CYCLE COUNTRY ACCESSORIES CORP
Form 10-K
May 20, 2010
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ANNUAL REPORT FOR CYCLE COUNTRY ACCESSORIES CORP.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark one)

x	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
	For the fiscal year ended September 30, 2009
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE EXCHANGE ACT OF 1934.**
	For the transition period from to

Commission file number: 001-31715

Cycle Country Accessories Corp.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

42-1523809

(IRS Employer Identification No.)

1701 38th Ave W, Spencer, Iowa 51301

(Address of principal executive offices)

P: (712) 262-4191

F: (712) 262-0248

www.cyclecountry.com

(Registrant s telephone number, facsimile number, and Corporate Website)

Securities registered pursuant to Section 12(b) of the Act: **None.**

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $0.0001 per share	NYSE Amex

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. o Yes No x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer and accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The aggregate market value of the common stock held by non-affiliates of the registrant as of March 31, 2009, the last business day of the registrant s most recently completed second quarter was approximately $944,705 based upon the closing price of the common stock on the NYSE Amex (formerly the American Stock Exchange AMEX) on that date.

The number of shares of the registrant s common stock, par value $0.0001 per share, outstanding as of May 19, 2010 was 5,876,891.

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Cautionary Note About Forward Looking Statements.

Certain matters discussed in this Form 10-K are forward-looking statements, and the Company intends these forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 and is including this statement for purposes of those safe harbor provisions. These forward-looking statements can generally be identified as such because they include phrases such as the Company expects, believes, anticipates or other words of similar meaning. Similarly, statements that describe the Company s future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties which could cause actual results or outcomes to differ materially from those currently anticipated. Factors that could affect actual results or outcomes include the matters described under the caption Risk Factors in Item 1A of this report and the following: changes in consumer spending patterns; the Company s success in implementing its strategic plan, including its focus on innovation and on cost-cutting and revenue enhancement initiatives; actions of and disputes with companies that compete with the Company; the Company s success in managing inventory; the risk that the Company s lenders may be unwilling to provide a waiver or amendment if the Company is in violation of its financial covenants and the cost to the Company of obtaining any waiver or amendment the lenders would be willing to provide; the risk of future write-down s of goodwill or other intangible assets; movements in foreign currencies or interest rates; fluctuations in the prices of raw materials or the availability of raw materials; the Company s success in restructuring certain of its operations; the success of suppliers and customers; the ability of the Company to deploy its capital successfully; unanticipated outcomes related to outsourcing certain manufacturing processes; unanticipated outcomes related to potential litigation matters; and adverse weather conditions. Shareholders, potential investors and other readers are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included herein are only made as of the date of this filing. The Company assumes no obligation, and disclaims any obligation, to update such forward-looking statements to reflect subsequent events or circumstances.

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PART I

ITEM 1. BUSINESS

Cycle Country Accessories Corp., a Nevada corporation, was incorporated in Nevada in 2001 as an aggregation of various businesses. The Company s operations are held in a wholly-owned subsidiary incorporated in Iowa, Cycle Country Accessories Corp. (Cycle Country Iowa). Cycle Country - Iowa has an unused, wholly-owned subsidiary with no assets, incorporated in Nevada, (Cycle Country Sub). The entities are collectively referred to as the Company , we , our , or Cycle Country.

Cycle Country is a leading manufacturer and marketer of branded outdoor recreational and powersports products for the outdoor enthusiast. The Company s growing portfolio of well-regarded brands has attained leading market positions in their respective categories due to uncompromising product quality and performance, as well as the Company s nearly 30 years of outstanding customer service.

The Company s strategic initiatives are rooted in our desire to serve the needs of our customers by leveraging the experiences of our entrepreneurial leadership to further a culture that communicate the needs of the customers, while promoting creative, proactive best practices that advance the Company s strategic vision set by executive management as overseen by the Board of Directors.

The Company has four distinct divisions as reportable segments, with three of them engaged in the design, manufacture, sale and distribution of branded, proprietary products; the fourth division, Imdyne, engages in contract manufacturing.

- **Cycle Country ATV Accessories**

We are one of the largest manufacturers of accessories for all terrain vehicles (ATVs) and utility vehicles (UTVs). We design, manufacture and sell a popular selection of branded accessories for vehicles in the outdoor recreational and powersports industry which are sold to various wholesale distributors and retail dealers throughout the United States of America, Canada, Mexico, South America, Europe, and Asia. This line of branded products includes snowplow blades, lawnmowers, spreaders, sprayers, tillage equipment, winch mounts, utility boxes, baskets and an assortment of other ATV/UTV accessory products. These products custom fit essentially all ATV/UTV models. Our reputation as the recognized leader in our category has enabled us to develop key, long-term relationships with all of the leading ATV/UTV manufacturers and distributors.

We sell our products to all of the leading distributors in the United States, most of which have sold our products continuously for the past 29 years. These distributors sell to virtually every ATV/UTV dealer in North America. Similar strategic arrangements have also been developed internationally where our current international distributors make our products available in eighteen other countries.

Our products enhance the functionality and versatility of the ATV/UTV. The ATV was initially designed as a recreational vehicle but is rapidly becoming a multi-purpose vehicle serving both recreational and utility functions. Because of this, the market has reacted by developing a wide array of utility and sport utility products (UTVs). Our products help ATV/UTV owners perform many of their utility needs.

- **Plazco**

Plazco designs, manufactures, markets, and distributes injection-molded plastic products for vehicles such as golf cars, lawn mowers, and low-speed vehicles (LSVs). We believe that we are the largest manufacturer of golf car wheel covers in the world, estimating that we control between 50% and 70% of the original equipment manufacturer (OEM) golf car wheel cover business. We have always sold directly to golf car manufacturers and we also have an excellent distribution network that reaches the aftermarket throughout the United States, Europe and Asia.

- **Perf-Form**

Perf-Form manufactures, sells, and distributes oil filters for the powersports industry. Our filters and coolers fit various models of Harley-Davidson, Ducati, Honda, and Yamaha. Our oil filters are sold through the same distribution channels that our other powersports products are sold through. In addition to developing new products as models change, we also specialize is hard to find, legacy parts for out of production powersports products.

- **Imdyne** is engaged in the manufacture and assembly of a wide array of parts, components, and other products for non-competing OEM and other customers. Our capabilities include most forms of metal fabrication and plastic injection molding processes.

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Competition

The Company believes its products compete favorably on the basis of product innovation, product performance, customer service and marketing support and price.

- **Cycle Country ATV Accessories:** The Company s main competitors in the ATV/UTV accessories business are wholesale distributors who have sourced private label products primarily from manufacturers in Asia, as well as a few large companies for which this category is a very small part of their business. We are one of very few American manufacturers in our industry, and the only one for whom these products are a primary focus. The main competitors in the ATV/UTV accessories market are Polaris, Arctic Cat, Warn, John Deere, Swisher, Moose, and American Eagle.

- **Plazco:** The Company s competitors in the plastic wheel covers and other golf car accessories market are Nivel, Inc., and Fore-Par Group, which licenses and markets the popular Cragar-branded wheel covers.

- **Perf-Form:** The Company primarily competes in the specialty oil filter and oil cooler market with Fram, WIX, Amsoil, K&N, and Purolator. They are all larger than Perf-Form, though we compete well with them in legacy engines for which these sales are small and old technologies are appropriate.

- **Imdyne:** There are many high quality, competitively priced metal fabricators and plastic injection-molding businesses in our market territory. We have a slight competitive advantage over many of them in that our branded products cover some of the overhead of the Company. As a result, we can be competitively priced because the overhead is shared, creating cost efficiencies.

Competition in this business primarily focuses on product price, product innovation, and quality. Some of our competitors have longer operating histories, stronger brand recognition and greater financial, technical, marketing and other resources than we do. In addition, we may face competition from new participants in our markets because the outdoor recreational products and powersports industries have limited barriers to entry. We experience price competition for our products and competition for shelf space at retailers, both of which may increase in the future.

Financial Information for Business Segments

As noted above, the Company has four reportable business segments. See Note 13 to the condensed consolidated financial statements included elsewhere in this report for financial information concerning each business segment.

International Operations

See Note 13 to the condensed consolidated financial statements included elsewhere in this report for financial information regarding the Company s domestic and international operations.

Research and Development

The Company s competitive position is supported by designing and marketing new products continually. We employ an experienced staff of product design and engineering professionals for the design of new products. This innovation and engineering group serves two primary functions: new product development and modifying existing products to fit other manufacturers new and legacy powersports equipment. The Company expenses research and development costs as incurred. The amounts expensed by the Company in connection with research and development activities for each of the last two fiscal years are set forth in Note 1 to the Company s consolidated financial statements included elsewhere in this report.

Employees

The Company had 72 regular, full-time employees at September 30, 2009 and 104 at September 30, 2008. The Company considers its employee relations to be excellent. Temporary employees are utilized primarily to manage peaks in the seasonal manufacturing of products.

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Backlog

Unfilled orders for future delivery of products totaled approximately $2.6 million at September 30, 2009. The data for the period ended September 30, 2008 is not available. No orders that were unfilled at September 30, 2009 will not be filled in fiscal year 2010. For the majority of its products, the Company s businesses do not receive significant orders in advance of expected shipment dates.

Patents, Trademarks and Proprietary Rights

The Company owns no single patent that is material to its business as a whole. However, the Company holds various patents and regularly files applications for patents. The Company has numerous trademarks and trade names which it considers important to its business. The Company has the following trademarks, which are used in this report: Cycle Country®, Weekend Warrior , State Plow®, Work Hard Play Hard®, Imdyne , Perf-Form , and Plazco . The Company owns patents on its wheel cover designs which have been infringed upon and successfully defended.

Supply Chain and Sourcing of Materials

The Company manufactures some products that use materials that have long order lead times or that are only available in a cost effective manner from a single vendor. The Company mitigates product availability and supply chain risks through safety stocks and forecast-based purchase committments, and, to a lesser extent, with just in time inventory deliveries. The Company strives to balance the imperative of holding adequate inventories with the need to maintain flexibility by building inventories to forecast for high-volume products, utilizing build to order strategies wherever possible, and by having some products delivered to customers directly from suppliers.

The Company has no material dependence on any one vendor for materials whose interruption or loss in the availability of these materials is believed to present a material adverse impact on the sales and operating results of the Company. Most of the Company s products are made using materials that are generally in adequate supply and are available from a variety of third-party suppliers.

Seasonality

The Company s products are outdoor recreational and powersports-related which results in seasonal variations in sales and profitability. This seasonal variability is due to customers increasing their inventories in the quarters ending September and December, the primary selling season for the Company s outdoor recreational and powersports products, with lower inventory volumes during the quarters ending March and June.

Available Information

The Company maintains a website at www.cyclecountry.com. On its website, the Company makes available, free of charge, its Annual Report on Form 10-K, and quarterly reports on Form 10-Q and amendments to those reports, as soon as reasonably practical after the reports have been electronically filed or furnished to the Securities and Exchange Commission. Copies of any materials we file with the SEC are also available at the SEC s Public Reference Room at 100 F Street, N.E. Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a Web site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

In addition, the Company makes available on its website its Standards of Conduct and its Code of Ethics. The Company is not including the information contained on or available through its website as a part of, or incorporating such information by reference into, this Annual Report on Form 10-K. This report includes all material information about the Company that is included on the Company s website and is otherwise required to be included in this report.

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ITEM 1A. RISK FACTORS

The risks described below are not the only risks we face. Additional risks that we do not yet know of or that we currently think are not material may also impair our future business operations. If any of the events or circumstances described in the following risks actually occurs, our business, financial condition or results of operations could be materially adversely affected. In such cases, the trading price of our common stock could decline.

Our net sales and profitability depend on our ability to continue to conceive, design and market products that appeal to our consumers.

The introduction of new products is critical in our industry and to our growth strategy. Our business depends on our ability to continue to conceive, design, manufacture and market new products and upon continued market acceptance of our product offerings. Rapidly changing consumer preferences and trends make it difficult to predict how long consumer demand for our existing products will continue or what new products will be successful. Our current products may not continue to be popular or new products that we may introduce may not achieve adequate consumer acceptance for us to recover development, manufacturing, marketing and other costs. A decline in consumer demand for our products, our failure to develop new products on a timely basis in anticipation of changing consumer preferences or the failure of our new products to achieve and sustain consumer acceptance could reduce our net sales and profitability.

Competition in our markets could reduce our net sales and profitability.

Competition in this business primarily focuses on product price, product innovation, and quality. Some of our competitors have longer operating histories, stronger brand recognition and greater financial, technical, marketing and other resources than we do. In addition, we may face competition from new participants in our markets because the outdoor recreational products and powersports industries have limited barriers to entry. We experience price competition for our products and competition for shelf space at retailers, both of which may increase in the future. If we cannot compete successfully in the future, our net sales and profitability will likely decline.

Purchases of Company products are discretionary spending and general economic conditions significantly affect the Company s results of operations.

Our products are generally viewed as discretionary spending by consumers. In times of economic uncertainty, consumers tend to defer expenditures for discretionary items, which affects demand for our products. Our revenues are affected by economic conditions and consumer confidence worldwide, but especially in the United States and Europe. Moreover, our businesses are cyclical in nature, and their success is dependent upon favorable economic conditions, the overall level of consumer confidence and discretionary income and spending levels. Any substantial deterioration in general economic conditions that diminish consumer confidence or discretionary income or spending can reduce our sales and adversely affect our financial results. The impact of weak consumer credit markets, corporate restructurings, layoffs, declines in the value of investments and residential real estate, higher fuel prices and increases in federal and state taxation all can negatively affect our operating results.

We are dependent upon certain key members of management.

Our success will depend to a significant degree on the abilities and efforts of our senior management. Moreover, our success depends on our ability to attract, retain and motivate qualified management, marketing, technical and sales personnel. These people are in high demand and often have competing employment opportunities. The labor market for skilled employees is competitive and we may lose key employees or be forced to increase their compensation to retain these people. Employee turnover could significantly increase our training and other related employee costs. The loss of key personnel, or the failure to attract qualified personnel, could have a material adverse effect on our business, financial condition or results of operations.

Sources of and fluctuations in market prices of raw materials can affect our operating results.

The primary raw materials we use are metals, resins and packaging materials. These materials are generally available from a number of suppliers for each commodity or purchased component. We believe our sources of raw materials are reliable and adequate for our needs. However, the development of future sourcing issues related to the availability of these materials as well as significant fluctuations in the market prices of these materials may have an adverse affect on our financial results.

We rely on our credit facility to provide us with sufficient working capital to operate our business.

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Historically, we have relied upon our existing credit facilities to provide us with adequate working capital to operate our business. The availability of borrowing amounts under our credit facilities are dependent upon our compliance with the debt covenants set forth in the facilities. Violation of those covenants, whether as a result of incurring operating losses or otherwise, could result in our lenders restricting or terminating our borrowing ability under our credit facilities. The availability of borrowing amounts under our revolving credit facility is dependent upon the amount and quality of the accounts receivable and inventory collateralizing the revolving credit facility. The bankruptcy of a major customer could have a significant negative impact on the availability of borrowing amounts under our revolving credit facility. If our lenders reduce or terminate our access to amounts under our credit facilities, we may not have sufficient capital to fund our working capital needs and/or we may need to secure additional capital or financing to fund our working capital requirements or to repay outstanding debt under our credit facilities. We can make no assurance that we will be successful in ensuring our availability to amounts under our credit facilities or in connection with raising additional capital and that any amount, if raised, will be sufficient to meet our cash requirements. If we are not able to maintain our borrowing availability under our credit facilities and/or raise additional capital when needed, we may be forced to sharply curtail our efforts to manufacture and promote the sale of our products or to curtail our operations. Ultimately, we may be forced to cease operations.

Sales of our products are seasonal, which causes our operating results to vary from quarter to quarter.

Sales of our products are seasonal. Historically, our net sales and profitability have peaked in the first and fourth fiscal quarters due to the buying patterns of our customers. Seasonal variations in operating results may cause our results to fluctuate significantly in the second and third quarters and may depress our stock price during the first and fourth quarters.

Impairment charges could reduce our profitability.

We test our intangible assets with indefinite useful lives for impairment on an annual basis during the fourth quarter of our fiscal year, or on an interim basis if an event occurs that might reduce the fair value of the reporting unit below its carrying value. Various uncertainties, including changes in consumer preferences, deterioration in the political environment, continued adverse conditions in the capital markets or changes in general economic conditions could impact the expected cash flows to be generated by an intangible asset or group of intangible assets, and may result in an impairment of those assets. Although any such impairment charge would be a non-cash expense, any impairment of our intangible assets could materially increase our expenses and reduce our profitability.

During the third quarter of 2009, the Company determined that indicators of potential impairment existed because the Company had experienced a decrease in the Company s market capitalization for a sustained period of time and had sustained two quarters of continued net losses. In accordance with ASC 360, the Company evaluated its long-lived assets and other intangible assets, using an undiscounted cash flow analysis prior to evaluating goodwill. This analysis supported the carrying value of the long-lived assets and other intangible assets, but could not support the carrying value of goodwill. Therefore, management determined that no impairment was necessary of the long-lived assets and other intangible assets.

In evaluating goodwill, the Company evaluated the market capitalization at June 30, 2009 and performed an evaluation based on multiples of earnings and discounted cash flow analysis as evidence of the fair value of the entity. It was determined that the fair value did not exceed the carrying amount of goodwill, and accordingly, the Company took an impairment charge of approximately $4,890,000.

The Company s analysis uses significant estimates in the evaluation of long-lived assets, other intangibles, and goodwill, such as estimated cash flows from continuing operations, estimated future revenues, cost of goods sold and gross margin. It is reasonably possible that our estimates and assumptions could change in the near future, which could lead to further impairment of long-lived assets and other intangibles.

We could be delisted by the NYSE Amex Stock Exchange.

The Company has received a Notice of delisting from NYSE Amex which is discussed in Item 7, Management Discussion & Analysis, as well as in Note 20 to the consolidated financial statements.

We may experience difficulties in integrating strategic acquisitions.

As part of our growth strategy, we intend to pursue acquisitions that are consistent with our mission and that will enable us to leverage our competitive strengths. Risks associated with integrating strategic acquisitions include:

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- the acquired business may experience losses which could adversely affect our profitability;
- unanticipated costs relating to the integration of acquired businesses may increase our expenses;
- possible failure to obtain any necessary consents to the transfer of licenses or other agreements of the acquired company;
- possible failure to maintain customer, licensor and other relationships after the closing of the transaction of the acquired company;
- difficulties in achieving planned cost-savings and synergies may increase our expenses;
- diversion of our management s attention could impair their ability to effectively manage our other business operations; and
- unanticipated management or operational problems or liabilities may adversely affect our profitability and financial condition.

Currency exchange rate fluctuations could increase our expenses.

We currently do not have significant foreign operations, but our growth plan depends somewhat on growth in foreign operations for which the functional currencies are often denominated in Euros, Swiss Francs, Japanese Yen, Chinese Yuan, Taiwan Dollars and Canadian Dollars. As the values of the currencies of the foreign countries in which we have operations increase or decrease relative to the U.S. dollar, the sales, expenses, profits, losses, assets and liabilities of our foreign operations, as reported in our condensed consolidated financial statements, increase or decrease, accordingly. None of our revenues for the year ended September 30, 2009 or 2008 were denominated in currencies other than the U.S. dollar.

Any litigation we undertake to collect amounts due to us could be unsuccessful and the costs could reduce our profitability.

The Company is involved in the collection of funds in connection with the misappropriation of funds discussed more fully in Item 3. We may not be successful in our efforts. Even if we are successful in the litigation, we may not receive an award sufficient to remedy the damages, there may not be sufficient assets to collect any judgment awarded and some or all of the costs incurred in connection with any such litigation or collection efforts may not be fully recovered. It is not possible, at this time, to estimate what those costs may be.

Trademark infringement or other intellectual property claims relating to our products could increase our costs.

We could be either a plaintiff or defendant in trademark and patent infringement claims and claims of breach of license from time to time. The prosecution or defense of intellectual property litigation is both costly and disruptive of the time and resources of our management even if the claim or defense against us is without merit. We could also be required to pay substantial damages or settlement costs to resolve intellectual property litigation.

We also rely on trade secret law to protect certain of our technologies and proprietary information that we cannot or have chosen not to patent. Trade secrets, however, are difficult to protect. Although we attempt to maintain protection through confidentiality agreements with key personnel, contractors and consultants, we cannot guarantee that such contracts will not be breached. In the event of a breach of a confidentiality agreement or divulgence of proprietary information, we may not have adequate legal remedies to maintain our trade secret protection. Litigation to determine the scope of intellectual property rights, even if ultimately successful, could be costly and could divert management s attention away from business and may not adequately compensate for the damages suffered..

We are subject to environmental and safety regulations.

We are subject to federal, state, and local laws and other legal requirements related to the generation, storage, transport, treatment and disposal of materials as a result of our manufacturing and assembly operations. We believe that our existing environmental management system is adequate and we have no current plans for substantial capital expenditures in the environmental area. We do not currently anticipate any material adverse impact on our results of operations, financial condition or competitive position as a result of compliance with federal, state, local and foreign environmental laws or other legal requirements. However, risk of environmental liability and changes associated with maintaining compliance with environmental laws is inherent in the nature of our business and there is no assurance that material liabilities or changes would not arise.

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Our shares of common stock are thinly traded and our stock price may be more volatile.

Because our common stock is thinly traded, its market price may fluctuate significantly more than the stock market in general or the stock prices of similar companies, which are exchanged, listed or quoted on the NYSE Amex. Thus, our common stock will be less liquid than the stock of companies with broader public ownership, and as a result, the trading prices for our shares of common stock may be more volatile. Among other things, trading of a relatively small volume of our common stock may have a greater impact on the trading price for our stock than would be the case if our public float were larger.

ITEM 1B. UNRESOLVED STAFF COMMENTS

On September 30, the Company received a comment letter from the Securities and Exchange Commission (the Commission) regarding the Form 10-KSB for the year ended September 30, 2008 and the Form 10-Q for the quarterly period ended June 30, 2009. The Company responded on November 6, 2009 to all of the concerns addressed by the Commission s comment letter. The Company addressed some of the concerns of the Commission by filing an amendment to its Form 10-KSB for its fiscal year ended September 30, 2008. In addition, the Company believes that the remaining concerns of the Commission are addressed in the filing of this Form 10-K for the year ended September 30, 2009.

ITEM 2. PROPERTIES

The Company maintains both leased and owned manufacturing, warehousing, distribution and office facilities. The Company believes that its facilities are well maintained and have capacity adequate to meet its reasonably foreseeable needs. The Company has approximately 260,000 square feet of modern manufacturing facilities in Spencer, IA and Milford, IA.

The Company s corporate headquarters is located in its owned facility in Spencer, Iowa.

As of September 30, 2009, the Company operated in the following manufacturing, distribution and office locations:

- Spencer, Iowa
- Milford, Iowa
- Minnetonka, Minnesota

See Note 12 to the condensed consolidated financial statements included elsewhere in this report for a discussion of the Company s lease obligations.

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. There is presently only one such claim known to management, which is more fully discussed in Item 7, Management s Discussion and Analysis, as well as in Notes 19 and 20 to the consolidated financial statements, and is related to Company s claims in connection with the misappropriation of funds by the former Chairman of the Board of Directors.

The Company intends to pursue all appropriate action to recover amounts due to it as a result of these events, which may include litigation proceedings if necessary. In the second quarter of 2010, the Company received 195,416 shares of the Company shares related to the recovery from this misappropriation. In addition, the Company continues to cooperate with the various regulatory authorities involved.

While the ultimate outcome of these matters is not presently determinable, it is in the opinion of management that the resolution of outstanding claims will not have a material adverse effect on the financial position or results of operations of the Company. Due to the uncertainties in the settlement process, it is at least reasonably possible that management s view of outcomes will change in the near term.

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ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On August 24, 2009, Cycle Country Accessories Corp. filed a definitive proxy statement pursuant to Section 14(a) of the Securities Exchange Act of 1934 to solicit the consent of its stockholders. The following matters were submitted to a vote of stockholders during the fourth quarter of the fiscal year ended September 30, 2009:

- to re-elect two directors for a term which will expire at the 2012 annual meeting;
- to ratify the appointment of Boulay, Heutmaker, Zibell & Co. P.L.L.P. as the independent registered public accounting firm for our fiscal year ending September 30, 2009; and
- to transact such other business as properly came before the annual meeting or any adjournment or postponement thereof.

The stockholders approved by proxy or in person the re-election of the two directors as follows:

Nominees	Votes For	Votes Against	Abstain
Robert Davis	3,173,531	143,361	50,082
Daniel Thralow	3,316,692	200	50,082

The shareholders approved the ratification of the appointment of the audit firm as follows:

Votes For	Votes Against	Abstain
3,329,967	11,512	25,495

There were no other matters brought to a vote of security holders during the fourth quarter of the fiscal year ended September 30, 2009. The directors continuing in office and not up for reelection were: Jeffrey M. Tetzlaff, Alan Bailey and L.G. Hancher, Jr. Mssrs. Bailey and Hancher have since resigned from the Board and Paul DeShaw has been elected by the Board to fill one of the vacancies. Mr. DeShaw will stand for election by the shareholders at the next annual meeting.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Certain information with respect to this item is included in Note 9 to the Company s consolidated financial statements included elsewhere in this report. The Company has only one class of common stock and it is traded on the NYSE Amex under the symbol: ATC. As of September 30 2009, the Company had 43 holders of record of its common stock.

A summary of the high and low sales prices for the Company s common stock during each quarter of the years ended September 30, 2009 and September 30, 2008 is as follows:

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Stock prices:								
High	$ 1.0837	$ 1.98	$ 0.55	$ 2.45	$ 0.56	$ 1.85	$ 0.62	$ 1.82
Low	$ 0.39	$ 1.43	$ 0.15	$ 1.52	$ 0.23	$ 1.30	$ 0.23	$ 0.76

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In fiscal 2009, the Company declared no dividends. The Company intends to retain earnings for investment in its operations and does not intend to pay dividends in the foreseeable future. The following limitations apply to the ability of the Company to pay dividends:

Pursuant to the Company s revolving credit and security agreement, originally dated August 21, 2001, and which is further described in Note 7 to the Company s condensed consolidated financial statements included elsewhere in this report, by and among the Company and its lender, the Company is restricted in its ability to make restricted payments (primarily dividends and repurchases of common stock). The Company may not declare or pay dividends without the consent of its lender.

Equity Compensation Plan

The following table sets forth unexercised options held by the named executive officers as of the 2009 fiscal year-end.

Outstanding Equity Awards at September 30, 2009

Equity Compensation Plan Information

Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted-average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders	None		
Equity compensation plans not approved by security holders	500,000	$ 1.68	(1)
Total	500,000	1.68	

(1) Represents a three year option issued to Jeffrey M. Tetzlaff, Chief Executive Officer, dated May 16, 2008 at an exercise price of $1.68 per share, which represents the closing price on the date his employment commenced.

Total Shareholder Return

The graph below compares on a cumulative basis the yearly change since September 30, 2004 in the total return (assuming that dividends were not reinvested) to shareholders on the common stock with (a) the total return (assuming that dividends were not reinvested) on the S&P 500 Composite Index; (b) the total return (assuming that dividends were not reinvested) on the Russell 2000 Index; and (c) the total return (assuming that dividends were not reinvested) on a self-constructed peer group index. The peer group consists of Arctic Cat Inc., Polaris Industries Inc., and Deere & Co. The graph assumes $100 was invested on September 30, 2004 in the Company s common stock, the S&P 500 Composite Index, the Russell 2000 Index and the peer group indices.

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* $100 invested on September 30, 2004 in stock or the applicable index or peer group, not including reinvestment of dividends.

The information in this section titled Total Shareholder Return shall not be deemed to be soliciting material or filed with the Securities and Exchange Commission or subject to Regulation 14A or 14C promulgated by the Securities and Exchange Commission or subject to the liabilities of section 18 of the Securities Exchange Act of 1934, as amended, and this information shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following table presents selected consolidated financial data, which should be read along with the Company s consolidated financial statements and the notes to those statements and with Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this report. The consolidated statements of operations for the years ended September 30, 2009 and September 30, 2008, and the consolidated balance sheet data as of September 30, 2009 and September 30, 2008 are derived from the Company s audited consolidated financial statements included elsewhere herein.

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SELECTED CONSOLIDATED FINANCIAL DATA

		September 30 2009		September 30 2008
INCOME STATEMENT:				
Sales	$	10,281,726	$	17,513,941
Cost of Goods Sold		8,360,912		13,215,382
Inventory Adjustments (1)		474,000		
Gross Profit		1,446,814		4,298,559
Sales, General & Admin (2)		4,037,309		4,763,859
Goodwill Impairment (3)		4,890,146		
Fraud Expense (4)		620,000		
Gain on Sale of Assets		(164,590)		(361,462)
Operating Expense	$	9,382,865	$	4,402,397
Other income (Expense)	$	(323,742)	$	(284,681)
Net Profit (Loss) Pre Tax	$	(8,259,793)	$	(388,519)
Net Profit (Loss)	$	(6,798,793)	$	(358,262)
Cash Dividends	$	0	$	0
BALANCE SHEET:				
Total Current Assets	$	6,958,732	$	8,811,039
Net Fixed Assets		10,803,308		11,449,369
Other Assets		218,935		5,116,321
Total Assets	$	17,980,975	$	25,376,729
Total Current Liabilities		3,808,053		3,279,937
Long Term Liabilities		5,281,537		6,526,615
Total Liabilities		9,089,590		9,806,552
Net Worth	$	8,891,385	$	15,570,177
EQUITY				
Weighted Average Shares of Common Stock Outstanding:				
Basic		6,059,854		6,169,659
Diluted		6,059,854		6,169,659
Earnings (Loss) Per Common Share				
Basic	$	(1.12)	$	(0.06)
Diluted	$	(1.12)	$	(0.06)

(1) The year ended September 30, 2009 includes a charge for excess and obsolete inventory of approximately $283,000 and a charge for inventory shrink of approximately $191,000 included in the cost of sales.

(2) The year 2008 includes a charge of $117,000 for the buyout of the employment agreements of the former CEO and CFO who were terminated.

(3) The year ended September 30, 2009 includes a goodwill impairment charge of $4,890,146.

(4) The year ended September 30, 2009 includes a fraud expense of $620,000.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Overview

The Company designs, manufactures and markets top-quality outdoor recreational and powersports products for the outdoor enthusiast. Through a combination of innovative products, strong marketing, a talented and passionate workforce, and excellent customer service, the Company has set itself apart from the competition for nearly 30 years. Our Company strives each day to accelerate our creative, entrepreneurial culture, following the strategic vision set by executive management and overseen by the Company s Board of Directors.

Recent Developments

Misappropriation of Funds by Former Board Chairman

The Company previously reported the acquisition by the Company of 747,250 shares of its own stock at an average cost of $0.72 per share price (the Stock Buyback) for a total cost of $570,000 in cash during the first fiscal quarter ending December 31, 2008 of fiscal 2009. In the process of completing the audit of its consolidated financial statements for the fiscal year ended September 30, 2009, the Company was unable to obtain satisfactory documentation confirming the Stock Buyback.

Mr. L.G. (Bob) Hancher, Jr., the then-Chairman of the Company s Board of Directors and Audit Committee, had recommended the Stock Buyback and had undertaken to complete it on the Company s behalf. Mr. Hancher had previously reported to the Company and its auditors that he had completed the Stock Buyback on the terms disclosed in the Company s filings.

In the process of investigating matters relating to the Stock Buyback, a number of irregularities surrounding the purported transactions surfaced. In response to ongoing inquiries from management for appropriate documentation on the use of $570,000 in cash provided by the Company to complete the Stock Buyback, on January 6, 2010, the Company received a letter from Mr. Hancher that stated $400,000 of the funds advanced to him by the Company were not used to purchase shares of Company stock.

The funds reported as used for the Stock Buyback have been re-characterized as fraud expense. Also, as a result of the misappropriation, the number of outstanding shares was incorrectly reported in each of the Company s quarterly reports on Form 10-Q for fiscal 2009, including the Original Filing and have been corrected.

In addition, during the quarter ended March 31, 2009, as part of this purported Stock Buyback transaction, Mr. Hancher directed the Company to pay $50,000 to a consulting brokerage firm. These funds were originally recorded as a pre-paid expense, and were to be used to pay future legal and other advisory costs. As a result of the Company s investigation of this entire matter, management has determined the $50,000 in prepaid expenses also should be treated as fraud expense.

Furthermore, the Company is reclassifying some stock-based compensation to its outside directors. Mr. Hancher was responsible for issuing stock-based compensation to the other directors in accordance with the Company s approved plan. However, as part of the investigation, it was discovered that some of the shares that Mr. Hancher was to issue were not in fact issued.

The Company continues to work to recover all of the amounts misappropriated, but any such recoveries will impact subsequent periods and will be reported for the periods in which such recoveries occur. In the second quarter of fiscal 2010, the Company recovered 195,416 shares of its stock.

Delisting Notice for Company Shares from NYSE Amex.

Upon discovery of the misappropriation of funds noted above, the Company s external, independent auditors and attorneys were engaged to launch an internal investigation into this matter. The misappropriation and subsequent investigation created significant delays, which caused the Company to be unable to timely file its annual report on Form 10-K for the year ended September 30, 2009, as well as its Form 10-Q for the fiscal quarter ending December 31, 2009.

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On January 8, 2010, the Company notified the Securities and Exchange Commission and the NYSE Amex compliance authorities of the discovery of the misappropriation of funds and announced its expected delay in filing its Form 10-K. On January 14, 2010, the Company received a notice (the Notice) from NYSE Amex LLC (Exchange) that the Company was not in compliance with some of the Exchange s continued listing standards. On February 17, 2010, the Company received an additional notice from the Exchange that determined the Company is out of compliance with the Exchange s continued listing requirements for its failure to timely file its Form 10-Q for its first fiscal quarter ended December 31, 2009.

The Company filed a Plan of Compliance (the Plan) with the Exchange on January 28, 2010. On March 1, 2010, the Company received a letter from the Exchange that it has accepted the Company s Plan and, pursuant to such Plan, the Exchange granted the Company an extension until April 14, 2010 to regain compliance with its continued listing standards in order to maintain its listing on the Exchange. The Company subsequently requested and was granted an additional extension until May 17, 2010 to file its delinquent reports.

The Exchange has acknowledged that through the Company s recently announced addition of a new independent member to its Board of Directors and Audit Committee, the Company has regained compliance with the relevant sections of the Company Guide identified in the Notice.

The Company believes it will be back into compliance with the remaining deficiencies identified by the Exchange with the filing of this Form 10-K and the filing of its Form 10-Q for its first fiscal quarter ending December 31, 2009, which is also being filed on or about the time of the filing of this report.

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Results of Operations

The Company s sales and operating profit (loss) by business segment are summarized as follows:

	2009	2008	$ Change	% Change
Total Revenue by Segment				
CCAC ATV	$ 8,649,967	$ 14,759,198	$ (6,109,231)	(41.39)%
Plazco	689,792	1,500,730	(810,938)	(54.04)%
Perf-Form	254,197	219,862	34,335	15.62%
Imdyne	1,425,997	2,144,978	(718,981)	(33.52)%
Total Revenue by Segment	11,019,953	18,624,768	(7,604,815)	(40.83)%
Freight Income	92,842	69,299	23,543	33.97%
Sales Discounts & Allowances	(831,069)	(1,180,126)	349,057	29.58%
Total Consolidated Revenue	10,281,726	17,513,941	(7,232,215)	(41.29)%
Operating profit by Segment				
CCAC ATV	4,181,220	6,734,377	(2,553,157)	(37.91)%
Plazco	404,367	845,572	(441,205)	(52.18)%
Perf-Form	78,069	72,670	5,399	7.43%
Imdyne	407,016	783,092	(376,076)	(48.02)%
Total Profit By Segment	5,070,672	8,435,711	(3,365,039)	(39.89)%
Freight Income	92,842	69,299	23,543	33.97%
Sales Disc. & Allow.	(831,069)	(1,180,126)	349,057	29.58%
Factory Overhead	(2,885,631)	(3,026,325)	140,694	4.65%
Gross Profit	$ 1,446,814	$ 4,298,559	$ (2,851,745)	(66.34)%

See Note 13 in the notes to the consolidated financial statements included elsewhere in this report for the definition of segment net sales and operating profit.

Fiscal 2009 vs. Fiscal 2008

Net Sales

With the exception of Perf-Form, which showed a slight increase in sales, the Company s business segments were adversely impacted in 2009 by the state of the domestic and global economies. During the 2009 fiscal year, sales were negatively affected by a weak retail environment which the Company believes is due to a number of factors including, but not limited to, continued weakness in the domestic and global economies, high unemployment, volatile capital markets, depressed housing prices and tight consumer lending practices, all of which drove consumer confidence down to, or near, historical lows and resulted in considerable negative pressure on spending by individual consumers. The Company is continuing to adjust its infrastructure to match its sales volumes as it works through these difficult times. Net sales totaled $10,281,726 in 2009 compared to $17,513,941 in 2008, a decrease of 41.3% or $7,232,215.

Net sales for the Cycle Country ATV Accessories business segment decreased approximately $6.1 million or 41.4% during 2009. The decline was primarily the result of general economic conditions and weakness in the sales of new units by the manufacturers of ATV/UTV powersports which reduced demand for all aftermarket accessories in these product lines.

Plazco s net sales declined approximately $811,000 in 2009, or 54.0%, primarily due to the decline in sales to the golf industry. Golf car accessories were down from the prior year due to softness in the U.S. economy driving cautious spending by that industry.

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Net sales for the Perf-Form oil filter business segment increased slightly by approximately $34,000 or 15.6%, primarily as a result of improvement in the Company s on-going supply chain issues with components necessary for manufacturing the products.

Imdyne, our contract manufacturing business segment saw a decline in sales of approximately $719,000, or 33.5%, due largely to weak economic conditions in the Midwest among the customers for whom we generally fabricate products.

Cost of Goods Sold

Cost of Goods Sold for the fiscal year was impacted adversely in the first quarter and fourth quarter of fiscal 2009 due to the Company having recorded two inventory write-offs totaling approximately $474,000 for the year. The first write-off, in the amount of approximately $191,000, occurring in the second quarter, was due to a a shortage discovered during a physical inventory count at the end of January 2009. The Company also recorded an inventory write-off of $283,000 as a result of the completion of the inventory evaluation started in the third fiscal quarter. In that period, the Company had increased its reserve by approximately $610,000 as an estimate of the excess and obsolete inventory on hand. However, in the fourth quarter, the Company continued to evaluate the inventory and found that the total amount was only $283,000

Production efficiencies and aggressive material and parts purchasing led to lower costs of goods sold across all of the segments of the Company.

Gross Profit

Gross profit of approximately $1.4 million was 14.1% of net sales on a consolidated basis for the year ended September 30, 2009 compared to approximately $4.3 million or 24.5% of net sales in the prior year. The gross profit decline of $2.9 million was primarily attributable to the 41.5% decline in sales volume during 2009 as compared to 2008. As a result of reduced sales, and in order to reduce inventories, our manufacturing facilities were operated at reduced capacity at certain points during the year. This resulted in higher unabsorbed costs in our manufacturing plants, which were expensed during the period.

Operating profit in the Cycle Country ATV Accessories business segment declined approximately $2.5 million from the prior year due to a decline in volume, but improved as a percent of sales from 45.6% in 2008 to 48.3% in the current year.

Operating profit in the Plazco business segment declined approximately $441,000 from 2008, but improved as a percent of sales from 56.3% in the prior year to 58.6% in 2009.

Operating profit in the Perf-Form oil filter segment was 30.7% of sales in 2009 and was $5,000 higher than 2008 levels, which were equal to 33.1% of sales. The slight increase in gross profit was due primarily to increased volume while the decrease in operating profit percentage is due to related operating inefficiencies.

Operating profit for the Imdyne contract manufacturing segment decreased by approximately $376,000 from 36.5% of sales in 2008 to 28.5% of sales in 2009 primarily as a result of operating inefficiencies due to lower volumes.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased from the prior year by $727,000. The decrease was due, in part, to a decrease in wages of approximately $457,000. During fiscal 2008, the Company paid $117,000 due to the departure of the former CEO and CFO. Advertising expenses were down approximately $352,000 due to advertising initiatives in 2008 not continued in fiscal 2009 such as television ads, brochures and videos.

Impairment Charges

During the third quarter of 2009, the Company determined that indicators of potential impairment existed because the Company had experienced a decrease in the Company s market capitalization for a sustained period of time and had sustained two quarters of continued net losses. In accordance with ASC 360, the Company evaluated its long-lived assets and other intangible assets, using an undiscounted cash flow analysis prior to evaluating goodwill. This analysis supported the carrying value of the long-lived assets and

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other intangible assets, but could not support the carrying value t of goodwill. Therefore, management determined that no impairment was necessary of the long-lived assets and other intangible assets.

In evaluating goodwill, the Company evaluated the market capitalization at June 30, 2009 and performed an evaluation based on multiples of earnings and discounted cash flow analysis as evidence of the fair value of the entity. It was determined that the fair value did not exceed the carrying amount of goodwill, and accordingly, the Company took an impairment charge of approximately $4,890,000.

The Company s analysis uses significant estimates in the evaluation of other intangibles such as estimated cash flows from continuing operations, estimated future revenues, cost of goods sold and gross margin. It is reasonably possible that the Company s estimates and assumptions could change in the near future, which could lead to further impairment of long-lived assets and other intangibles.

Operating Results

The Company recognized an operating loss of $7.9 million in fiscal 2009 compared to an operating loss of $104,000 in fiscal 2008. Primary factors driving the decrease in operating profit margins were the goodwill impairment loss recognized in the current year with significantly lower production volumes in 2009.

Interest Expense

Interest expense continues to decrease in correlation with the decrease of debt carried by the company. During fiscal year 2009, interest expense decreased by approximately $3,000 dollars as compared to fiscal year 2008.

Other Income and Expenses

Other income and expense includes interest income and lease income. Other expense increased approximately $39,000 for the year ended September 30, 2009 as compared to the year ended September 30, 2008.

Pretax Income (Loss) and Income Taxes

The Company recognized a pretax loss of $8.26 million in fiscal 2009, compared to a pretax loss of $389,000 in fiscal 2008. The Company recorded an income tax benefit of $1.46 million, an effective benefit of 17.7%, compared to $30,000 of income tax benefit in fiscal 2008, an effective benefit rate of 7.8%.

Net Loss

The Company recognized a net loss of $6.8 million in fiscal 2009, or $1.12 per diluted share, compared to a net loss of $358,000 in fiscal 2008, or $0.06 per diluted share.

Financial Condition, Liquidity and Capital Resources

The Company s cash flow from operating, investing and financing activities, as reflected in the consolidated statements of cash flows, is summarized in the following table:

	2009	2008
Cash provided by (used for):		
Operating activities	$ 364,292	$ (49,473)
Investing activities	(192,379)	(1,275,920)
Financing activities	(338,999)	1,065,121
Increase (decrease) in cash and cash equivalents	$ (167,086)	$ (260,272)

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The Company generated approximately $364,000 in positive cash flow from operating activities, a change from negative cash flow last year in the amount of approximately ($50,000). The Company s seasonal line of credit, positive cash flow, and strong balance sheet will continue to fund the Company s ability to meet existing and likely future cash requirements.

The Company violated one of the technical covenants in its loan agreements with its lender. The Company has asked for and received a waiver from the lender for this technical violation. Continuation of these covenant violations could ultimately have a negative impact on the Company, as it may affect the Company s ability to negotiate new credit facilities with this lender. Further, these violations carry a penalty payment due to the lender, and though the penalty is small, the continuation of these violations could impact the Company s operations.

The Company s business is seasonal and the year-end falls during one of our busiest times of year. At September 30, 2009, and September 30, 2008, our lines of credit had been fully utilized, but the Company had significant accounts receivable and inventory. Consistent with its historical experience, the Company expects to collect sufficient receivables to repay the line of credit. The Company expects the existing cash balances, the cash flow to be generated from operating activities, and the available borrowing capacity under our credit line agreement to be sufficient to fund normal operations..

Operating Activities

The following table sets forth the Company s working capital position at the end of each of the past two years:

	2009	2008
Current assets	$ 6,958,732	$ 8,811,039
Current liabilities	3,808,053	3,279,937
Working capital	$ 3,150,679	$ 5,531,102
Current ratio	1.83	2.69

Cash flows provided by (used for) operations totaled $364,300, and $(49,500) in fiscal 2009 and 2008, respectively. The most significant driver in the increase in cash flows from operations in fiscal 2009 was a $1.5 million decrease in inventory levels; a $1.1 million decrease in accounts receivable offset by an increased net loss and an increase in deferred taxes receivable.

Depreciation and amortization charges were $836,000 in fiscal 2009 and $813,000 in fiscal 2008.

Investing Activities

Cash flows used for investing activities were approximately $192,000 and $1,300,000 in fiscal 2009 and 2008, respectively. Expenditures for property, plant and equipment were $221,000 and $1,280,000 in fiscal 2009 and 2008, respectively. In general, the Company s ongoing capital expenditures are primarily related to tooling and equipment for new products, lean manufacturing initiatives, and information systems improvements.

Financing Activities

The following table sets forth the Company s debt and capital structure at the end of the past two fiscal years:

	2009	2008
Current debt	$ 863,160	$ 811,053
Long-term debt	3,111,783	3,971,525
Total debt	3,974,943	4,782,578
Shareholders equity	8,891,385	15,570,177
Total capitalization	$ 12,866,328	$ 20,352,755
Total debt to total capitalization	30.9%	23.5%

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Payments on long-term debt were approximately $685,000 and $808,000 for fiscal years 2008 and 2009 respectively.

Contractual Obligations and Off-Balance-Sheet Arrangements

The Company has contractual obligations and commitments to make future payments under its existing credit facility, including principal, interest and operating leases. See Note 7 in the consolidated financial statements included elsewhere in this report for financial information regarding the significant terms and schedule of payments on debt obligations, and Note 12 regarding lease obligations.

As part of the investment in Golden Rule (Bermuda) Ltd, a captive insurance company in which the Company has invested and formerly secured some of its insurance protection, the Company is required to provide a letter of credit primarily as security for the payment of future claims under its workers compensation insurance. Letters of credit outstanding at September 30, 2009 were approximately $195,000 compared to $207,000 at September 30, 2008. The decline was caused by the Company moving its workers compensation insurance to a new company.

The Company has no off-balance-sheet arrangements.

Market Risk Management

The Company is exposed to market risk stemming from changes in commodity prices such as steel, plastic resins, and packaging materials, and to a lesser extent to foreign currency exchange rates and interest rates. Changes in these factors could cause fluctuations in earnings and cash flows. The Company may reduce exposure to certain of these market risks by entering into supply agreements and purchase contracts for materials. The Company does not currently use hedging transactions as part of its risk management strategy.

Foreign Currency

The Company currently has a limited amount of foreign sales or off-shore product sourcing for which the functional currencies would commonly be denominated in Euros, Swiss Francs, Japanese Yen, Chinese Yuan, Taiwan Dollars, and Canadian dollars. As the values of the currencies of the foreign countries in which the Company has sales or off-shore product sourcing increase or decrease relative to the U.S. dollar, the sales, expenses, profits, losses, assets and liabilities of the Company s foreign operations, as reported in the Company s condensed consolidated financial statements, increase or decrease, accordingly. None of the Company s revenues for the years ended September 30, 2009 and 2008 were denominated in currencies other than the U.S. dollar.

Interest Rates

The Company s long-term capital needs are largely funded with fixed rate debt and seasonal working capital needs are funded with floating rate debt. The Company s primary exposure is to U.S. interest rates.

Commodities

Certain components used in the Company s products are exposed to commodity price changes. The Company manages this risk through instruments such as purchase orders and non-cancelable supply contracts. Primary commodity price exposures include costs associated with metals, resins and packaging materials.

Sensitivity to Changes in Value

The estimated maximum potential loss from a 100 basis point movement in interest rates on the Company s term loan and short term borrowings outstanding at September 30, 2009 is approximately $50,000 in in annual income before income taxes. These estimates are intended to measure the maximum potential earnings the Company could lose in one year from adverse changes in market interest rates. The calculations are not intended to represent actual losses in fair value or earnings that the Company expects to incur. The estimates do not consider favorable changes in market rates or the effect of interest rate floors.

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Other Factors

The Company anticipates that changing costs of basic raw materials may impact future operating costs and, accordingly, the prices of its products. The Company is involved in continuing programs to mitigate the impact of cost increases through changes in product design and identification of sourcing and manufacturing efficiencies. Price increases and, in certain situations, price decreases are implemented for individual products, when appropriate.

Critical Accounting Policies and Estimates

The Company s management discussion and analysis of its financial condition and results of operations are based upon the Company s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of its assets, liabilities, sales and expenses, and related footnote disclosures. On an on-going basis, the Company evaluates its estimates for product returns, bad debts, inventories, intangible assets, income taxes, warranty obligations, pensions and other post-retirement benefits, and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements. Management has discussed these policies with the Audit Committee of the Company s Board of Directors.

Allowance for Doubtful Accounts

The Company recognizes revenue when title and risk of ownership have passed to the buyer. Allowances for doubtful accounts are estimated by the individual operating companies based on estimates of losses related to customer accounts receivable balances. Estimates are developed by using standard quantitative measures based on historical losses, adjusting for current economic conditions and, in some cases, evaluating specific customer accounts for risk of loss. The establishment of reserves requires the use of judgment and assumptions regarding the potential for losses on receivable balances. Though the Company considers these balances adequate and proper, changes in economic conditions in specific markets in which the Company operates and any specific customer collection issues the Company identifies could have a favorable or unfavorable effect on required reserve balances.

Inventories

Inventories are stated at the lower of cost or market using the weighted average method. Cost includes materials, labor, and manufacturing overhead related to the purchase and production of inventories. Management regularly reviews inventory quantities on hand, future product demand and the estimated utility of inventory. If the review indicates a reduction in utility below carrying value, management would reduce the Company s inventory to a new cost basis through a charge to cost of goods sold.

During the third quarter of 2009, while undergoing lean manufacturing process improvements and upgrades to the ERP software used to manage the Company, management spent significant time evaluating the inventory processes, inventory quantities on hand, future product demand and the estimated utility inventory. During this review, management made the determination that some inventory on-hand was obsolete or needed to be written down to the current market values. Accordingly, the Company increased the reserve by $610,000 to approximately $772,000 during third quarter, until management could complete the review.

The Company completed the process improvements and upgrades during the fourth quarter of 2009. As a result of management review, process improvements and upgrades, management ultimately determined the Company had approximately $283,000 of obsolete inventory, which was applied against the inventory reserve upon disposal. Adjustments to the inventory reserve for write downs due to lower of cost or market were immaterial. Management evaluated the Company s remaining inventory reserve based on the Company s historical experience and current economic conditions and determined that an inventory reserve of approximately $150,000 at September 30, 2009 was appropriate. It is reasonably possible the inventory reserve will change in the near future.

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Deferred Taxes

The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. While the Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance, in the event the Company were to determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made. Likewise, should the Company determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax assets would increase income in the period such determination was made.

Goodwill and Other Intangible Assets Impairment

Goodwill and intangible assets are reviewed and assessed for impairment at least annually or when indicators of potential impairment exist, using a fair-value based approach. Fair value is estimated using a discounted cash flow analysis. If the fair value of a reporting unit exceeds its net book value, no impairment exists. When fair value is less than the carrying value of the net assets and related goodwill, an impairment test is performed to measure and recognize the amount of the impairment loss, if any. The estimate of fair value was calculated using a discounted cash flow analysis, which requires a number of key estimates and assumptions. We estimated the future cash flows of the other intangible assets based on historical and forecasted revenues and operating costs. We applied a discount rate to the estimated future cash flows for purposes of the valuation. This discount rate is based on the estimated weighted average cost of capital, which includes certain assumptions such as market capital structure, market betas, risk-fee rate of return and estimated costs of borrowing. Changes in these key estimates and assumptions, or in other assumptions used in this process, could materially affect our impairment analysis in a given year.

Intangible assets with estimable useful lives are amortized over their respective estimated useful lives.

During the third quarter of 2009, the Company determined that indicators of potential impairment existed because the Company had experienced a decrease in the Company s market capitalization for a sustained period of time and had sustained two quarters of continued net losses. In accordance with ASC 350, the Company evaluated its other intangible assets using an undiscounted cash flow analysis prior to evaluating goodwill. This analysis supported the carrying value of the other intangible assets, but would only support a minimal amount of goodwill. Therefore, management determined that no impairment was necessary of the other intangible assets.

In evaluating goodwill, the Company evaluated the market capitalization at June 30, 2009 valuation based on multiples of earnings and discounted cash flow analysis as evidence of the fair value of the entity. It was determined that the fair value did not exceed the carrying amount of goodwill, and accordingly, the Company took an impairment charge for the full amount of the goodwill of approximately $4,890,000.

The Company s analysis uses significant estimates in the evaluation of other intangibles and goodwill, such as estimated cash flows from continuing operations, estimated future revenues, cost of goods sold and gross margin. It is reasonably possible that the Company s estimates and assumptions could change in the near future, which could lead to further impairment of long-lived assets and other intangibles.

Other intangible assets are stated at cost and consist of trademarks, and patents. All trademarks acquired by the Company s acquisitions have been deemed to have an indefinite life and as such will not be amortized. Patents are being amortized over their estimated useful lives of 15 years.

Warranties

The Company accrues a warranty reserve for estimated costs to provide warranty services. Warranty reserves are estimated by the Company using standard quantitative measures based on criteria established by the Company. Estimates of costs to service its warranty obligations are based on historical experience, expectation of future conditions and known product issues. To the extent the Company experiences increased warranty claim activity or increased costs associated with servicing those claims, revisions to the estimated warranty reserve would be required. The Company engages in product quality programs and processes, including monitoring and evaluating the quality of its suppliers, to help minimize warranty obligations.

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New Accounting Pronouncements

On October 1, 2008, the Company adopted ASC 820   Fair Value Measurements   which defines fair value, outlines a framework for measuring fair value (although it does not expand the required use of fair value) and details the required disclosures about fair value measurements. At the present time, the Company does not have any financial or nonfinancial assets or liabilities that would require fair value recognition or disclosures under ASC 820.

The carrying value of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, accrued liabilities and debt approximates fair value. The Company estimates that the fair value of all financial instruments at September 30, 2009 approximates their carrying values in the accompanying consolidated balance sheet included in the Company s consolidated financial statements. The estimated fair value amounts have been determined by the Company using appropriate valuation methodologies.

ITEM 8.   FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Information with respect to this item is included in the Company s consolidated financial statements attached to this report on pages F-1 to F-40.

ITEM 9.   CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Henjes Conner & Williams P.C., Certified Public Accountants (Henjes), acted as the Company s accountants from January, 2004. Henjes reports on the company s September 30, 2008 audited financial statements did not contain an adverse disclaimer or modification. Cycle Country Accessories Corp. s decision to use Boulay, Heutmaker, Zibell & Co., P.L.L.P. to audit Cycle Country s September 30, 2009 financial statement was approved by the Company s Board of Directors and ratified by the shareholders. There are no disagreements with Henjes on any matter of accounting principles or practices, financial statement disclosure, auditing scope or procedure, which, if not resolved to Henjes satisfaction, would have caused it to make reference to the subject matter of the disagreement(s) in connection with its report. A copy of this disclosure has been provided to Henjes and we have not received a response disagreeing with the terms of this disclosure. Boulay, Heutmaker, Zibell & Co., P.L.L.P., Certified Public Accountants, has been the Company s independent registered public accounting firm since May 20, 2009

ITEM 9A(T). CONTROLS AND PROCEDURES

A.   Evaluation of Disclosure Controls and Procedures

Based on management s evaluation (with the participation of our Chief Executive Officer and Interim Chief Financial Officer) as of the end of the period covered by this report, our Chief Executive Officer and Interim Chief Financial Officer have concluded that the Company s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchanged Act), are ineffective, due to the material weakness in our internal control over financial reporting as discussed below, to provide reasonable assurance that the information to be disclosed by the Company in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to management, including our principal executive officer and principal financial officer as appropriate to allow timely decisions regarding required disclosures.

B. Changes in Internal Control over Financial Reporting

There was no change in the Company s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

C. **Management s Report onInternal Control over Financial Reporting**

Cycle Country s management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) or Rule 15d-15(f) under the Securities Exchange Act of 1934, as amended. Internal control over financial reporting is a process designed by, or under the supervision of, Cycle Country s Chief Executive Officer and Chief Financial Officer, and effected by our management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper

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management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Under the supervision and with the participation of the Company s management, including its Chief Executive Officer and Interim Chief Financial Officer, Cycle Country has assessed as of September 30, 2009, the effectiveness of its internal control over financial reporting. Based on its evaluation as of September 30, 2009, management concluded that our internal controls over financial reporting were ineffective as of September 30, 2009 and that there is a material weakness in our internal control over financial reporting as of September 30, 2009. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company s annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness relates to the Company s loss of a permanent Chief Financial Officer during the fourth quarter of fiscal year 2008, which carried into the first quarter of fiscal year 2009. This loss left a lack of sufficient personnel with the appropriate level of knowledge, experience and training in the application of accounting operations of our company during the period of our Stock Buyback program in the first quarter of fiscal year 2009. This weakness caused us to not fully identify and resolve accounting and disclosure issues that led to a failure to perform timely internal control and reviews, especially in relation to the Stock Buyback program, caused us to have to restate our financial reports of the three quarters of fiscal year 2009.

In order to remedy the weaknesses identified in this assessment, the Company has contracted with an interim Chief Financial Officer, whose work uncovered the details of the misappropriation of funds. We are currently negotiating with this person to become our full-time Chief Financial Officer and to develop and implement the necessary internal control procedures.

This Annual Report on Form 10-K does not include an attestation report of the Company s registered public accounting firm regarding internal control over financial reporting. Management s report regarding internal control over financial reporting was not subject to attestation by the Company s registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management s report in this Annual Report on Form 10-K. In addition, this report by management regarding internal control over financial reporting is specifically not incorporated by reference into this Annual Report on Form 10-K or into any other filing by the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Rules of The American Stock Exchange (Amex) require that a majority of the Board of Directors be independent, as defined in American Stock Exchange Company Guide Section 121(f). Under the Amex rules, the Board of Directors must make an affirmative determination that a director is independent by determining that the director has no relationships that, in the opinion of the Board

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of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board of Directors has reviewed the independence of its directors under the Amex rules. During this review, the Board of Directors considered transactions and relationships between each director or any member of his family and the Company.

The Board of Directors has determined that Messrs. DeShaw and Thralow are independent under Amex Rule Section 121(f).

The Audit Committee of the Company s Board of Directors is an audit committee for purposes of Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the Audit Committee are Mr. Paul DeShaw (Chairman) and Mr. Daniel Thralow.

The Board of Directors has reviewed the qualifications of each member of the Audit Committee for the purpose of determining whether any director serving on the Audit Committee would qualify as an audit committee financial expert as that term is defined under the rules of the Securities and Exchange Commission. Based upon that review, it was determined that, Mr. Paul DeShaw qualifies as an audit committee financial expert.

Section 16(a) Beneficial Ownership Reporting Compliance

For the fiscal year ending September 30, 2009, Robert Davis and Daniel Thralow, who each became subject to the Section 16 reporting requirements during the year, each filed their respective Form 3 late. Based on a review of prior filings and reported share ownership, it appears L.G. Hancher, Jr., the former Chairman of the Board and Audit Committee, who resigned January 6, 2010, there may be unreported transactions by Mr. Hancher that occurred during the fiscal year ending September 30, 2009 and prior fiscal years, but the Company does not have sufficient information to determine what transactions occurred and what reporting should have been completed.

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ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth the total compensation earned over the fiscal years ended September 30, 2009 and 2008 by (1) each person who served as the principal executive officer of the Company during fiscal year 2009, (2) the Company s two most highly compensated executive officers as of September 30, 2009 with compensation during fiscal year 2009 of $100,000 or more; and (3) up to two additional individuals, if any, who would have otherwise been included under clause (2) above but for the fact that they were not serving as an executive officer as of September 30, 2009 (the named executive officers).

Name and Principal Position	Fiscal Year	Salary	Bonus	Other Annual Comp	Restricted Stock Awards	Securities Underlying Options	LTIP Payouts	All Other Comp
Jeffrey Tetzlaff, President	2009	150,000	0	0	0	0	0	3,659(11)
	2008	150,000	25,000(2)	0	0	0	0	1,464(6)
Robert Davis, Interim Chief Financial Officer	2009	0	0	0	0	0	0	116,876(9)
(7) Randy Kempf, President	2009	187,500	0	0	25,000(5)	0	0	10,432(12)
	2008	208,515	25,370	121(1)	25,000(5)	0	0	6,979(3)
Alan Bailey, Vice President (8)	2009	125,000	0	500(1)	0	0	0	18,842(10)
	2008	100,000	9,272	500(1)	0	0	0	15,495(4)

(1) Christmas bonus

(2) Signing bonus

(3) Comprised of $6,979 for health insurance

(4) Comprised of $4,911 value of personal use of company auto and $10,584 paid for health insurance

(5) Comprised of the last two issances for a total of $100,000 in restricted company common stock

(6) Comprised of $1,464 of health insurance

(7) Employment terminated April 2008

(8) Retired effective April 30, 2010.

(9) Other compensation represents amounts paid to consulting firm of Bene Merenti LLC

(10) Comprised of $6,180 value of personal use of company auto and $12,662 paid for health insurance

(11) Comprised of $3,659 of health insurance

(12) Comprised of $10,432 of health insurance

(13) Comprised of $1,599 remaining vacation

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information regarding the beneficial ownership of our Common Stock as of August 6, 2009 by each stockholder known by us to own beneficially more than 5% of our Common Stock.

As of March 31, 2010, we had 5,876,891 shares of Common Stock outstanding and 43 stockholders of record. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Common Stock subject to options or warrants held by that person that are currently exercisable or will become exercisable within 60 days after March 31, 2010 are deemed outstanding, while such shares are not deemed outstanding for purposes of computing the ownership percentage of any other person. Unless otherwise indicated in the footnotes below, the persons and entities named in the table have sole voting and investment power with respect to all shares beneficially owned, subject to community property laws where applicable.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class
Joan Bailey 24160 Kelleys Beach Drive Spirit Lake, IA 51360	599,296(direct)	10.20%
Alan D Bailey		