

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF OHIO  
WESTERN DIVISION (DAYTON)

In re HUFFY CORPORATION SECURITIES LITIGATION	)	Lead Case No. 3:05cv0028
	)	
	)	<u>CLASS ACTION</u>
This Document Relates To:	)	
ALL ACTIONS.	)	Judge Walter Herbert Rice
	)	Magistrate Judge Sharon L. Ovington
	)	

NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION

TO: ALL PERSONS AND ENTITIES WHO PURCHASED HUFFY CORPORATION ("HUFFY") PUBLICLY-TRADED SECURITIES DURING THE PERIOD BETWEEN APRIL 16, 2002 AND AUGUST 13, 2004, INCLUSIVE ("CLASS PERIOD")

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS LITIGATION. PLEASE NOTE THAT IF YOU ARE A CLASS MEMBER, YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE OF THIS FUND, YOU MUST SUBMIT A VALID PROOF OF CLAIM AND RELEASE POSTMARKED ON OR BEFORE SEPTEMBER 13, 2010.

This Notice has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure and an Order of the United States District Court for the Southern District of Ohio, Western Division (Dayton) (the "Court"). The purpose of this Notice is to inform you of the proposed Settlement of this class action litigation and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the Settlement. The Settlement resolves the Class's claims against Don R. Graber, Robert W. Lafferty, Timothy G. Howard, and Paul R. D'Aloia (collectively, "Defendants").<sup>1</sup> This Notice describes the rights you may have in connection with the Settlement and what steps you may take in relation to the Settlement and this class action litigation.

The proposed Settlement creates a fund in the amount of Eight Million Dollars (\$8,000,000), in cash and will include interest that accrues on the fund prior to distribution. Based on Lead Counsel's estimate of the number of shares entitled to participate in the Settlement and the anticipated number of claims to be submitted by Class Members, the average distribution per share to Class Members who purchased Huffy publicly-traded securities during the Class Period would be approximately \$0.28 before deduction of Court-approved fees and expenses. Your actual recovery from this fund will depend on a number of variables, including the number of claimants, the number of shares they purchased, the number and type of Huffy securities you purchased, the expense of administering the claims process, and the timing of your purchases and sales, if any (see the Plan of Allocation below for a more detailed description of how the settlement proceeds will be allocated among Class Members).

Lead Plaintiffs and Defendants do not agree on the average amount of damages per share that would be recoverable if Lead Plaintiffs were to have prevailed on each claim asserted. The issues on which the parties disagree include: (1) whether the statements made or facts allegedly omitted were false, material, or otherwise actionable under the federal securities laws; (2) the extent to which the various matters that Lead Plaintiffs alleged were materially false or misleading influenced (if at all) the trading price of Huffy publicly-traded securities at various times during the Class Period; (3) the extent to which the various allegedly adverse material facts that Lead Plaintiffs alleged were omitted influenced (if at all) the trading price of Huffy publicly-traded securities at various times during the Class Period; (4) the extent to which external factors, such as general market conditions, influenced the trading price of Huffy publicly-traded securities at various times during the Class Period; (5) the effect of various market forces influencing the trading price of Huffy publicly-traded securities at various times during the Class Period; (6) the amount by which Huffy publicly-traded securities were allegedly artificially inflated (if at all) during the Class Period; and (7) the appropriate economic model for determining the amount by which Huffy publicly-traded securities were allegedly artificially inflated (if at all) during the Class Period.

Lead Plaintiffs believe that the proposed Settlement is a very good recovery and is in the best interests of the Class. Because of the risks associated with continuing to litigate and proceeding to trial, there was a danger that Lead Plaintiffs would not have prevailed on any of their claims, in which case the Class would receive nothing. For example, Lead Plaintiffs faced the possibility that all or many of the claims remaining in this case could have been dismissed at summary judgment or trial. In addition, the amount of damages recoverable by the Class was and is challenged by Defendants. Recoverable damages in this case are limited to losses caused by conduct actionable under applicable law and, had the Litigation gone to trial, Defendants intended to assert that all of the losses of Class Members were caused by non-actionable market, industry, or general economic factors. Defendants would also assert that throughout the Class Period the uncertainties and risks associated with Huffy's business and financial condition were fully and adequately disclosed.

Plaintiffs' Counsel have not received any payment for their services in conducting this Litigation on behalf of Lead Plaintiffs and the members of the Class, nor have they been reimbursed for their out-of-pocket expenditures. If the Settlement is approved by the Court, Lead Counsel will apply to the Court for attorneys' fees not to exceed 17.5% of the settlement proceeds plus expenses not to exceed \$500,000, both to be paid from the Settlement Fund. If the amount requested by Lead Counsel is approved by the Court, the average cost per share would be approximately \$0.07. In addition, Lead Plaintiffs will seek reimbursement of time and expenses from the Settlement Fund in an amount not to exceed \$40,000 in the aggregate.

<sup>1</sup> Huffy filed for bankruptcy protection in October 2004; therefore, Huffy is not a party to the Litigation.

This Notice is not an expression of any opinion by the Court about the merits of any of the claims or defenses asserted by any Party in this Litigation or the fairness or adequacy of the proposed Settlement.

For further information regarding this Settlement you may contact: Rick Nelson, c/o Shareholder Relations, Robbins Geller Rudman & Dowd LLP, 655 West Broadway, Suite 1900, San Diego, California 92101, Telephone: 1-800-449-4900. Please do not call any representative of the Defendants or the Court.

## **I. NOTICE OF HEARING ON PROPOSED SETTLEMENT**

A settlement hearing (the "Settlement Hearing") will be held on October 8, 2010, at 9:00 a.m., before the Honorable Senior United States District Judge Walter Herbert Rice, in Room 909 of the United States District Court for the Southern District of Ohio, Western Division (Dayton), United States Courthouse and Federal Building, 200 West Second Street, Dayton, Ohio 45402. The purpose of the Settlement Hearing will be to determine: (1) whether the Settlement consisting of Eight Million Dollars (\$8,000,000), in cash, plus accrued interest on the Settlement Fund, should be approved as fair, reasonable, and adequate to each of the Settling Parties; (2) whether the proposed plan to distribute the settlement proceeds (the "Plan of Allocation") is fair, reasonable, and adequate; (3) whether Lead Counsel's Fee and Expense Application should be approved; (4) whether the reimbursement of Lead Plaintiffs' expenses should be approved; and (5) whether the Litigation should be dismissed with prejudice. The Court may adjourn or continue the Settlement Hearing without further notice to the Class.

## **II. DEFINITIONS USED IN THIS NOTICE**

1. "Action" or "Litigation" mean all of the claims asserted in the four complaints referred to in footnote 3 herein and all of the claims alleged in the consolidated putative shareholder class action complaint captioned *In re Huff Corporation Securities Litigation*, Lead Case No. 3:05cv0028, filed in the United States District Court for the Southern District of Ohio, Western Division (Dayton).

2. "Authorized Claimant" means any Class Member whose claim for recovery has been allowed pursuant to the terms of the Stipulation.

3. "Claims Administrator" means the firm of Gilardi & Co. LLC.

4. "Class" and "Class Members" mean all persons and entities who purchased Huff's publicly-traded securities between April 16, 2002 and August 13, 2004, inclusive. Excluded from the Class are: (1) Huff and its subsidiaries, divisions, successors, assigns, and creditors, including secured and unsecured creditors in Huff's bankruptcy; (2) all Defendants in the Litigation; (3) all current and former officers and directors of Huff; (4) all current and former officers and directors of Gen-X; (5) all Gen-X officers, directors, and employees who were granted Huff stock or stock options as a result of the acquisition of Gen-X by Huff on or about September 19, 2002; (6) all pre-acquisition Huff or Gen-X shareholders in which any former Huff or Gen-X officer or director employed prior to, or contemporaneous with, the acquisition, or who was otherwise involved in any way with the acquisition, has or had a controlling interest;<sup>2</sup> (7) all immediate family members of any Defendant, former officer, director or employee, or other person or entity mentioned above; (8) all legal representatives, heirs, successors, or assigns of any Person excluded from the Class; and (9) all entities in which any Defendant or excluded Person has or had a controlling interest or of which he, she or it is a beneficiary. Also excluded from the Class are any putative Class Members who timely and validly exclude themselves from the Class in accordance with the requirements set forth in this Notice.

5. "Class Period" means the period between April 16, 2002 and August 13, 2004, inclusive.

6. "Complaint" means the Consolidated Class Action Complaint for Violation of the Federal Securities Laws, which was filed in this Litigation on July 29, 2005.

7. "Contributing Insurers" means Federal Insurance Company and Zurich American Insurance Company and their respective successor(s).

8. "Defendants" means Don R. Graber, Robert W. Lafferty, Timothy G. Howard, and Paul R. D'Aloia. Huff Corporation is not a defendant.

9. "Defendants' Affiliates" means any and all of Defendants' and Huff's respective present, former, and future officers, directors, employees, managers, members, managing members, fiduciaries, managing directors, agents, managing agents, attorneys, legal counsel, advisors and consultants (including, but not limited to, expert advisors and consultants who participated in any way in the Litigation), insurers and co-insurers (including, but not limited to, the Insurers and Contributing Insurers as defined herein), reinsurers, accountants, auditors, trustees, underwriters, financial advisors, commercial bank lenders, investment bankers, associates, representatives, affiliates, parents, subsidiaries, partnerships, member firms, partners, joint ventures, limited liability companies, corporations, divisions, shareholders, principals, trusts, foundations, family members, beneficiaries, distributors, heirs, executors, personal representatives, estates, administrators, predecessors, successors and assigns, and their respective former, current and future direct or indirect equity holders, controlling persons, stockholders, general or limited partners or partnerships, or assignees and including, but not limited to, any directors, officers, agents, partners, members, managers, or employees of any of the foregoing.

10. "Effective Date" means the date upon which the Settlement contemplated by the Stipulation shall become effective, as set forth in ¶10.1 of the Stipulation.

11. "Escrow Agent" means Robbins Geller Rudman & Dowd LLP or its successor(s). The Escrow Agent shall maintain the Settlement Fund in a segregated escrow account not available to the creditors of the Escrow Agent and shall not disburse any amount from the escrow account except as authorized by the Stipulation, or an order of the Court.

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<sup>2</sup> Including, but not limited to, DMJ Financial, Inc., K & J Financial, Inc., DLS Financial, Inc., Kenneth Finkelstein Family Trust, James Salter Family Trust, The Forzani Group Ltd., Osgoode Financial, Inc., Collective Brands, Inc., and Hilco Consumer Capital Corp.

12. "Fee and Expense Application" means the application by Lead Counsel to the Court for an award from the Settlement Fund of attorneys' fees and expenses incurred in connection with prosecuting the Litigation in an amount to be approved by the Court, and a request by Lead Plaintiffs for reimbursement of expenses incurred in representing the Class, pursuant to 15 U.S.C. §78u-4(a)(4).

13. "Final" means any order of the Court that represents a final binding determination of all issues within its scope and is not subject to further review on appeal or otherwise. Without limitation, an order becomes final when (a) if no appeal has been filed, the prescribed time for commencing any appeal has expired; or (b) if an appeal has been filed, either (i) the appeal has been dismissed and the prescribed time, if any, for commencing any further appeal has expired, or (ii) the order has been affirmed in its entirety and the prescribed time, if any, for commencing any further appeal has expired. For purposes of the Stipulation, an "appeal" includes any appeal as of right, discretionary appeal, interlocutory appeal, proceeding involving a writ of certiorari and/or a writ of mandamus, and any other proceeding of like kind. Any proceeding, order or appeal relating solely to any Plan of Allocation or to any Fee and Expense Application shall not in any way delay or preclude the judgment in this Litigation from becoming Final.

14. "Huffy" means Huffy Corporation. Huffy filed for Chapter 11 bankruptcy protection on October 20, 2004 and is, therefore, not a party to the Litigation.

15. "Insurers" means Federal Insurance Company, Zurich American Insurance Company, National Union Fire Insurance Company of Pittsburgh, PA, and Liberty Mutual Insurance Company (Liberty International Underwriters), and their respective successor(s).

16. "Lead Counsel" means Robbins Geller Rudman & Dowd LLP, formerly known as Coughlin Stoia Geller Rudman & Robbins LLP, or its successor(s).

17. "Lead Plaintiffs" means UNITE HERE National Retirement Fund and Harry L. Ross.

18. "Liaison Counsel" means Strauss & Troy.

19. "Net Settlement Fund" means the Settlement Fund, less Notice and Administration Costs, attorneys' fees and expenses awarded by the Court to Plaintiffs' Counsel and the Lead Plaintiffs.

20. "Notice" means this Notice of Pendency and Proposed Settlement of Class Action, which is to be sent to all Class Members.

21. "Notice and Administrative Costs" means all reasonable costs and expenses of notice to Class Members, and administration of the Settlement Fund, escrow fees, custodial fees, Taxes and Tax Expenses, and expenses incurred in connection with processing Proofs of Claim or distributing the Settlement Fund.

22. "Notice Date" means the date of the mailing by the Claims Administrator of the Notice and Proof of Claim to all Class Members, which shall be within ten (10) days of the Court's order granting preliminary approval of the Stipulation.

23. "Order and Final Judgment" means the proposed order to be entered by the Court approving the Settlement, substantially in the form attached to the Stipulation as Exhibit B.

24. "Parties" means collectively the Lead Plaintiffs (on behalf of themselves and each of the Class Members) and Defendants. "Party" means individually the Lead Plaintiffs or Defendants.

25. "Person" means any individual, corporation, limited liability company, professional corporation, limited liability partnership, partnership, limited partnership, association, joint stock company, estate, legal representative, trust, unincorporated association, government or any political subdivision or agency thereof, and any business or legal entity and their spouses, heirs, predecessors, successors, representatives, or assignees.

26. "Plaintiffs' Counsel" means any legal counsel who has appeared on behalf of any plaintiff in the Litigation.

27. "Plan of Allocation" means the plan or formula of allocation of the Net Settlement Fund to Authorized Claimants, as set forth in this Notice and as approved by the Court. The Plan of Allocation proposed in this Notice is not a necessary term of the Stipulation, and it is not a condition of the Stipulation that the Plan of Allocation be approved in the particular form contained in this Notice. Any order or proceeding relating to the Plan of Allocation, or any appeal from any order or proceeding relating to the Plan of Allocation, shall not operate to terminate or cancel the Stipulation, or affect or delay the Effective Date and the finality of the Order and Final Judgment approving the Settlement.

28. "Preliminary Approval Order" means the proposed order to be entered by the Court preliminarily approving the Stipulation and directing notice of the Stipulation to the Class.

29. "Proof of Claim" means the proposed Proof of Claim and Release form to be submitted by Class Members, substantially in the form attached to the Stipulation as Exhibit A-2, no later than ninety (90) days from the Notice Date, unless such period is extended by order of the Court.

30. "Released Claims" means any and all rights, demands, claims (including Unknown Claims), actions, and causes of action or liabilities of every nature and description whatsoever, in law or equity, whether arising under or pursuant to any federal, state, local, statutory, common law, foreign law, or any other law, rules or regulations, whether fixed or contingent, accrued or unaccrued, asserted or unasserted, liquidated or unliquidated, matured or unmatured, suspended or unsuspended, foreseen or unforeseen, whether or not concealed or hidden, whether class, derivative, representative and/or individual in nature, or in any other capacity, that: (a) Lead Plaintiffs or any member of the Class asserted, or could have asserted in the Litigation against any of the Released Persons; or (b) could have been asserted in the Litigation, or any other action or forum by Lead Plaintiffs and/or the members of the Class or any of them against any of the Released Persons arising out of, or relating to, directly or indirectly, the purchase of Huffy publicly-traded securities during the Class Period, and the facts, matters, allegations, transactions, occurrences, courses of action, events, disclosures, statements, acts, circumstances, misrepresentations, omissions or other matters referenced in any claims, which were alleged or that could have been alleged (including, but not limited to, any claims that were raised against any Released Person) in the Complaint. "Released Claims" specifically excludes any and all claims to enforce the terms and conditions of the Stipulation.

31. "Released Persons" means any and all of the Defendants, Huff, their respective families, parent entities, associates, affiliates or subsidiaries, and each and all of their respective past, present or future officers, directors, stockholders, representatives, employees, attorneys, legal counsel, advisors and consultants (including, but not limited to, expert advisors and consultants who participated in any way in the Litigation), insurers and co-insurers (including, but not limited to, the Insurers and Contributing Insurers as defined herein), reinsurers, financial or investment advisors and/or consultants, accountants, investment bankers, commercial bankers, engineers, agents, heirs, executors, trustees, general or limited partners or partnerships, personal representatives, estates, administrators, predecessors, successors and assigns, and any and all of Defendants' Affiliates.

32. "Settlement" means the settlement agreement and release embodied by the Stipulation.

33. "Settlement Consideration" means the sum of Eight Million Dollars (\$8,000,000) funded by the Contributing Insurers, on behalf of the Defendants, to the escrow account as provided in ¶13(a) of the Stipulation.

34. "Settlement Fund" means the sum of Eight Million Dollars (\$8,000,000) funded by the Contributing Insurers, on behalf of the Defendants, to the escrow account as provided in the Stipulation, including any interest earned. Such amount is paid in full and complete settlement of all the Released Claims.

35. "Settlement Hearing" means the final hearing to be held by the Court to determine whether to approve the Settlement of the Litigation as set forth in the Stipulation.

36. "Settling Parties" means, collectively, each of the Defendants and Lead Plaintiffs on behalf of themselves and each of the Class Members.

37. "Summary Notice" means the Summary Notice to be published, within ten (10) days of the Notice Date, in *Investor's Business Daily*, *Dayton Daily News*, and over the *Business Wire* or *PR Newswire*, substantially in the form attached to the Stipulation as Exhibit A-3, or as modified pursuant to agreement of the Parties or order of the Court.

38. "Taxes" means all taxes, including, but not limited to, any estimated taxes, interest, or penalties, arising with respect to the income earned by the Settlement Fund, including any taxes or tax detriment that may be imposed upon the Released Persons with respect to any income earned by the Settlement Fund for any period during which the Settlement Fund does not qualify as a "qualified settlement fund" for federal or state income tax purposes.

39. "Tax Expenses" means expenses and costs incurred in connection with the taxation of the Settlement Fund and operation and implementation of the Stipulation, including, without limitation, expenses of tax attorneys and/or accountants, and mailing and distribution costs and expenses related to filing (or failing to file) the returns described in the Stipulation.

40. "Unknown Claims" means any and all Released Claims which the Lead Plaintiffs or any Class Members do not know or suspect to exist in his, her or its favor at the time of the release of the Released Persons, which, if known by him, her or it, would or might have affected his, her or its settlement with and release of the Released Persons, or would or might have affected his, her or its decision not to object to this Settlement and/or not to exclude himself, herself or itself from the Class; and any and all claims released by Defendants against Lead Plaintiffs, Plaintiffs' Counsel, any other counsel for any other plaintiff or plaintiffs in the Litigation, and/or any or all members of the Class and their counsel, as described in ¶12.5 of the Stipulation, which any Defendant does not know or suspect to exist in his favor at the time of the release of the Released Persons, which, if known by him, would or might have affected his decision(s) with respect to the Settlement. Lead Plaintiffs or Class Members may hereafter discover facts in addition to or different from those which he, she or it now knows or believes to be true with respect to the subject matter of the Released Claims, but Lead Plaintiffs and Class Members shall expressly, upon the Effective Date, be deemed to have fully, finally, and forever settled and released any and all Released Claims (including Unknown Claims), known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct that is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Likewise, Defendants may hereafter discover facts in addition to or different from those which he now knows or believes to be true with respect to the subject matter of those claims released by Defendants and described in ¶12.5 of the Stipulation, but Defendants shall expressly waive, and shall have fully, finally, and forever settled and released any and all claims described in ¶12.5 of the Stipulation (including Unknown Claims), known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. Lead Plaintiffs and Defendants acknowledge, and the Class Members shall be deemed to have acknowledged, that the inclusion of "Unknown Claims" in the Stipulation was separately bargained for and was a key element of the Settlement, of which this release is a material and essential part, and expressly waive the benefits of (i) the provisions of §1542 of the California Civil Code, which provides that:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT  
KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE,  
WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT  
WITH THE DEBTOR,

and (ii) any and all provisions or rights conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to California Civil Code §1542.

### III. THE LITIGATION

A. In or about January 2005, four securities class action complaints were filed in the United States District Court for the Southern District of Ohio, Western Division (Dayton) on behalf of purchasers of Huff publicly-traded securities during defined periods of time,

alleging violations of the Securities Exchange Act of 1934.<sup>3</sup> By Order dated April 7, 2005, the Court consolidated these actions under the caption above, appointed Lead Plaintiffs, and approved Lead Plaintiffs' choice of Lead and Liaison Counsel.

B. On July 29, 2005, Lead Plaintiffs filed their Complaint against Defendants alleging, among other things, that Defendants caused Huffey to issue materially false and misleading statements regarding Huffey's financial condition prior to its acquisition of Gen-X Sports, Inc. ("Gen-X") in 2002; Gen-X's pre-acquisition financial condition; the performance of Gen-X following its acquisition by Huffey; Huffey's financial condition; and the extent and significance of Gen-X's problems. Lead Plaintiffs further alleged that the truth regarding Huffey's financial condition and performance was slowly revealed to the market through a series of partial disclosures beginning in late 2003 and ending in August 2004.

C. On September 27, 2005, Defendants moved to dismiss the Complaint which was opposed by Lead Plaintiffs on December 2, 2005. On September 17, 2008, the Court issued its Decision and Entry Sustaining in Part and Overruling in Part Defendants' Motion to Dismiss. On October 7, 2008, Defendants filed their Answer to the Complaint, denying its material allegations and alleging several affirmative defenses. The Parties then began formal discovery.

D. Document requests were served on Defendants and subpoenas requesting documents were served on over forty (40) third parties. Approximately one million total pages of documents were produced and reviewed by the Parties. The Parties retained experts and each took multiple depositions.

E. On March 6, 2009, Lead Plaintiffs filed their motion for class certification. Defendants opposed that motion on June 5, 2009, and Lead Plaintiffs filed their reply on September 4, 2009. Defendants filed a Sur-Reply on December 18, 2009, and Lead Plaintiffs filed their Sur-Sur-Reply on January 22, 2010.

F. On June 5, 2009, Defendants moved for summary judgment based on Lead Plaintiffs' lack of standing, and for partial summary judgment on Lead Plaintiffs' allegations regarding the April 16, 2002 and June 17, 2002 Huffey press releases. Defendants were also preparing to file additional motions for summary judgment on all of Lead Plaintiffs' claims.

G. In an effort to resolve the Litigation, the Parties attended two mediations before the Honorable Daniel Weinstein (Ret.). The initial settlement meeting on July 7, 2009 did not resolve the case, and the Litigation continued. On January 13, 2010, after additional discovery, including depositions of the Defendants, the Parties participated in a second mediation session before Judge Weinstein. Following that mediation session, and further discussions among the Parties and the mediator, the Parties reached an agreement-in-principle to settle the Litigation on the terms set forth in the Stipulation.

H. On February 9, 2010, the Parties filed a motion to hold in abeyance all pending motions and deadlines. On February 10, 2010, the Court granted the Parties' motion to hold in abeyance all pending motions and deadlines until finalization of the Parties' settlement agreement.

#### **IV. CLAIMS OF THE LEAD PLAINTIFFS AND BENEFITS OF SETTLEMENT**

Lead Plaintiffs believe that the claims asserted in the Litigation have merit and that the evidence developed to date supports those claims. However, Lead Plaintiffs recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Litigation against Defendants through trial and through appeals. Lead Plaintiffs also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as this Litigation, as well as the difficulties and delays inherent in such litigation. Lead Plaintiffs are also mindful of the inherent difficulties of proof under and possible defenses to the securities law violations asserted in the Litigation. Lead Plaintiffs believe that the Settlement set forth in the Stipulation confers substantial benefits upon the Class. Based on their evaluation, Lead Plaintiffs and Lead Counsel have determined that the Settlement set forth in the Stipulation is in the best interests of Lead Plaintiffs and the Class.

#### **V. DEFENDANTS' DENIALS OF WRONGDOING AND LIABILITY**

A. Defendants deny that they have committed or intended to commit any wrongdoing or violations of law arising out of any of the conduct, statements, acts, or omissions alleged in the Litigation, and maintain that their conduct was at all times proper and in compliance with applicable provisions of law. Defendants further deny that they made any material misstatements or omissions in Huffey's public filings, press releases, or other public statements, that Lead Plaintiffs or the Class, as defined in the Stipulation, have suffered any damages, or that Lead Plaintiffs or the Class were harmed by any conduct alleged in the Litigation or that could have been alleged as part of the Litigation. Each Defendant denies the allegations against him concerning any alleged wrongdoing or violation of law, and further asserts that, at all relevant times, he complied with all applicable laws, and acted in good faith and in a manner he reasonably believed to be in the best interests of Huffey and its stockholders.

B. Defendants, however, recognize the uncertainty and the risk of the outcome of any litigation, especially complex securities litigation, and the difficulties and substantial burdens, expense, and length of time necessary to defend this proceeding through the conclusion of discovery, summary judgment motions, a possible trial, possible post-trial motions, and possible appeals. To eliminate the burden and expense of further litigation, Defendants desire to settle the Litigation on the terms and conditions stated in the

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<sup>3</sup> Those four complaints were captioned: *Dean Gladow v. Don R. Graber, et al.* (filed Jan. 24, 2005), No. 3:05cv0028, United States District Court for the Southern District of Ohio, Western Division (Dayton) (Rice, J.); *Gene Dunne v. Don R. Graber, et al.* (filed Feb. 2, 2005), No. 3:05cv0044, United States District Court for the Southern District of Ohio, Western Division (Dayton) (Rose, J.); *Sean Cunningham v. Don R. Graber, et al.* (filed Feb. 16, 2005), No. 3:05cv0064, United States District Court for the Southern District of Ohio, Western Division (Dayton) (Rose, J.); and *Durham Singletary v. Don R. Graber, et al.* (filed Mar. 4, 2005), No. 3:05cv0087, United States District Court for the Southern District of Ohio, Western Division (Dayton) (Rice, J.).

Stipulation and to put the Released Claims to rest finally and forever, without in any way acknowledging any wrongdoing, fault, liability, or damages to Lead Plaintiffs and the Class.

## VI. TERMS OF THE PROPOSED SETTLEMENT

The amount of Eight Million Dollars (\$8,000,000) has been transferred to an interest-bearing escrow account under the control of the Escrow Agent. This principal amount of Eight Million Dollars (\$8,000,000), in cash, plus any accrued interest, shall constitute the Settlement Fund. A portion of the settlement proceeds will be used for certain administrative expenses, including the costs of printing and mailing this Notice, the cost of publishing newspaper notice, payment of any taxes assessed against the Settlement Fund, and costs associated with the processing of claims submitted. In addition, as explained below, a portion of the Settlement Fund may be awarded by the Court to Lead Counsel as attorneys' fees and for expenses incurred in litigating the case, and to Lead Plaintiffs for reimbursement of their time and expenses in representing the Class. The Net Settlement Fund will be distributed according to the Plan of Allocation described below to Class Members who submit valid and timely Proof of Claim forms.

## VII. PLAN OF ALLOCATION

The Net Settlement Fund will be distributed to Authorized Claimants under the Plan of Allocation described below. The Plan of Allocation provides that you will be eligible to participate in the distribution of the Net Settlement Fund only if you have a net loss on all transactions in Huffy publicly-traded securities during the Class Period.

For purposes of determining the amount an Authorized Claimant may recover under the Plan of Allocation, Lead Counsel have consulted with their damage consultants. The Plan of Allocation reflects an assessment of the damages that could have been recovered as well as Lead Counsel's assessment of the likelihood of establishing liability for various periods of the Class.

To the extent there are sufficient funds in the Net Settlement Fund, each Authorized Claimant will receive an amount equal to the Authorized Claimant's claim, as defined below. If, however, the amount in the Net Settlement Fund is not sufficient to permit payment of the total claim of each Authorized Claimant, then each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

The total of all profits shall be subtracted from the total of all losses from transactions during the Class Period to determine if a Class Member has a claim. Only if a Class Member had a net loss, after all profits from transactions in Huffy publicly-traded securities during the Class Period are subtracted from all losses, will such Class Member be eligible to receive a distribution from the Net Settlement Fund.

### CUSIP: 444356109

April 16, 2002 – August 13, 2004

The allocation below is based on the following inflation per share amounts for Class Period common stock purchases and sales:

Inflation Period	Inflation Per Share
April 16, 2002 – September 10, 2003	\$4.98
September 11, 2003 – December 1, 2003	\$3.96
December 2, 2003 – January 14, 2004	\$3.10
January 15, 2004 – February 17, 2004	\$2.60
February 18, 2004 – April 12, 2004	\$2.30
April 13, 2004 – April 29, 2004	\$1.62
April 30, 2004 – May 2, 2004	\$1.40
May 3, 2004 – May 6, 2004	\$0.82
May 7, 2004 – May 9, 2004	\$0.72
May 10, 2004 – May 16, 2004	\$0.53
May 17, 2004 – May 23, 2004	\$0.32
May 24, 2004 – August 13, 2004	\$0.24

For shares of Huffy common stock ***purchased on or between April 16, 2002 through August 13, 2004***, the recovery per share shall be as follows:

a) If sold on or between April 16, 2002 through August 13, 2004, the recovery per share shall be the lesser of: (i) the inflation per share at the time of purchase less the inflation per share at the time of sale; and (ii) the difference between the purchase price and the selling price.

b) If retained at the end of August 13, 2004, or sold thereafter, the recovery per share shall be the lesser of: (i) the inflation per share at the time of purchase; and (ii) the difference between the purchase price per share and \$0.35 per share (closing price on August 16, 2004).

The date of purchase or sale is the "contract" or "trade" date as distinguished from the "settlement" date. The determination of the price paid per share and the price received per security, shall be exclusive of all commissions, taxes, fees, and charges.

For Class Members who held Huffey publicly-traded securities at the beginning of the Class Period or made multiple purchases or sales during the Class Period, the first-in, first-out ("FIFO") method will be applied to such holdings, purchases, and sales for purposes of calculating a claim. Under the FIFO method, sales of shares during the Class Period will be matched, in chronological order, first against shares held at the beginning of the Class Period. The remaining sales of shares during the Class Period will then be matched, in chronological order, against shares purchased during the Class Period.

A Class Member will be eligible to receive a distribution from the Net Settlement Fund only if such Class Member had a net loss, after all profits from transactions in Huffey publicly-traded securities during the Class Period are subtracted from all losses. However, the proceeds from sales of shares which have been matched against shares held at the beginning of the Class Period will not be used in the calculation of such net loss.

The Court has reserved jurisdiction to allow, disallow, or adjust the claim of any Class Member on equitable grounds.

#### **VIII. ORDER CERTIFYING A CLASS FOR PURPOSES OF SETTLEMENT**

On June 4, 2010, the Court preliminarily certified a class for settlement purposes only. The Class is defined above.

#### **IX. PARTICIPATION IN THE CLASS**

If you fall within the definition of the Class, you are a Class Member, unless you elect to be excluded from the Class pursuant to this Notice. If you do not request to be excluded from the Class, you will be bound by any judgment entered with respect to the Settlement in the Litigation against Defendants whether or not you file a Proof of Claim form.

***If you are a Class Member, and wish to participate in the distribution of the Net Settlement Fund, then you must timely file a Proof of Claim form; otherwise, you need do nothing. Your interests will be represented by Lead Counsel.*** If you choose, you may enter an appearance individually or through your own counsel at your own expense.

TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST TIMELY COMPLETE AND RETURN THE PROOF OF CLAIM FORM THAT ACCOMPANIES THIS NOTICE. The Proof of Claim must be postmarked on or before September 13, 2010, and delivered to the Claims Administrator at the address below. Unless the Court orders otherwise, if you do not timely submit a valid Proof of Claim form, you will be barred from receiving any payments from the Net Settlement Fund, but will in all other respects be bound by the provisions of the Stipulation and the Order and Final Judgment.

#### **X. EXCLUSION FROM THE CLASS**

You may request to be excluded from the Class. To do so, you must mail a written request stating that you wish to be excluded from the Class to:

*Huffey Securities Litigation*  
Claims Administrator  
c/o Gilardi & Co. LLC  
P.O. Box 990  
Corte Madera, CA 94976-0990

The request for exclusion must state: (1) your name, address, and telephone number; and (2) all purchases and sales of Huffey publicly-traded securities made during the Class Period, including the dates of each purchase or sale, and the number of shares purchased or sold. YOUR EXCLUSION REQUEST MUST BE POSTMARKED ON OR BEFORE SEPTEMBER 8, 2010. If you submit a valid and timely request for exclusion, you shall have no rights under the Settlement, shall not share in the distribution of the Net Settlement Fund, and shall not be bound by the Stipulation or the Order and Final Judgment.

#### **XI. DISMISSAL AND RELEASES**

If the proposed Settlement is approved, the Court will enter an Order and Final Judgment. The Order and Final Judgment will dismiss the Litigation with prejudice, as to all Defendants.

The Order and Final Judgment will provide that all Class Members who have not previously validly and timely requested to be excluded from the Class shall be deemed to have released and forever discharged all Released Claims (to the extent members of the Class have such claims) against all Released Persons.

#### **XII. APPLICATION FOR ATTORNEYS' FEES AND EXPENSES**

At or before the Settlement Hearing, Lead Counsel will request the Court to award attorneys' fees of 17.5% of the Settlement Fund, plus expenses, not to exceed \$500,000, which were advanced in connection with the Litigation, plus interest thereon. Lead Plaintiffs may also seek reimbursement of their time and expenses incurred in representing the Class in the Litigation. Class Members are not personally liable for any such fees, expenses, or compensation.

To date, Plaintiffs' Counsel have not received any payment for their services in conducting this Litigation on behalf of Lead Plaintiffs and the members of the Class since 2005, nor have counsel been reimbursed for their out-of-pocket expenses. The fee requested by Lead Counsel would compensate counsel for their efforts in achieving the Settlement Fund for the benefit of the Class, and for their risk in undertaking this representation on a contingency basis. The fee requested is within the range of fees awarded to plaintiffs' counsel under similar circumstances in litigation of this type.

#### **XIII. CONDITIONS FOR SETTLEMENT**

The Settlement is conditioned upon the occurrence of certain events described in the Stipulation. Those events include, among other things: (1) entry of the Order and Final Judgment by the Court, as provided for in the Stipulation; and (2) expiration of the time to appeal from or alter or amend the Order and Final Judgment. If, for any reason, any one of the conditions described in the Stipulation is not met, the Stipulation might be terminated and, if terminated, will become null and void, the class will be decertified, and the parties to the Stipulation will be restored to their respective positions as of January 12, 2010.

#### **XIV. THE RIGHT TO BE HEARD AT THE HEARING**

Any Class Member who has not validly and timely requested to be excluded from the Class, and who objects to any aspect of the Settlement, the Plan of Allocation, or the application for attorneys' fees and expenses or reimbursement of Lead Plaintiffs' expenses, may appear and be heard at the Settlement Hearing. Any such Person must submit and serve a written notice of objection, to be received on or before September 8, 2010, by each of the following:

CLERK OF THE COURT  
UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF OHIO  
WESTERN DIVISION (DAYTON)  
United States Courthouse and Federal Building, Room 712  
200 West Second Street  
Dayton, OH 45402

*Counsel for Lead Plaintiffs*

ROBBINS GELLER RUDMAN  
& DOWD LLP  
ELLEN GUSIKOFF STEWART  
655 W. Broadway, Suite 1900  
San Diego, CA 92101

*Counsel for Defendants*

FARUKI IRELAND & COX P.L.L.  
D. JEFFREY IRELAND  
500 Courthouse Plaza, S.W.  
10 North Ludlow Street  
Dayton, OH 45402

The notice of objection must demonstrate the objecting Person's membership in the Class, including the number and type of shares of Huffly publicly-traded securities purchased and sold during the Class Period, and contain a statement of the reasons for objection. Only Class Members who have submitted written notices of objection in this manner will be entitled to be heard at the Settlement Hearing, unless the Court orders otherwise.

#### **XV. SPECIAL NOTICE TO NOMINEES**

If you hold or held any Huffly publicly-traded securities during the Class Period as nominee for a beneficial owner, then, within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice and the Proof of Claim by First-Class Mail to all such beneficial owners; or (2) provide a list of the names and addresses of such beneficial owners to the Claims Administrator:

*Huffly Securities Litigation*  
Claims Administrator  
c/o Gilardi & Co. LLC  
P.O. Box 990  
Corte Madera, CA 94976-0990

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for, or advancement of, reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and Proof of Claim and which would not have been incurred but for the obligation to forward the Notice and Proof of Claim, upon submission of appropriate documentation to the Claims Administrator.

#### **XVI. EXAMINATION OF PAPERS**

This Notice is a summary and does not describe all of the details of the Stipulation. For full details of the matters discussed in this Notice, you may review the Stipulation filed with the Court, which may be inspected during business hours, at the office of the Clerk of the Court, United States District Court, Southern District of Ohio, Western Division (Dayton), United States Courthouse and Federal Building, Room 712, 200 West Second Street, Dayton, Ohio 45402.

If you have any questions about the Settlement of the Litigation, you may contact a representative of Lead Counsel: Robbins Geller Rudman & Dowd LLP, Rick Nelson, c/o Shareholder Relations, 655 West Broadway, Suite 1900, San Diego, CA 92101, 1-800-449-4900.

**PLEASE DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE**

DATED: June 4, 2010

BY ORDER OF THE COURT  
UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF OHIO  
WESTERN DIVISION (DAYTON)