CYCLE COUNTRY ACCESSORIES CORP
Form 10-K
December 31, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

(Mark one)
[X] ANNUAL REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2002

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number: 333-68570

Cycle Country Accessories Corp.

(Name of small business issuer in its charter)

Nevada	42-1523809
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2188 Highway 86, Milford, Iowa 51351

(Address of principal executive offices)

(712) 338-2701

(Issuer's telephone number)

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

Common Stock, par value $0.0001 per share

(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the 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. Yes [X] No [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB. [X]

The Company's revenues for the year ended September 30, 2002 were $13,363,552.

As of September 30, 2002, the aggregate market value of the voting stock held by non-affiliates of the registrant (based on a closing price of $4.02 per share held by non-affiliates on December 12, 2002) was $15,104,189.

The number of shares of the registrant's common stock, par value $0.0001 per share, outstanding as of December 12, 2002 was 3,953,000.

Transitional Small Business Disclosure Format (check one): Yes []; No [X]

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PART I.

Item 1. DESCRIPTION OF THE BUSINESS

GENERAL

Cycle Country Accessories Corp. (a Nevada corporation) was incorporated in the State of Nevada on August 15, 2001 as a C corporation. On August 21, 2001, we entered into an agreement to purchase all of the outstanding common stock of Cycle Country Accessories Corp. (an Iowa corporation) for $4,500,000 in cash and 1,375,000 shares of our common stock. Cycle Country Accessories Corp. (an Iowa corporation) was originally incorporated on August 8, 1983 and is headquartered in Milford, Iowa. In addition, on August 14, 2001, Cycle Country Accessories Corp. (an Iowa corporation) merged with Okoboji Industries Corporation. Okoboji Industries Corporation manufactured the plastic wheel covers for what is considered our Plastic Wheel Cover segment. As a result of these transactions we are the Successor Company to the business of both companies.

We are one of the world's largest manufacturers of accessories for all terrain vehicles ("ATVs"). We manufacture a complete line of branded products, including snowplow blades, lawnmowers, spreader, sprayers, tillage equipment, winch mounts, utility boxes, oil filters and oil coolers, wheel covers and an assortment of other ATV accessory products. These products custom fit essentially all ATV models from Honda, Yamaha, Kawasaki, Suzuki, Polaris, Arctic Cat and Bombardier. We design, engineer and assemble all accessory products at our headquarters and subcontract the manufacturer of many original equipment components. Additionally, we recently made the decision to enter the Lawn and Garden industry.

We are recognized as a leader in the manufacturing of high quality ATV accessory products. This reputation has enabled us to develop key, long-term relationships with ATV manufacturers and distributors. We have sold our products to 16 distributors in the United States for the past 20 years. The distributors call on and sell Cycle Country products to virtually every ATV dealer in North America. Similar strategic arrangements have also been developed internationally. We currently have 19 international distributors distributing our products to 35 countries.

Additionally, we are the largest manufacturer of golf car hubcaps in the world. We estimate that we maintain 90% of the original equipment manufacturer ("OEM") hubcap business. We have always sold directly to golf car manufacturers and we believe that we have an excellent distribution network that reaches the after market throughout the United States, Europe and Asia.

Our three largest customers accounted for approximately 44% of our net sales in the year ended September 30, 2002.

These three customers have represented a significant amount of our business every year for at least the past 16 years. While the percentage of total net sales these customers represent should decrease as our sales grow in other areas, such as Lawn and Garden, we do anticipate these customers will continue to represent a significant amount of our business.

INDUSTRY OVERVIEW

ATV Accessories:

In today's ATV market there are several OEM's competing for market share. Honda has been the world leader followed by Polaris, Yamaha, Kawasaki, Suzuki, Arctic Cat and Bombardier. According to ATV Magazine, in 2000 there were 800,000 ATV's sold worldwide. This represented a 19.2% increase over 1999. Of those 800,000 units 75% were Utility and 40% were Sport Quads. We consider the Utility Division to be our target market.

Our market research tells us that the manufacturers of garden tractors and utility vehicles need accessories similar to those available in the ATV industry. We have identified several Cycle Country accessories that can be used with lawn and garden tractors and utility vehicles. We are working with several Lawn and Garden equipment manufacturers to introduce these accessories into their product lines. We have also designed several new accessories that are going to be marketed only in the Lawn and Garden market. Cycle Country will manufacture most of these products under the private label of the manufacturer. We anticipate that 5% of our sales will be derived from the lawn and garden industry in the next year and will increase to 10% of sales the following year.

Wheel Covers:

The golf car industry continues to expand each year and is currently dominated by E-Z-Go, Club Car and Yamaha. Global, Par Car and a few other OEM's compete for the remainder of the market. We estimate that we maintain 90% of the OEM hubcap business and are the largest manufacturer of golf car hubcaps in the world. We have always sold directly to all the golf car manufacturers and we have an excellent distribution network throughout the United States, Europe and Asia to reach the after market.

COMPANY HISTORY

Cycle Country's market research has been a continued work in process for the past 21 years and that work still continues today. Our success was accomplished by constant market research and a constant effort to adjust to the changes in the industry. When we started in the ATV accessory industry ATV's were much smaller. They were small 3-wheeled vehicles with two-wheel drive. Today they are powerful 4-wheel drive vehicles capable of doing many more tasks. The ATV industry falls within both recreational and machinery industry depending on the product and consumer. In 2000, approximately 800,000 units were sold

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worldwide and there are approximately 3 million units on the market today. Prospective ATV buyers lean toward a new purchase because of the strides manufacturers have made in product development. Partly due to our line of utility products the ATV manufacturers have focused their efforts to incorporate four wheel drive and making larger ATV's for greater hauling and work capacity.

The idea for our business was born in 1981 when Jim Danbom recognized that an ATV could be used to plow snow. He manufactured and sold 100 snowplow kits that year. He sold more the next year and then in 1983 decided to incorporate. The business has grown every year since. Now in addition to snowplows, Cycle Country manufactures and sells a full range of farm products designed for the new and more powerful ATV's. These products include mowers, sprayers, 3-point hitch, moldboard plow, disc harrow, furrower, cultivator, rake, row planter, and seeder. We also manufacture winch mounts, chains, gun racks, plastic cargo boxes, steel mesh baskets, a rear hitch, and a very unique 5th wheel trailer.

Over the last several years, we have expanded into manufacturing injected molded wheel covers primarily for the golf car industry. We are now crossing over into the lawn & garden industry with some current products as well as creating new items specifically for that industry. Our acquisition this past year of Weekend Warrior, with its garden utility attachments, has provided us with new products and new markets within the lawn and garden industry that will allow us to accelerate our growth in this industry. Another acquisition this past fiscal year, Perf-Form, Inc., has provided the company with a new line of premium oil filters and oil cooler products that fit very well into our current marketing and distribution channels and provides us the opportunity to expand into the motorcycle industry.

PRODUCTS

ATV Accessories

We offer a complete line of ATV accessories. Our products enhance the functionality and versatility of the ATV. The ATV was initially designed as a recreational vehicle but is rapidly becoming a multi-purpose vehicle serving both recreational and utility functions. Our products help ATV owners perform many of their utility needs. We estimate that approximately 75% of all the ATV's currently sold are for these utility functions. We offer a standard one-year warranty on all products except snowplow blades, on which we offer a limited lifetime warranty.

Seven manufacturers dominate the ATV industry. We manufacture accessories for all of the major manufacturer's ATV models.

We manufacture our products from high-quality parts produced by local metal fabricators and metal stampers, with

final assembly and packaging performed at our headquarters. The following lists the major ATV accessory products and their proportion of total sales of the ATV accessory segment for the year ended September 30, 2002, which approximates 85% of total company segment sales: (a) Blades: 63%, (b) Winches and Winch Mounting Kits: 8%, (c) Mowers: 4%, (d) Tillage Equipment: 2%, (e) Sprayers: 3%, (f) Spreaders: 1%. "Other" products comprise the remaining 21% of our sales and comprises some of the following: John Deere products: 8%, Perf-Form oil filters and oil coolers: 4%, electric blade lift system: 3%, tire chains: 2%, bed lift kits: 1%.

Our major ATV accessory products include:

Blades.

We manufacture four sizes of steel straight blades, which include a 42", 48", 60" and 72" models. We also offer 52" and 60" State Plows, a Power "Vee" blade and a 48" and 60" plastic blade. Standard blade configuration features a universal manual lift or a universal electric lift. The blades can also be lifted with a winch.

Winches and Winch Mounts.

We offer a complete line of electric winches and winch mounts to fit all ATV models. Models include 1,500 and 2,000 pound capacity winches.

Mowers.

We offer two mowing systems, the "Quicksilver 54 Finish Cut" mower and the "Rough Cut" mower. The Quicksilver 54 is a 54" finish cut mower that can be mounted to the front of an ATV or towed behind any tractor or ATV. It is powered by a 10.5 horsepower engine by Briggs & Stratton. The Rough Cut is a 48" mower that is designed to cut thick weeds and overgrown brush. It's powered by a 12.5 horsepower engine by Briggs & Stratton and is pulled behind the ATV. The Rough Cut offers an offset hitch, which allows mowing to the left, right or directly behind the ATV. Both mowers are also available with Honda engines.

Tillage Equipment.

We manufacture a three-point hitch that transforms the ATV into a small working tractor. The three-point hitch is designed to fit on most four-wheel drive ATVs. The hitch is effective because it locks in the rear suspension and has built-in float to provide the smooth operation of attached implements. We have two three-point hitch models, one meets engineering standards for category zero hitches and the other meets engineering standards for category one hitches. The hitch design allows the use of implements such as cultivators, moldboard plow, disc harrow, furrower, rake, one row planter and a rear blade. We manufacture and sell all of these implements.

Sprayers.

We offer two styles of sprayers. The first is rack-mounted on the ATV and the other is trailer mounted. Rack-mounted sprayers are offered in both 15 and 25-gallon sizes. There are three different models of rack-mounted sprayers available depending on spraying needs: Econo Spot, Deluxe and Ag-Commercial. Trailer mounted sprayers are offered in 25 and 55 gallon sizes. Both the rack-mounted sprayers and the trailer-mounted sprayers can be purchased with either a 43" or 120" spray boom.

Spreaders.

We offer a 100-pound capacity hopper for front or rear mounting. This product is used for spreading everything from fertilizer to seed.

Other.

Additionally, we offer a wide array of products such as tire chains, rack boxes, CV boot guards, spotlights, trailers, gun racks, cargo boxes, baskets, cab enclosures and bed lift kits for select utility vehicles. Through acquisitions this past year we have added two branded product lines to our ATV accessories segment, Weekend Warrior, a line of garden utility attachments for ATVs and tractors, and Perf-Form Products, a line of premium oil filters and oil coolers for motorcycles and ATVs (see Note 3 to the Consolidated Financial Statements). We believe both of these products have great potential for growth. We have also identified several Cycle Country accessories which can be used with lawn and garden tractors and utility vehicles. We are working with several Lawn and Garden equipment manufacturers to introduce these accessories into their product lines. We have also designed several new accessories that are going to be marketed only in the Lawn and Garden market. We are pursuing retail outlets as markets for our lawn and garden products as well. We believe that this market will represent sales increases in excess of $1 million annually for the next three years.

Wheel Covers

We are a leading producer of injection-molded plastic specialty vehicle wheel covers for vehicles such as golf cars, riding lawn mowers and light duty trailers. This segment represents approximately 15% of our total segment sales. Wheel cover products include 6", 8" and 10" sizes offered in a variety of color options in both hot-stamped or metalized options.

PRODUCT DEVELOPMENT

We have remained competitive and grown over the past years by designing and marketing new products continually. We employ an experienced staff of four product design professionals that work with CAD/CAM technology in the design of new products. This R&D group serves two primary functions: product retrofitting and new product design. Retrofitting of existing products accounts for roughly 50 percent of the engineers' time. Management considers the engineering group a critical factor to the company's future and current success.

New products introduced in 2002 included: front and rear steel mesh baskets, a rear drop steel mesh basket, the Rester and Relaxer plastic cargo boxes with a back rest and full seat, respectively, the Hovel cab enclosure, heated hand grips, a category one three-point hitch, and a 2000 pound winch. New products introduced in 2001 included: the Work Power 1500 winch, universal 3 point frame, and a 72" heavy duty blade for utility vehicles. Management feels that adding new products for the ATV accessory market is a key to continued growth.

There are no products presently being developed that will require a material investment of our resources.

PATENTS AND TRADEMARKS

We maintain trademarks for all of our product names. In addition, we maintain patents for wheel covers, 3-point hitches, Snowmobile Chariot, rack utility boxes, work power lift system, rub block on work power lift, grablight and the 5th wheel trailer.

SUPPLIERS

During the year ended September 30, 2002, we purchased approximately $4,691,000 of goods from Simonsen Iron Works, Inc., our largest supplier who does the majority of our ironworks. This represented approximately 58% of our raw goods purchases during that year. In order to reduce the possibility of any adverse consequence of this concentration, over the past three years we have begun using additional suppliers.

MARKETING - CHANNELS OF DISTRIBUTION:

ATV Accessories:

Domestic Distribution

We distribute our products domestically through 16 distributors that specialize in motorcycle and ATV accessories. These distributors are either regional or national. We believe that virtually every ATV dealer in the United States is served by at least two of these distributors. Because of this overlap we believe that we would experience a minimal decline in sales if any one of our distributors decided to stop selling our products. Most of these distributors have been customers of Cycle Country since we first began selling ATV accessories. Our most recent distributor was added approximately five years ago.

During the year ended September 30, 2002, Domestic accessory sales represent approximately 91% of our total ATV Accessory sales. For 2002, our largest distributor accounted for 25% of our domestic accessory sales and our five largest distributors accounted for 70% of our domestic accessory sales.

In cooperation with John Deere, we have developed several products that are now being sold as accessories for John Deere lawn and garden equipment. We intend to expand this association with John Deere in the future. We are also working with other Lawn and Garden equipment manufacturers to introduce our lawn and garden accessories into their product lines. We are currently negotiating with national retail outlets for distribution of our accessories as well.

International Distribution

We are rapidly expanding our international distributor network. There are currently 19 distributors that sell our products in 35 countries. This department is in its 6th year of existence and has provided us with a profitable expansion of the ATV Accessory segment of business. We were recognized as the Iowa Small Business Exporter of the year in 1997 and received the Governor's Export Award in that same year.

International accessory sales represent approximately 9% of our total ATV Accessory sales. We believe that the international market will be a significant contributor to our long-term sales growth.

Wheel Covers:

We market wheel covers to virtually all golf car manufacturers. We estimate we provide approximately 90% of all wheel covers sold to these golf car manufacturers. Sales to these golf car OEM's are made directly by our sales force.

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We also market our wheel covers to golf courses and golf car dealers through an extensive network of golf equipment distributors. Management estimates that this distributor network allows us to achieve an 80% market share of the golf car after market wheel cover sales.

Sales and Promotion

ATV Accessories:

We employ a sales force of five people to market our ATV products. Our primary method of penetrating the market of ATV dealers is to leverage the sales work to the representatives employed by our distributors. These representatives call on every ATV dealer in the United States and each of the 35 countries represented by our distributors. We view our job as educating these representatives so they can effectively sell our product line.

Each year we produce a catalog of our entire product line and make a new video that demonstrates the applicability of our products. Distributors are allowed unlimited quantities of these sales tools. Sales programs such as an early order program that allows for a discount off of distributor price and an annual rebate incentive based on achievement of predefined sales targets are utilized to promote the product line throughout the year.

Our representatives exhibit at several international trade shows each year in conjunction with our distributors. These representatives also travel to each of our domestic distributors each year to demonstrate new products and address concerns that may arise. In addition, we attend the Dealernews International Powersports Dealer Expo to demonstrate our new products to our distributors as well as ATV dealers.

Golf Market:

The primary means we use to sell our wheel covers is to attend semi-annual golf industry trade shows and produce a brochure for distribution to interested parties. Distributor representatives assist in after market sales.

Advertising

We advertise our ATV Accessories in national trade magazines, professionally developed videos, annual catalog, magazine and television advertising campaigns. Additionally we have an Internet site located at: www.cyclecountry.com.

COMPETITION

We are one of the largest ATV accessory manufacturers in the world. Management estimates that we maintain a 50% market share in the domestic ATV accessories market, with the next largest manufacturer, Cambridge Metal and Plastics having an estimated 20% share of the domestic market. Management also estimates that we control approximately 50% of the international ATV market in the countries in which we distribute. Additionally, management estimates that we control 90% market share of the OEM golf car hubcap market and 80% of the golf car hubcap aftermarket.

As with any industry we are faced with competition. However, due to our aggressive marketing and innovative product line, we maintain the largest market share in the ATV Utility Accessory Market as well as the wheel cover market. With our recent entry into the lawn & garden market, our goal is to achieve a leading market share in that market.

However, the markets for all of our products are competitive. We expect the markets for our products to become even more competitive if and when more companies enter them and offer competition in price, support, additional value added services, and quality, among other factors.

EMPLOYEES

As of September 30, 2002, we have 69 full-time employees, including 42 in production, 5 in sales, 4 in administration, 10 general office, 5 in research and development and 3 drivers. We presently have no labor union contract between any union and us and we do not anticipate unionization of our personnel in the foreseeable future. We believe our relationship with our employees is good. From time to time, we hire part time employees, ranging from a minimum of 1 to a maximum of 6.

Item 2. DESCRIPTION OF PROPERTIES

Our principal office facility is a modern 78,000 square foot facility located at 2188 Highway 86, Milford, Iowa, which is located on 10 acres at the intersection of two major highways which allows for easy entry and exit for truck traffic. This property is zoned light industrial and will support an additional 74,000 square foot building expansion. We own this facility and it is used as collateral for our Bank Midwest loan. In late September of 2002 construction began on a 28,000 square foot building expansion that will add needed floor space for our production areas and warehousing needs. Additionally, we lease one storage building in Sioux Rapids, Iowa, which is 35 miles from our principal facility on a month-to-month lease at $500.00 per month. We also lease an 11,000 square foot facility located in Big Lake, Minnesota where our Perf-Form products are currently manufactured on a month-to-month lease at $4,600 per month. The Company plans to relocate the Perf-Form operations to the Milford facility upon completion of the new building expansion.

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Item 3. LEGAL PROCEEDINGS

At times we are involved in lawsuits in the ordinary course of business. These lawsuits primarily involve claims for damages arising out of the use of our products. As of the date of this filing, we are not a party to any material legal proceedings, other than one product liability case, which involves a failed winch switch. We currently carry two million dollars of product liability insurance. Our attorneys have informed us that they do not anticipate any judgment exceeding our insurance coverage.

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

None.

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PART II.

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Our common stock is approved for quotation on the National Association of Securities Dealers OTC Bulletin Board under the symbol: CYCY. The table below sets forth the reported high and low bid prices for the periods indicated. The bid prices shown reflect quotations between dealers, without adjustment for markups, markdowns or commissions, and may not represent actual transactions in the Company's securities.

	High	Low
FY 2002		
Fourth Quarter	$3.15	$2.20
Third Quarter	$4.07	$2.20
Second Quarter	$5.75	$2.40
First Quarter	See (a)	
FY 2001		
Fourth Quarter	See (a)	
Third Quarter	See (a)	
Second Quarter	See (a)	
First Quarter	See (a)	

(a) The Company consummated an initial public offering of its Common Stock, par value $0.0001 per share pursuant to a registration statement declared effective by the Commission on November 28, 2001, File No. 333-68570 ("Registration Statement"). The stock commenced trading on the OTC Bulletin Board on February 5, 2002.

As of December 12, 2002, there were approximately 650 holders of record of Common Stock inclusive of those brokerage firms and/or clearing houses holding the Company's Common Stock in street name for their clientele (with each such brokerage house and/or clearing house being considered as one holder).

The Company has never paid a dividend on its common stock. It is the Company's present policy to retain all earnings to provide funds for the future growth of the Company.

Recent Sales Of Unregistered Securities

The following information is furnished with regard to all securities sold by Cycle Country Accessories Corp. within the past three years that were not registered under the Securities Act.

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The issuances described hereunder were made in reliance upon the exemptions from registration set forth in Section 4(2) of the Securities Act relating to sales by an issuer not involving any public offering. None of the foregoing transactions involved a distribution or public offering.

Date	Name	# of Shares	Total Price
June 26, 2002	Go Company, LLC	155,000	$450,000*

* The shares were issued in lieu of cash for repayment of $450,000 advanced from Go Company in connection with the

Company's acquisition of Perf-Form Products, Inc.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following is a discussion of our results of operations and our liquidity and capital resources. To the extent that our analysis contains statements that are not of a historical nature, these statements are forward-looking statements, which involve risks and uncertainties. See "Special Note Regarding Forward-Looking Statements". The following should be read in conjunction with our Consolidated Financial Statements and the related Notes included elsewhere in this filing.

Overview

Cycle Country Accessories Corp. (a Nevada corporation) was incorporated in the State of Nevada on August 15, 2001 as a C corporation. The initial capitalization consisted of 3,625,000 shares of common stock. On August 21, 2001, we entered into an agreement to purchase all of the outstanding common stock of Cycle Country Accessories Corp. (an Iowa corporation) for $4,500,000 in cash and 1,375,000 shares of our common stock. Cycle Country Accessories Corp. (an Iowa corporation) was originally incorporated on August 8, 1983 and is headquartered in Milford, Iowa. Since both Companies are under common control by virtue of majority ownership and common management by the same three individuals, this transaction was accounted for in a manner similar to a pooling of interests. We used the proceeds from a $4,500,000 term note (the "Note") entered into with a commercial lender to purchase all of the outstanding common stock of Cycle Country Accessories Corp. (an Iowa corporation). The Note is collateralized by all of the Companies assets, is payable in monthly installments from September 2001 to July 2006, which includes principal and interest at prime + 0.75% (6% at September 30, 2002), with a final payment upon maturity on July 25, 2006. The variable interest rate can never exceed 9% or be lower than 6%. The monthly payment is $90,155 and is applied to interest first based on the interest rate in effect, with the balance applied to principal. The interest rate is adjusted daily. Additionally, any proceeds from the sale of stock received from the exercise of any of the 2,000,000

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outstanding warrants shall be applied to any outstanding balance on the Note. At September 30, 2002 and 2001, $3,603,281 and $4,440,512, respectively, was outstanding on the Note.

On August 21, 2001, Cycle Country Accessories Corp. (an Iowa corporation) acquired its operating facility, which consisted of land and building with a fair value of $1,500,000, from certain stockholders. The consideration given was comprised of $300,000 in cash and 390,000 shares of common stock of Cycle Country Accessories Corp. (a Nevada corporation). On August 14, 2001, Cycle Country Accessories Corp. (an Iowa corporation) merged with Okoboji Industries Corporation. Since both Companies were owned and managed by the same three individuals, this transaction was also accounted for in a manner similar to a pooling of interests.

As a result of the transactions described above, we are the Successor Company to the business activities of the aforementioned companies.

We are one of the world's largest manufacturers of accessories for all terrain vehicles ("ATVs"). We manufacture a complete line of branded products, including snowplow blades, lawnmowers, spreaders, sprayers, tillage equipment, winch mounts, utility boxes, wheel covers and an assortment of other ATV accessory products. These products custom fit essentially all ATV models from Honda, Yamaha, Kawasaki, Suzuki, Polaris, Arctic Cat and Bombardier. We design, engineer and assemble all accessory products at our headquarters and subcontract the manufacturer of many original equipment components.

We are recognized as a leader in the manufacturing of high quality ATV accessory products. This reputation has enabled us to develop key, long-term relationships with ATV manufacturers and distributors. We have sold our products to 16 distributors in the United States for the past 21 years. The distributors call on and sell Cycle Country products to virtually every ATV dealer in North America. Similar strategic arrangements have also been developed internationally. We currently have 19 international distributors distributing our products to 35 countries.

Additionally, we are the largest manufacturer of golf car hubcaps in the world. We estimate that we maintain 90% of the Original Equipment Manufacturer hubcap business. We have always sold directly to golf car manufacturers and we believe that we have an excellent distribution network that reaches the after market throughout the United States, Europe and Asia.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon its Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company

evaluates the estimates including those related to bad debts and inventories. The Company bases its estimates on historical experiences 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 value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Company believes the following critical accounting policies affect the more significant judgments and estimates used in the preparation of the Consolidated Financial

Statements:

Allowance for Doubtful Accounts - the Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Reserve for Inventory - the Company records valuation reserves on its inventory for estimated excess and obsolete inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future product demand and market conditions. If future product demand or market conditions are less favorable than those projected by management, additional inventory reserves may be required.

Depreciation of Long-Lived Assets - the Company assigns useful lives for long-lived assets based on periodic studies of actual asset lives and the intended use for those assets. Any change in those assets lives would be reported in the statement of operations as soon as any change in estimate is determined.

Accrued Warranty Costs - the Company records a liability for the expected cost of warranty-related claims as its products are sold. The Company provides a one-year warranty on all of its products except the snowplow blade, which has a limited lifetime warranty. The amount of the warranty liability accrued reflects the Company's estimate of the expected future costs of honoring its obligations under the warranty plan. The estimate is based on historical experiences and known current events. If future estimates of expected costs were to be less favorable, an increase in the amount of the warranty liability accrued may be required.

Accounting for Income Taxes - the Company is required to estimate income taxes in each of the jurisdictions in which it operates. This process involves estimating actual current tax exposure for the Company together with assessing temporary differences resulting from differing treatment of items, such as property, plant and equipment depreciation, for tax and accounting purposes. Actual income taxes could vary from these estimates due to future changes in income tax law or results from final tax exam reviews. At September 30, 2002, the Company assessed the need for a valuation allowance on its deferred tax assets. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Based upon the historical

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operating profits and the near certainty regarding sufficient near term taxable income, management believes that there is no need to establish a valuation allowance. Should the Company determine that it would not be able to realize all or part of its net deferred tax assets in the future, a valuation allowance may be required.

Results of Operations - Year ended September 30, 2002 vs Year ended September 30, 2001

OVERALL. Revenues for the year ended September 30, 2002 increased $505,382, or 3.9%, to $13,363,552 from $12,858,170 for the year ended September 30, 2001. Cost of goods sold increased $610,452, or 6.6%, to $9,867,995 for the year ended September 30, 2002 from $9,257,543 for fiscal 2001. Additionally, gross profit as a percentage of revenue was 26.2% for the year ended September 30, 2002 compared to 28.0% for fiscal 2001. The decrease in gross margin during fiscal 2002 of 1.8% is mainly attributable to an increase in direct labor costs and material costs due to the addition of a new coating process in the Plastic Wheel Cover segment, which was offset by a slight increase in the ATV Accessory segment gross margin as new sales from our Perf-Form oil filter and oil cooler products improved this margin. Selling, general and administrative expenses increased $258,711, or 10.3%, to $2,781,896 for the year ended September 30, 2002 from $2,523,185 for fiscal 2001. The increase in operating expenses is primarily a result of additional spending of approximately $56,000 in professional fees, approximately $72,000 in advertising and promotions, approximately $21,000 in insurance, approximately $47,000 in depreciation and amortization, approximately $25,000 in office and shipping supplies and postage, approximately $24,000 in wages, payroll taxes and related benefits, approximately $14,000 in shop supplies, approximately $42,000 in commissions, and approximately $20,000 in warranty costs coupled with a decrease of approximately $10,000 in repairs and maintenance costs and $77,000 in building rent. Non-operating income (expense) decreased $268,616 to $(227,417) for the year ended September 30, 2002, from $41,199 for fiscal 2001. The decrease is primarily due to an increase of approximately $221,000 of interest expense, a decrease of approximately $26,000 of interest income and approximately $32,000 decrease due to a one-time consulting fee that was earned during fiscal 2001. These decreases were offset by an increase of approximately $16,000 in gains on sale of equipment and approximately $7,000 in truck lease income during the year ended September 30, 2002.

BUSINESS SEGMENTS As more fully described in Note 18 to the Consolidated Financial Statements, the Company operates two reportable business segments: ATV Accessories and Plastic Wheel Covers. The gross margins are vastly different in our two reportable business segments due to the fact that we assemble our ATV Accessories (i.e. we outsource the ironworks to our main product supplier) and are vertically integrated in our Plastic Wheel Cover segment.

ATV ACCESSORIES Revenues for the year ended September 30, 2002 increased $457,667, or 4.1%, to $11,594,058 from $11,136,391 for the year ended September 30, 2001. The increase is attributable to an increase in unit volume of our winches and

winch mounts of approximately $295,000, electric blade lift systems of approximately $113,000, and products for John Deere of approximately $176,000. These unit volume increases were offset by decreases in unit volume of our snowplow blades of approximately $95,000 and our mowers of approximately $456,000. Also contributing to the increase in revenues for fiscal 2002 were new sales of our Perf-Form premium oil filter and oil cooler products, which we acquired during the second quarter of fiscal 2002, of approximately $439,000.

Cost of goods sold increased $32,184, or 0.4%, to $7,933,966 for the year ended September 30, 2002 from $7,901,782 for fiscal 2001. The slight increase is due to a change in the mix of products sold in fiscal 2002 as compared to fiscal 2001 as described above. Gross profit as a percent of revenues was 31.6% for fiscal 2002 compared to 29.0% for the corresponding period in 2001. The increase in gross profit for the year ended September 30, 2002 was attributable to the increase in new sales of our Perf-Form products which have a higher margin and ironwork material costs which were generally held to fiscal 2001 costs or slightly reduced on a majority of our ATV Accessory products for fiscal 2002.

PLASTIC WHEEL COVERS Revenues for the year ended September 30, 2002 increased $120,947, or 6.1%, to $2,104,953 from $1,984,006 for the year ended September 30, 2001. The increase in revenue was attributable to changes in current market conditions as sales to Original Equipment Manufacturers increased significantly in fiscal 2002. Another factor that contributed to the increase was the implementation of a new coating method, similar to the coating method used for automotive paint, which improves the wheel cover's durability and useful life. For fiscal 2003 our planned new product introductions and improvements will continue to address the needs of this market.

Cost of goods sold increased $236,181, or 36.7%, to $880,206 for the year ended September 30, 2002 from $644,025 for fiscal 2001. Gross profit as a percent of revenue was 58.2% for the year ended September 30, 2002 compared to 67.5% for the corresponding period in fiscal 2001. The decrease in gross profit for the year ended September 30, 2002 was attributable to increases in production labor and the implementation of the new protective coating process as described above.

GEOGRAPHIC REVENUE During fiscal 2002, revenue in the United States increased $177,566, or 1.5%, to $12,198,758 from $12,021,192 for the year ended September 30, 2001. Revenue from other countries increased $327,816, or 39.2%, to $1,164,794 from $836,978 for the year ended September 30, 2001. The increase during the fiscal year 2002 in U.S. revenue is due to a general increase across all regions previously serviced in the United States of America. The increase during the fiscal year 2002 in revenue from other countries is due to an increase of sales in Canada and Europe.

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Results of Operations - Year ended September 30, 2001 vs Year ended September 30, 2000

OVERALL. Revenues for the year ended September 30, 2001 increased $444,944, or 3.6%, to $12,858,170 from $12,413,226 for the year ended September 30, 2000. Cost of goods sold increased $119,381, or 1.3%, to $9,257,543 for the year ended September 30, 2001 from $9,138,162 for fiscal 2000. Additionally, gross profit as a percentage of revenue was 28.0% for the year ended September 30, 2001 compared to 26.4% for fiscal 2000. The increase in gross margin during fiscal 2001 of

1.6% is mainly attributable to an increase in unit sales volume of our most profitable product, Snowplow Blades, as well as operational labor efficiencies in our Plastic Wheel Cover segment and a slight decrease of manufacturing overhead costs as a percentage of sales (8.5% of sales in fiscal 2001 versus 8.6% of sales in fiscal 2000). Selling, general and administrative expenses increased $243,099, or 10.7%, to $2,523,185 for the year ended September 30, 2001 from $2,280,086 for fiscal 2000. The increase in operating expenses is primarily a result of additional spending of approximately $79,000 in professional fees, approximately $67,000 in advertising and promotions, approximately $38,000 in insurance, approximately $25,000 in travel costs, approximately $21,000 each in vehicle repairs and depreciation, and approximately $15,000 in research and development costs coupled with a decrease of approximately $18,000 in freight costs and $15,000 in building rent. Non-operating income increased $15,401, or 59.7%, to $41,199 for the year ended September 30, 2001, from $25,798 for fiscal 2000. The increase is primarily due to increases of approximately $10,000 of interest income, approximately $32,000 of consulting income earned and approximately $34,000 of interest expense coupled with a decrease of approximately $14,000 in royalty income and approximately $10,000 in gains on sale of equipment during the year ended September 30, 2001 and the write-off of an investment of the Company of approximately $28,000 during fiscal 2000.

BUSINESS SEGMENTS As more fully described in Note 18 to the Consolidated Financial Statements, the Company operates two reportable business segments: ATV Accessories and Plastic Wheel Covers. The gross margins are vastly different in our two reportable business segments due to the fact that we assemble our ATV Accessories (i.e. we outsource the ironworks to our main product supplier) and are vertically integrated in our Plastic Wheel Cover segment.

ATV ACCESSORIES Revenues for the year ended September 30, 2001 increased $480,314, or 4.5%, to $11,136,391 from $10,656,077 for the year ended September 30, 2000. The increase is attributable to an increase in unit volume of our Snowplow Blades.

Cost of goods sold increased $136,887, or 1.8%, to $7,901,782 for the year ended September 30, 2001 from $7,764,895 for fiscal 2000. The increase is due to an increase in material costs during fiscal 2001 as compared to fiscal 2000. Gross profit as a percent of revenues was 29.1% for fiscal 2001 compared to 27.1% for the corresponding period in 2000. The increase in gross profit for the year ended September 30, 2001 was attributable to the increase in unit sales volume of our most profitable product, the Snowplow Blade as discussed above.

PLASTIC WHEEL COVERS Revenues for the year ended September 30, 2001 remained relatively constant, increasing

$5,699, or 0.3%, to $1,984,006 from $1,978,307 for the year ended September 30, 2000. The slight increase in revenue was attributable to changes in current market conditions. Our new product will address the needs of the new market.

Cost of goods sold decreased $258,131, or 28.6%, to $644,026 for the year ended September 30, 2001 from $902,157 for fiscal 2000. Gross profit as a percent of revenue was 67.5% for the year ended September 30, 2001 compared to 54.4% for the corresponding period in fiscal 2000. The increase in gross profit for the year ended September 30, 2001 was attributable to raw material price savings and labor efficiencies obtained in the production process.

GEOGRAPHIC REVENUE During fiscal 2001, revenue in the United States increased $398,406, or 3.4%, to $12,021,192 from $11,622,786 for the year ended September 30, 2000. Revenue from other countries increased $46,538, or 5.9%, to $836,978 from $790,440 for the year ended September 30, 2000. The increase during the fiscal year 2001 in U.S. revenue is due to a general increase across all regions previously serviced in the United States of America. The increase during the fiscal year 2001 in revenue from other countries is due to an increase of sales in Canada and Europe.

Liquidity and Capital Resources

Our primary source of liquidity has been cash generated by our operations and borrowings under our bank line of credit.

Cash and cash equivalents were $207,162 at September 30, 2002 compared to $274,089 as of September 30, 2000. Until required for operations, our policy is to invest any excess cash reserves in bank deposits, money market funds, and certificates of deposit. Net working capital was $ 1,764,608 at September 30, 2002 compared to $1,995,007 at September 30, 2001. The change in working capital is primarily due to the following: Inventories increased by $328,571, or 12.5%, to $2,967,285 at September 30, 2002 from $2,638,714 at September 30, 2001, accounts receivable increased by $28,389, or 2.7%, to $1,086,672 at September 30, 2002 from $1,058,283 at September 30, 2001, accounts payable increased $49,773, or 4.7%, to $1,108,344 at September 30, 2002 from $1,058,571 at September 30, 2001, accrued expenses increased $116,655, or 38.4%, to $420,811 at September 30, 2002 from $304,156 at September 30, 2001, and the bank line of credit increased 100% to $400,000 at September 30, 2002 from $0 at September 30, 2001.

On August 21, 2001, under the terms of a secured credit agreement, the Company entered into a note payable for $4,500,000 (the "Note") with a commercial lender. The Note is collateralized by all of the Company's assets, is payable in monthly installments from September 2001 until July 2006, which includes principal and interest at prime + 0.75% (6% at September 30, 2002), with a final payment upon maturity on July 25, 2006. The monthly payment is $90,115 and is applied to interest first based on the interest rate in effect, with the balance applied to principal. The interest rate is adjusted daily. Additionally, any proceeds from the sale of stock

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received from the exercise of warrants shall be applied to any outstanding balance on the Note or the Line of Credit described below. At September 30, 2002 and 2001, $3,603,281 and

$4,440,512, respectively, was outstanding on the Note.

Under the terms of the secured credit agreement noted above, the Company had a Line of Credit for the lesser of $500,000 or 80% of eligible accounts receivable and 35% of eligible inventory. In the fourth quarter of fiscal 2002, the Line of Credit was increased to the lesser of $1,000,000 or 80% of eligible accounts receivable and 35% of eligible inventory. The Line of Credit bears interest at prime plus 1.25% (6% at September 30, 2002) and is collateralized by all of the Company's assets. The Line of Credit matures on September 1, 2003. At September 30, 2002 and 2001, $400,000 and $-0-, respectively, was outstanding on the Line of Credit.

In addition, the secured credit agreement contains conditions and covenants that prevent or restrict the Company from engaging in certain transactions without the consent of the commercial lender and require the Company to maintain certain financial ratios, including term debt coverage and maximum leverage. In addition, the Company is required to maintain a minimum working capital and shall not declare or pay any dividends or any other distributions. At September 30, 2002, the Company did not attain the minimum level required of two of the covenants, term debt coverage and working capital. However, the Company did obtain a waiver of compliance from the commercial lender for both of these covenants. Management plans to work with the commercial lender to revise the secured credit agreement in order that covenants can be met in the future.

Consistent with normal practice, management believes that the Company's operations are not expected to require significant capital expenditures during fiscal year 2003. Management believes that existing cash balances, cash flow to be generated from operating activities and available borrowing capacity under its line of credit agreement will be sufficient to fund operations, and capital expenditure requirements for at least the next twelve months. At this time management is not aware of any factors that would have a materially adverse impact on cash flow during this period.

Special Note Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 (the "Reform Act") provides a safe harbor for forward-looking statements made by or on behalf of the Company. The Company and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in the Company's filings with the Securities and Exchange Commission and in its reports to stockholders. Generally, the inclusion of the words "believe", "expect", "intend", "estimate", "anticipate", "will", and similar expressions identify statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and that are intended to come within the safe harbor protection provided by those sections.

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All statements addressing operating performance, events, or developments that the Company expects or anticipates will occur in the future, including statements relating to sales growth, earnings or earnings per share growth, and market share, as well as statements expressing optimism or pessimism about future operating results (in particular, statements under Part II, Item 6, Management's Discussion and Analysis of Financial Condition and Results of Operations), contain forward-looking statements within the meaning of the Reform Act. The forward-looking statements are and will be based upon management's then-current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements but there can be no assurance that the statement of expectation or belief will result or be achieved or accomplished. In addition, the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

By their nature, all forward-looking statements involve risk and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements for a number of reasons, including but not limited: competitive prices pressures at both the wholesale and retail levels, changes in market demand, changing interest rates, adverse weather conditions that reduce sales at distributors, the risk of assembly and manufacturing plant shutdowns due to storms or other factors, the impact of marketing and cost-management programs, and general economic, financial and business conditions.

Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Intangible Assets". SFAS No. 141 requires that the purchase method of accounting be used for all business combinations completed after June 30, 2001, SFAS No. 141 also specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill and those acquired intangible assets that are required to be included in goodwill. SFAS No. 142 requires that goodwill no longer be amortized, but instead be tested for impairment at least annually. SFAS No. 142 also requires recognized intangible assets determined to have a finite useful life be amortized over their respective estimated useful lives and reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". Any recognized intangible asset determined to have an indefinite useful life will not be amortized, but instead tested for impairment in accordance with SFAS No. 142 until its life is determined to no longer be indefinite.

The Company adopted the provisions of SFAS No. 141 and 142 on October 2001, with the exception of the immediate requirement to use the purchase method of accounting for all future business combinations completed after June 30, 2001. However, any

goodwill and any intangible asset determined to have an indefinite useful life that is acquired in a business combination completed after June 30, 2001 will not be amortized.

SFAS No. 141 requires the Company to evaluate its existing intangible assets and goodwill and to make any necessary reclassifications in order to conform with the new separation requirements at the date of adoption.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. It applies to (a) all entities and (b) legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal operation of long-lived assets, except for certain obligations of lessees. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company does not believe the adoption of this statement will have a material impact on our financial position or results of operations.

Also in August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which established one accounting model to be used for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations to include more disposal transactions. SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment or Disposal of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations-reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" for the disposal of a segment of a business (as previously defined in that Opinion). The provisions of SFAS No. 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001. The adoption of SFAS No. 144 had no impact on the Company's financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt" and an amendment of that Statement, and SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." SFAS No. 145 also rescinds SFAS No. 44, "Accounting for Intangible Assets for Motor Carriers." SFAS No. 145 amends SFAS No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS No. 145 also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. The Company does not expect the adoption of SFAS No. 145 will have a material impact on its results of operations or financial position.

In June 2002, the FASB issues SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which addresses significant issues regarding the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities. SFAS No. 146 requires that costs associated with exit or disposal activities be recognized when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS No. 146 is effective for all exit or disposal activities initiated after December 31, 2002. The Company does not expect the adoption of SFAS No. 146 to have a material impact on our results of operations or financial position.

Item 7. FINANCIAL STATEMENTS

The Financial Statements are included with this report commencing on page F-1.

Item 8. CHANGES IN ACCOUNTANTS AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

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PART III.

Item 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Directors and Executive Officers

Our directors, executive officers and key employees are as follows:

Name	Age	Position	Director Since
Ron Hickman	52	Chief Executive Officer, President and Director	2001
Dave Davis	37	Chief Financial Officer	-
Marie Matthieson	40	Vice President of Manufacturing	-
Ken Horner	55	Vice President of Marketing	-
Skip Miller	62	Director	2001
Jim Danbom	59	Director	2001
L.G. Bob Hancher Jr.	49	Director	2001
Rod Simonson	47	Director	2001

Skip Miller was President of Armstrong Wheels from 1970 until 1998. Then in 1999 from his Chief Executive Officer position, Mr. Miller consummated the company's highly lucrative buy-out from the international conglomerate GKN Wheels. The selling of Armstrong Wheels for an impressive premium price was largely based on his ability to build the company with consistent double-digit annual growth. Mr. Miller participates on the Audit and Operations committees of the board. Mr. Miller is currently serving a two year term, which will end in 2003.

Jim Danbom was our founder and served as our president from 1981 to 2001. Mr. Danbom will lead the Operations and Planning committees of the board. He has successfully created numerous businesses in his 26 year career. Having successfully created our products at Cycle Country, Mr. Danbom will now focus on acquisitions and new product development while serving on the Operations and Planning committees. Mr. Danbom is currently serving a three-year term, which will end in 2004.

L.G. Bob Hancher Jr. has served as Chief Financial Officer of Commerce Street Venture Group since 2000. Mr. Hancher graduated from Iowa University in 1974. He served as Field Auditor and Territory Manager of Shell Oil Co from 1974 to 1978 and the Director of Marketing of Raynor Garage from 1978 to 1988. In 1993, Mr. Hancher co-founded, and is now a past President of International Sports Management, leaving in 2000 to co-found Commerce Street Venture Group. Mr. Hancher participates on the Planning and Audit committees of the board. Mr. Hancher is currently serving a three-year term, which will end in 2004

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Rod Simonson became a franchisee for Piccadilly Circus Pizza, Inc. in 1980 by owning and operating 1 of the 5 restaurants under the company's umbrella. Shortly thereafter, Mr. Simonson purchased the parent company and became President of Piccadilly. By 1987, the company became Land Mark Products, Inc., the licensing company for Piccadilly Circus Pizza. Under his leadership, the company evolved from several sit-down pizzerias to a complete turnkey operational partner in convenience stores, malls, hotels, amusement parks and video stores. Today, there are over 800 locations primarily in convenience stores throughout 42 states in the Continental U.S. Mr. Simonson is serving on the Planning and Audit committees of the board. Mr. Simonson is currently serving a two year term, which will end in 2003.

Ron Hickman, who became our President on August 1, 2001, has been a CPA for 26 years, and was our accountant from our inception until he took a position as General Manager for us in 1996. Mr. Hickman is on the Operations and Planning committees of the company. Mr. Hickman is currently serving a three-year term, which will end in 2004.

Directors' Remuneration

Our directors are presently not compensated for serving on the board of directors.

Executive Compensation

Employment Agreements

We have entered into employment agreements with certain of our key executive as follows:

We entered into an employment agreement with Ron Hickman, our President, effective August 1, 2001 for a period of five years under which we have hired him to continue as our President. The agreement calls for Mr. Hickman to receive an annual income of $150,000 per year plus a bonus equal to three percent (3%) of our net income before taxes. The agreement also provides for Mr. Hickman to receive standard benefits such as health insurance coverage, sick and vacation time and use of an automobile.

We entered into an employment agreement with Jim Danbom, our former President, effective August 1, 2001 for a period of a minimum of three years under which we have hired him to continue as a consultant on an "as needed" basis. The agreement calls for Mr. Danbom to receive an annual income of $75,000 per year and to receive standard benefits such as health insurance coverage, sick and vacation time and use of an automobile.

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Section 16(a) Beneficial Ownership Reporting Compliance

The Company is not aware of any director, officer or beneficial owner of more than ten percent of the Company's Common Stock that, during fiscal year 2002, failed to file on a timely basis reports required by Section 16(a) of the Securities Exchange Act of 1934.

Item 10. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the total compensation paid to or accrued for the fiscal years ended September 30, 2002, 2001 and 2000 to our Chief Executive Officer and our other most highly compensated executive officers who were serving as executive officers at the end of our last fiscal year.

Annual Compensation

Name and Principal Position	Fiscal Year	Salary	Bonus	Other Annual Compensation	Restricted Stock Awards	Securi Underl Optio
Ronald Hickman,						
President	2002	150,000	15,000	500(F1)	0	0
	2001	104,808	30,000	500(F1)	0	0
	2000	100,000	130,500	0	0	0
Jim Danbom,						
Past President	2002	75,000	0	500(F1)	0	0
	2001	156,817	0	0	0	0
	2000	165,467	0	0	0	0