers, directors, or employees of the Company is presently a party to any transaction with the Company (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any corporation, partnership, trust or other entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner.

Section 4.20. Fees and Rights of First Refusal. The Company is not obligated to offer the securities offered hereunder on a right of first refusal basis or otherwise to any third parties including, but not limited to, current or former shareholders of the Company, underwriters, brokers, agents or other third parties.

Section 4.21. Use of Proceeds. The Company shall use the net proceeds from this offering for general corporate purposes, including,

without limitation, the payment of loans incurred by the Company. However, in no event shall the Company use the net proceeds from this offering for the payment (or loan to any such person for the payment) of any judgment, or other liability, incurred by any executive officer, officer, director or employee of the Company, except for any liability owed to such person for services rendered, or if any judgment or other liability is incurred by such person originating from services rendered to the Company, or the Company has indemnified such person from liability.

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Section 4.22. Further Representation and Warranties of the Company. For so long as any securities issuable hereunder held by the Investor remain outstanding, the Company acknowledges, represents, warrants and agrees that it will maintain the listing of its Common Stock on the Principal Market.

Section 4.23. Opinion of Counsel. Investor shall receive an opinion letter from counsel to the Company on the date hereof.

Section 4.24. Opinion of Counsel. The Company will obtain for the Investor, at the Company's expense, any and all opinions of counsel which may be reasonably required in order to sell the securities issuable hereunder without restriction.

Section 4.25. Dilution. The Company is aware and acknowledges that issuance of shares of the Company's Common Stock could cause dilution to existing shareholders and could significantly increase the outstanding number of shares of Common Stock.

## **ARTICLE V. Indemnification**

The Investor and the Company represent to the other the following with respect to itself:

### Section 5.1. Indemnification.

(a) In consideration of the Investor's execution and delivery of this Agreement, and in addition to all of the Company's other obligations under this Agreement, the Company shall defend, protect, indemnify and hold harmless the Investor, and all of its officers, directors, partners, employees and agents (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Investor Indemnitees") from and against any and all actions, causes of action, suits, claims, losses, costs, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Investor Indemnitee is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (the "Indemnified Liabilities"), incurred by the Investor Indemnitees or any of them as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Company in this Agreement or the Registration Rights Agreement or any other certificate, instrument or document contemplated hereby or thereby, (b) any breach of any covenant, agreement or obligation of the Company contained in this Agreement or the Registration Rights Agreement or any other certificate, instrument or document contemplated hereby or thereby, or (c) any cause of action, suit or claim brought or made against such Investor Indemnitee not arising out of any action or inaction of an Investor Indemnitee, and arising out of or resulting from the execution, delivery, performance or enforcement of this Agreement or any other instrument, document or agreement executed pursuant hereto by any of the Investor Indemnitees. To the extent that the foregoing undertaking by the Company may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities, which is permissible under applicable law.

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(b) In consideration of the Company's execution and delivery of this Agreement, and in addition to all of the Investor's other obligations under this Agreement, the Investor shall defend, protect, indemnify and hold harmless the Company and all of its officers, directors, shareholders, employees and agents (including, without limitation, those retained in connection with the transactions contemplated by this Agreement) (collectively, the "Company Indemnitees") from and against any and all Indemnified Liabilities incurred by the Company Indemnitees or any of them as a result of, or arising out of, or relating to (a) any misrepresentation or breach of any representation or warranty made by the Investor in this Agreement, the Registration Rights Agreement, or any instrument or document contemplated hereby or thereby executed by the Investor, (b) any breach of any covenant, agreement or obligation of the Investor(s) contained in this Agreement, the Registration Rights Agreement or any other certificate, instrument or document contemplated hereby or thereby executed by the Investor, or (c) any cause of action, suit or claim brought or made against such Company Indemnitee based on misrepresentations or due to a breach by the Investor and arising out of or resulting from the execution, delivery, performance or enforcement of this Agreement or any other instrument, document or agreement executed pursuant hereto by any of the Company Indemnitees. To the extent that the foregoing undertaking by the Investor may be unenforceable for any reason, the Investor shall make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities, which is permissible under applicable law.

(c) The obligations of the parties to indemnify or make contribution under this Section 5.1 shall survive termination.

## **ARTICLE VI. Covenants of the Company**

Section 6.1. Registration Rights. The Company shall cause the Registration Rights Agreement to remain in full force and effect and the Company shall comply in all material respects with the terms thereof.

Section 6.2. Listing of Common Stock. Prior to an Advance hereunder the Company shall maintain the Common Stock's authorization for quotation on the National Association of Securities Dealers Inc.'s Over the Counter Bulletin Board.

Section 6.3. Exchange Act Registration. Prior to an Advance hereunder the Company will cause its Common Stock to be registered under Section 12(g) of the Exchange Act, will file in a timely manner all reports and other documents required of it as a reporting company under the Exchange Act and will not take any action or file any document (whether or not permitted by Exchange Act or the rules thereunder) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under said Exchange Act.

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Section 6.4. Transfer Agent Instructions. Upon effectiveness of the Registration Statement the Company shall deliver instructions to its transfer agent to issue shares of Common Stock to the Investor free of restrictive legends on or before each Advance Date

Section 6.5. Corporate Existence. The Company will take all steps necessary to preserve and continue the corporate existence of the Company.

Section 6.6. Notice of Certain Events Affecting Registration; Suspension of Right to Make an Advance. The Company will immediately notify the Investor upon its becoming aware of the occurrence of any of the following events in respect of a registration statement or related prospectus relating to an offering of Registrable Securities: (i) receipt of any request for additional information by the SEC or any other Federal or state governmental authority during the period of effectiveness of the Registration Statement for amendments or supplements to the registration statement or related prospectus; (ii) the issuance by the SEC or any other Federal or state governmental authority of any stop order suspending the effectiveness of the Registration Statement or the initiation of any proceedings for that purpose; (iii) receipt of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose; (iv) the happening of any event that makes any statement made in the Registration Statement or related prospectus of any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires the making of any changes in the Registration Statement, related prospectus or documents so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the related prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (v) the Company's reasonable determination that a post-effective amendment to the Registration Statement would be appropriate; and the Company will promptly make available to the Investor any such supplement or amendment to the related prospectus. The Company shall not deliver to the Investor any Advance Notice during the continuation of any of the foregoing events.

Section 6.7. Restriction on Sale of Capital Stock. During the Commitment Period, the Company shall not, without the prior written consent of the Investor, (i) issue or sell any Common Stock or Preferred Stock without consideration or for a consideration per share less than the Bid Price of the Common Stock determined immediately prior to its issuance, (ii) issue or sell any Preferred Stock warrant, option, right, contract, call, or other security or instrument granting the holder thereof the right to acquire Common Stock without consideration or for a consideration per share less than such Common Stock's Bid Price determined immediately prior to its issuance, or (iii) file any registration statement on Form S-8.

Section 6.8. Consolidation; Merger. The Company shall not, at any time after the date hereof, effect any merger or consolidation of the Company with or into, or a transfer of all or substantially all the assets of the Company to another entity (a "Consolidation Event") unless the resulting successor or acquiring entity (if not the Company) assumes by written instrument the obligation to deliver to the Investor such shares of stock and/or securities as the Investor is entitled to receive pursuant to this Agreement.

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Section 6.9. Issuance of the Company's Common Stock. The sale of the shares of Common Stock shall be made in accordance with the

provisions and requirements of Regulation D and any applicable state securities law.

## **ARTICLE VII. Conditions for Advance and Conditions to Closing**

Section 7.1. Conditions Precedent to the Obligations of the Company. The obligation hereunder of the Company to issue and sell the shares of Common Stock to the Investor incident to each Closing is subject to the satisfaction, or waiver by the Company, at or before each such Closing, of each of the conditions set forth below.

(a) Accuracy of the Investor's Representations and Warranties. The representations and warranties of the Investor shall be true and correct in all material respects.

(b) Performance by the Investor. The Investor shall have performed, satisfied and complied in all respects with all covenants, agreements and conditions required by this Agreement and the Registration Rights Agreement to be performed, satisfied or complied with by the Investor at or prior to such Closing.

Section 7.2. Conditions Precedent to the Right of the Company to Deliver an Advance Notice and the Obligation of the Investor to Purchase Shares of Common Stock. The right of the Company to deliver an Advance Notice and the obligation of the Investor hereunder to acquire and pay for shares of the Company's Common Stock incident to a Closing is subject to the fulfillment by the Company, on (i) the date of delivery of such Advance Notice and (ii) the applicable Advance Date (each a "Condition Satisfaction Date"), of each of the following conditions:

(a) Registration of the Common Stock with the SEC. The Company shall have filed with the SEC a Registration Statement with respect to the resale of the Registrable Securities in accordance with the terms of the Registration Rights Agreement. As set forth in the Registration Rights Agreement, the Registration Statement shall have previously become effective and shall remain effective on each Condition Satisfaction Date and (i) neither the Company nor the Investor shall have received notice that the SEC has issued or intends to issue a stop order with respect to the Registration Statement or that the SEC otherwise has suspended or withdrawn the effectiveness of the Registration Statement, either temporarily or permanently, or intends or has threatened to do so (unless the SEC's concerns have been addressed and the Investor is reasonably satisfied that the SEC no longer is considering or intends to take such action), and (ii) no other suspension of the use or withdrawal of the effectiveness of the Registration Statement or related prospectus shall exist. The Registration Statement must have been declared effective by the SEC prior to the first Advance Notice Date.

(b) Authority. The Company shall have obtained all permits and qualifications required by any applicable state in accordance with the Registration Rights Agreement for the offer and sale of the shares of Common Stock, or shall have the availability of exemptions therefrom. The sale and issuance of the shares of Common Stock shall be legally permitted by all laws and regulations to which the Company is subject.

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(c) Fundamental Changes. There shall not exist any fundamental changes to the information set forth in the Registration Statement which would require the Company to file a post-effective amendment to the Registration Statement.

(d) Performance by the Company. The Company shall have performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by this Agreement (including, without limitation, the conditions specified in Section 2.5 hereof) and the Registration Rights Agreement to be performed, satisfied or complied with by the Company at or prior to each Condition Satisfaction Date.

(e) No Injunction. No statute, rule, regulation, executive order, decree, ruling or injunction shall have been enacted, entered, promulgated or endorsed by any court or governmental authority of competent jurisdiction that prohibits or directly and adversely affects any of the transactions contemplated by this Agreement, and no proceeding shall have been commenced that may have the effect of prohibiting or adversely affecting any of the transactions contemplated by this Agreement.

(f) No Suspension of Trading in or Delisting of Common Stock. The trading of the Common Stock is not suspended by the SEC or the Principal Market (if the Common Stock is traded on a Principal Market). The issuance of shares of Common Stock with respect to the applicable Closing, if any, shall not violate the shareholder approval requirements of the Principal Market (if the Common Stock is traded on a Principal Market). The Company shall not have received any notice threatening the continued listing of the Common Stock on the Principal Market (if the Common Stock is traded on a Principal Market).

(g) Maximum Advance Amount. The amount of an Advance requested by the Company shall not exceed the Maximum Advance Amount. In addition, in no event shall the number of shares issuable to the Investor pursuant to an Advance cause the aggregate number of shares of Common Stock beneficially owned by the Investor and its affiliates to exceed nine and 9/10 percent (9.9%) of the then outstanding Common Stock of the Company. For the purposes of this section beneficial ownership shall be calculated in accordance with Section 13(d) of

the Exchange Act.

(h) No Knowledge. The Company has no knowledge of any event which would be more likely than not to have the effect of causing such Registration Statement to be suspended or otherwise ineffective.

(i) Other. On each Condition Satisfaction Date, the Investor shall have received the certificate executed by an officer of the Company in the form of Exhibit A attached hereto.

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**ARTICLE VIII.**  
**Due Diligence Review; Non-Disclosure of Non-Public Information**

Section 8.1. Due Diligence Review. Prior to the filing of the Registration Statement the Company shall make available for inspection and review by the Investor, its advisors and representatives, and any underwriter participating in any disposition of the Registrable Securities on behalf of the Investor pursuant to the Registration Statement, any such registration statement or amendment or supplement thereto or any blue sky, NASD or other filing, all financial and other records, all SEC Documents and other filings with the SEC, and all other corporate documents and properties of the Company as may be reasonably necessary for the purpose of such review, and cause the Company's officers, directors and employees to supply all such information reasonably requested by the Investor or any such representative, advisor or underwriter in connection with such Registration Statement (including, without limitation, in response to all questions and other inquiries reasonably made or submitted by any of them), prior to and from time to time after the filing and effectiveness of the Registration Statement for the sole purpose of enabling the Investor and such representatives, advisors and underwriters and their respective accountants and attorneys to conduct initial and ongoing due diligence with respect to the Company and the accuracy of the Registration Statement.

Section 8.2. Non-Disclosure of Non-Public Information.

(a) The Company shall not disclose non-public information to the Investor, its advisors, or its representatives, unless prior to disclosure of such information the Company identifies such information as being non-public information and provides the Investor, such advisors and representatives with the opportunity to accept or refuse to accept such non-public information for review. The Company may, as a condition to disclosing any non-public information hereunder, require the Investor's advisors and representatives to enter into a confidentiality agreement in form reasonably satisfactory to the Company and the Investor.

(b) Nothing herein shall require the Company to disclose non-public information to the Investor or its advisors or representatives, and the Company represents that it does not disseminate non-public information to any investors who purchase stock in the Company in a public offering, to money managers or to securities analysts, provided, however, that notwithstanding anything herein to the contrary, the Company will, as hereinabove provided, immediately notify the advisors and representatives of the Investor and, if any, underwriters, of any event or the existence of any circumstance (without any obligation to disclose the specific event or circumstance) of which it becomes aware, constituting non-public information (whether or not requested of the Company specifically or generally during the course of due diligence by such persons or entities), which, if not disclosed in the prospectus included in the Registration Statement would cause such prospectus to include a material misstatement or to omit a material fact required to be stated therein in order to make the statements, therein, in light of the circumstances in which they were made, not misleading. Nothing contained in this Section 8.2 shall be construed to mean that such persons or entities other than the Investor (without the written consent of the Investor prior to disclosure of such information) may not obtain non-public information in the course of conducting due diligence in accordance with the terms of this Agreement and nothing herein shall prevent any such persons or entities from notifying the Company of their opinion that based on such due diligence by such persons or entities, that the Registration Statement contains an untrue statement of material fact or omits a material fact required to be stated in the Registration Statement or necessary to make the statements contained therein, in light of the circumstances in which they were made, not misleading.

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**ARTICLE IX.**  
**Choice of Law/Jurisdiction**

Section 9.1. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of New Jersey without regard to the principles of conflict of laws. The parties further agree that any action between them shall be heard in Hudson County, New Jersey, and expressly consent to the jurisdiction and venue of the Superior Court of New Jersey, sitting in Hudson County, New Jersey and the United States District Court of New Jersey, sitting in Newark, New Jersey, for the adjudication of any civil action asserted pursuant to this paragraph.

**ARTICLE X.  
Assignment; Termination**

Section 10.1. Assignment. Neither this Agreement nor any rights of the Company hereunder may be assigned to any other Person.

Section 10.2. Termination. The obligations of the Investor to make Advances under Article II hereof shall terminate twenty-four (24) months after the Effective Date.

**ARTICLE XI.  
Notices**

Section 11.1. Notices. Any notices, consents, waivers, or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile, provided a copy is mailed by U.S. certified mail, return receipt requested; (iii) three (3) days after being sent by U.S. certified mail, return receipt requested, or (iv) one (1) day after deposit with a nationally recognized overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company, to:	Viper Powersports Inc. 1500 Rand Tower Minneapolis, MN 55402 Attention: John Lai, President Telephone: (612) 333-1313 Facsimile: (763) 732-0781
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With a copy to:	Robert O. Knutson, Esq. 9372 Creekwood Drive Eden Prairie, MN 55347 Telephone: (952) 941-0908 Facsimile: (952) 941-2744
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If to the Investor(s):	Cornell Capital Partners, LP 101 Hudson Street – Suite 3700 Jersey City, NJ 07302 Attention: Mark Angelo Portfolio Manager Telephone: (201) 985-8300 Facsimile: (201) 985-8266
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With a Copy to:	David Gonzalez, Esq. 101 Hudson Street – Suite 3700 Jersey City, NJ 07302 Telephone: (201) 985-8300 Facsimile: (201) 985-8266
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Each party shall provide five (5) days' prior written notice to the other party of any change in address or facsimile number.

**ARTICLE XII.  
Miscellaneous**

Section 12.1. Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. In the event any signature page is delivered by facsimile transmission, the party using such means of delivery shall cause four (4) additional original executed signature pages to be physically delivered to the other party within five (5) days of the execution and delivery hereof, though failure to deliver such copies shall not affect the validity of this Agreement.

Section 12.2. Entire Agreement; Amendments. This Agreement supersedes all other prior oral or written agreements between the Investor, the Company, their affiliates and persons acting on their behalf with respect to the matters discussed herein, and this Agreement and the instruments referenced herein contain the entire understanding of the parties with respect to the matters covered herein and therein and, except as specifically set forth herein or therein, neither the Company nor the Investor makes any representation, warranty, covenant or undertaking with respect to such matters. No provision of this Agreement may be waived or amended other than by an instrument in writing signed by the party to be charged with enforcement.

Section 12.3. Reporting Entity for the Common Stock. The reporting entity relied upon for the determination of the trading price or trading volume of the Common Stock on any given Trading Day for the purposes of this Agreement shall be Bloomberg, L.P. or any successor thereto. The written mutual consent of the Investor and the Company shall be required to employ any other reporting entity.

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Section 12.4. Fees and Expenses. The Company hereby agrees to pay the following fees:

(a) Structuring Fees. Each of the parties shall pay its own fees and expenses (including the fees of any attorneys, accountants, appraisers or others engaged by such party) in connection with this Agreement and the transactions contemplated hereby, except that the Company will pay a structuring fee of Twenty Thousand Dollars (\$20,000) to Yorkville Advisors Management, LLC, which shall be paid on the date hereof. Subsequently on each advance date, the Company will pay Yorkville Advisors Management, LLC a structuring fee of Five Hundred Dollars (\$500) directly out the proceeds of any Advances hereunder.

(b) Due Diligence Fee. Company shall pay the Investor a non-refundable due diligence fee of Five Thousand Dollars (\$5,000) upon submission of the due diligence documents to the Investor.

(c) Commitment Fees.

(i) On each Advance Date the Company shall pay to the Investor, directly from the gross proceeds held in escrow, an amount equal to four percent (4%) of the amount of each Advance. The Company hereby agrees that if such payment, as is described above, is not made by the Company on the Advance Date, such payment will be made at the direction of the Investor as outlined and mandated by Section 2.3 of this Agreement.

(ii) Upon the execution of this Agreement the Company shall issue to the Investor shares of the Company's Common Stock in an amount equal to Seven Hundred Forty Thousand Dollars (740,000) divided by closing Bid Price of the Company's Common Stock, as quoted by Bloomberg, LP on the date hereof (the "Investor's Shares").

(iii) Investor's Warrants. Upon the execution of this Agreement the Company shall issue to the Investor a warrant to purchase one million seven hundred fifty thousand (1,750,000) shares of the Company's Common Stock for a period of three (3) years at an exercise price of \$4.60 per share (the "Investor's Warrant"). The shares issuable upon conversion of the Investor's Warrant shall have "piggy-back" and demand registration rights (the "Warrant Shares").

(iv) Fully Earned. The Investor's Shares and the Investor's Warrant will be deemed fully earned as of the date hereof.

(iv) Registration Rights. The Investor's Shares and the Warrant Shares will have "piggy-back" registration rights.

Section 12.5. Brokerage. Each of the parties hereto represents that it has had no dealings in connection with this transaction with any finder or broker who will demand payment of any fee or commission from the other party. The Company on the one hand, and the Investor, on the other hand, agree to indemnify the other against and hold the other harmless from any and all liabilities to any person claiming brokerage commissions or finder's fees on account of services purported to have been rendered on behalf of the indemnifying party in connection with this Agreement or the transactions contemplated hereby.


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Section 12.6. Confidentiality. If for any reason the transactions contemplated by this Agreement are not consummated, each of the parties hereto shall keep confidential any information obtained from any other party (except information publicly available or in such party's domain prior to the date hereof, and except as required by court order) and shall promptly return to the other parties all schedules, documents, instruments, work papers or other written information without retaining copies thereof, previously furnished by it as a result of this Agreement or in connection herein.

**IN WITNESS WHEREOF**, the parties hereto have caused this Standby Equity Distribution Agreement to be executed by the undersigned, thereunto duly authorized, as of the date first set forth above.

**COMPANY:**  
**VIPER POWERSPORTS INC.**

By:   
\_\_\_\_\_

Name: John Lai  
Title: President

**INVESTOR:**  
**CORNELL CAPITAL PARTNERS, LP**

By: **Yorkville Advisors, LLC**  
Its: **General Partner**

By:   
\_\_\_\_\_

Name: Mark Angelo  
Title: Portfolio Manager

**EXHIBIT A**

**ADVANCE NOTICE/COMPLIANCE CERTIFICATE**

**VIPER POWERSPORTS INC.**

The undersigned, \_\_\_\_\_ hereby certifies, with respect to the sale of shares of Common Stock of **VIPER POWERSPORTS INC.** (the “Company”), issuable in connection with this Advance Notice and Compliance Certificate dated \_\_\_\_\_ (the “Notice”), delivered pursuant to the Standby Equity Distribution Agreement (the “Agreement”), as follows:

1. The undersigned is the duly elected \_\_\_\_\_ of the Company.
2. There are no fundamental changes to the information set forth in the Registration Statement which would require the Company to file a post effective amendment to the Registration Statement.
3. The Company has performed in all material respects all covenants and agreements to be performed by the Company on or prior to the Advance Date related to the Notice and has complied in all material respects with all obligations and conditions contained in the Agreement.
4. The undersigned hereby represents, warrants and covenants that it has made all filings (“SEC Filings”) required to be made by

it pursuant to applicable securities laws (including, without limitation, all filings required under the Securities Exchange Act of 1934, which include Forms 10-Q, 10-K, 8-K, etc. All SEC Filings and other public disclosures made by the Company, including, without limitation, all press releases, analysts meetings and calls, etc. (collectively, the “Public Disclosures”), have been reviewed and approved for release by the Company’s attorneys and, if containing financial information, the Company’s independent certified public accountants. None of the Company’s Public Disclosures contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

5. The Advance requested is \_\_\_\_\_.

The undersigned has executed this Certificate this \_\_\_\_\_ day of \_\_\_\_\_.

**VIPER POWERSPORTS INC.**

By: \_\_\_\_\_

Name:

Title:

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**SCHEDULE 2.6**

**VIPER POWERSPORTS INC.**

The undersigned hereby agrees that for a period commencing on August \_\_\_\_\_, 2005 and expiring on the termination of the Standby Equity Distribution Agreement dated August \_\_\_\_\_, 2005 between the Company and the Investor (the “Lock-up Period”), he, she or it will not, directly or indirectly, without the prior written consent of the Investor, issue, offer, agree or offer to sell, sell, grant an option for the purchase or sale of, transfer, pledge, assign, hypothecate, distribute or otherwise encumber or dispose of any securities of the Company, including common stock or options, rights, warrants or other securities underlying, convertible into, exchangeable or exercisable for or evidencing any right to purchase or subscribe for any common stock (whether or not beneficially owned by the undersigned), or any beneficial interest therein (collectively, the “Securities”) except in accordance with the volume limitations set forth in Rule 144(e) of the General Rules and Regulations under the Securities Act of 1933, as amended.

In order to enable the aforesaid covenants to be enforced, the undersigned hereby consents to the placing of legends and/or stop-transfer orders with the transfer agent of the Company’s securities with respect to any of the Securities registered in the name of the undersigned or beneficially owned by the undersigned, and the undersigned hereby confirms the undersigned’s investment in the Company.

Dated: \_\_\_\_\_, 2005

Signature

\_\_\_\_\_

Name:

\_\_\_\_\_

Address:

\_\_\_\_\_

City, State, Zip Code:

\_\_\_\_\_

Print Social Security Number  
or Taxpayer I.D. Number

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Subsidiaries of Registrant

Viper Powersports Inc. has two wholly-owned subsidiaries, which are:

- 1) Viper Motorcycle Company, a Minnesota Corporation
- 2) Viper Performance, Inc., a Minnesota Corporation

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**End of Filing**

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