

ATC Ventures Group, Inc.
Form 10-K
April 23, 2012

ANNUAL REPORT FOR CYCLE COUNTRY ACCESSORIES CORP.
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark one)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended September 30, 2011

OR

☐ 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.)

5929 Baker Road, Suite 400 Minnetonka, MN 55345

(Address of principal executive offices)

P: (952) 215-3100

F: (952) 215-3129

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

Common Stock, par value \$0.0001 per share

Name of Each Exchange on Which Registered

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 ☐ No ☒

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 ☐ No ☒

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. ☐ Yes ☒ No

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 ☒ No ☐

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. ☒

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

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 ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

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

The aggregate market value of the common stock held by non-affiliates of the registrant as of March 31, 2011, the last business day of the registrant's second quarter, was approximately \$2,400,000 based upon the closing price of the common stock on the NYSE Amex, LLC ("NYSE Amex") on that date.

The number of shares of the registrant's common stock, par value \$0.0001 per share, outstanding as of December 27, 2011 was 7,090,662.

TABLE OF CONTENTS

		Page
	<u>PART I</u>	
<u>Item 1</u>	<u>Business</u>	4
<u>Item 1A</u>	<u>Risk Factors</u>	6
<u>Item 2</u>	<u>Properties</u>	9
<u>Item 3</u>	<u>Legal Proceedings</u>	10
<u>Item 4</u>	<u>Mine Safety Disclosure</u>	10
	<u>PART II</u>	
<u>Item 5</u>	<u>Market for Registrant's Common Equity Related Stockholder Matters and issuer purchases of Equity Securities</u>	10
<u>Item 6</u>	<u>Selected Consolidated Financial Data</u>	11
<u>Item 7</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12
<u>Item 8</u>	<u>Financial Statements and Supplementary Data</u>	22
<u>Item 9</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosures</u>	22
<u>Item 9A</u>	<u>Controls and Procedures</u>	22
<u>Item 9B</u>	<u>Other Information</u>	23
	<u>PART III</u>	
<u>Item 10</u>	<u>Directors, Executive Officers and Corporate Governance</u>	23
<u>Item 11</u>	<u>Executive Compensation</u>	25
<u>Item 12</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	26
<u>Item 13</u>	<u>Certain Relationships and Related Transactions and Director Independence</u>	28
<u>Item 14</u>	<u>Principal Accountant Fees and Services</u>	29
	<u>PART IV</u>	
<u>Item 15</u>	<u>Exhibits and Financial Statement Schedules</u>	29
	<u>Signatures</u>	30
	<u>Exhibit Index</u>	31
	<u>Consolidated Financial Statements</u>	F-1

Cautionary Note About Forward Looking Statements.

Certain matters discussed in this Form 10-K are "forward-looking statements." 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 plant equipment 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 parts 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.

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 had an unused, wholly-owned subsidiary with no assets, incorporated in Nevada, which was dissolved in 2010. 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 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 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.

Effective December 31, 2011, the brand "Cycle Country" and the ATV accessories division were sold to Kolpin Outdoors, Inc. Following this sale, the Company redefined its business strategies and changed its name to "ATC Venture Group".

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 many of the leading ATV/UTV manufacturers and distributors. This segment currently generates most of the Company's revenue and is the largest of the Company's four segments.

We sell our products to many 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.

Imdyne

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. Much of the manufacturing in this segment is in industries similar to the Company's major product lines; however, we are looking to expand beyond this segment if we see an otherwise good fit in the market.

Discontinued Operations

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 one of the largest manufacturers of golf car wheel covers in the world, estimating that we control over 50% 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. As more fully disclosed in Note 16 to the Financial Statements, during the year ended September 30, 2011, the Company has concluded that this segment does not fit within the long-term strategic plans of the Company.

Perf-Form

Perf-Form manufactures, sells, and distributes oil filters for the powersports industry. Our filters and coolers fit various models from Harley-Davidson, Ducati, Honda, and Yamaha. Our oil filters are sold through the same distribution channels as our other powersports products. We specialize in hard to find, legacy parts for out-of-production powersports products. As more fully disclosed in Note 16 to the Financial Statements, during the year ended September 30, 2011, the Company has concluded that this segment does not fit within the long-term strategic plans of the Company. Subsequent to year end, on November 3 this segment was sold for approximately \$25,000.

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 the 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.

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 other segments cover some of the overhead of the Company. As a result, we can be competitively priced because the shared overhead creates cost efficiencies.

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 the sales volume is low and the use of older technologies are appropriate.

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.

Research and Development

The Company's competitive position is supported by designing and marketing new products on a continuous basis. 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 expended 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 92 regular, full-time employees at September 30, 2011 and 105 at September 30, 2010. The Company considers its employee relations to be good. Temporary employees are utilized primarily to manage peaks in the seasonal manufacturing of products.

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 limited number of vendors. The Company mitigates product availability and supply chain risks through safety stocks and forecast-based purchase commitments, 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 where possible.

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, which has historically been the primary selling season for the Company's outdoor recreational and powersports products, with lower sales 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.

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.

Purchases of 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 business is cyclical in nature, and its success is dependent upon favorable economic conditions, the overall level of consumer confidence and discretionary income and spending levels. Any 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 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 effect on our financial results.

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

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 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. The availability of borrowing amounts under our credit facilities are dependent upon compliance with the debt covenants set forth in the facilities. Violation of those covenants, whether as a result of operating losses or otherwise, could result in our lenders restricting or terminating our borrowing ability under our credit facilities. As discussed in Note 7 of the consolidated financial statements, as of September 30, 2011, the Company was not in compliance with the term debt coverage requirement or the working capital requirement of its secured credit agreements. On January 17, 2011, the Company and the Lender entered into Amendment 7. Under the terms of Amendment 7, the Lender agreed to waive the noncompliance by the Company with the required ratio of current assets to current liabilities as of September 30, 2010 and December 31, 2010 and the Company's anticipated noncompliance with the required ratio of current assets to current liabilities through October 1, 2011 and further, waive the Company's noncompliance with the Term Debt Coverage Ratio (as defined in Amendment 7) as of September 30, 2010 and December 31, 2010, and the Company's anticipated noncompliance with the Term Debt Coverage Ratio through October 1, 2011. 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, 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.

Long-lived assets, such as property, plant, and equipment, are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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 three quarters of continued net losses for the three quarters ended September 30, 2011. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset. If these projected cash flows are less than the carrying amount, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values and third party appraisals, as considered necessary. In accordance with ASC 360, the Company evaluated its long-lived assets using an undiscounted cash flow analysis. Impairment is evaluated at the lowest level of reporting which is at the segment level. This analysis supported the carrying value of the long-lived assets and, therefore, no impairment was recorded.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

As discussed more fully in Note 16, of the Company's financial statements, the Company concluded that the Perf-Form and Plazco segments may not fit within the long-term strategic plans for the Company. As such, the Company determined that indicators of potential impairment existed in the value of trademarks and patents for its Perf-Form segment. Plazco's intangible assets had been previously fully amortized. Recoverability of intangible assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset. If these projected cash flows are less than the carrying amount, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted or estimated market values and third party appraisals, as considered necessary. This analysis did not support the carrying value of the intangible assets for the Perf-Form segment and, therefore, an impairment charge in the amount of \$100,000 for trademarks and \$10,186 for unamortized patents was recognized on March 31, 2011. These charges are included in discontinued operations.

In accordance with ASC 360, the Company evaluated its long-lived assets and other intangible assets, using an undiscounted cash flow analysis. This analysis supported the carrying value of the long-lived assets and other intangible assets. Therefore, management determined that no impairment was necessary of the long-lived assets and other intangible assets. Given the significant assumptions required and the possibility that actual conditions will differ, we consider the assessment of impairment of our long-lived assets to be a critical accounting estimate.

The Company's analysis uses significant estimates in the evaluation of long-lived assets and 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 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 .

On September 15, 2011, the Company received, as expected, a letter from NYSE Amex LLC notifying the Company that the Chairman of the Company's audit committee, Paul DeShaw, no longer satisfied the independence standards of Rule 10A-3 under the Securities Exchange Act of 1934 due to his recent purchase of a large block of the Company's common stock. Mr. DeShaw has resigned from the audit committee, but continues to serve as a director and is independent for all other purposes. By letter dated September 20, 2011, NYSE Amex LLC confirmed that the Company had resolved its Rule 10A-3 compliance issue.

Our financial results and condition place us near the minimum requirements set by NYSE Amex LLC for continued listing on that exchange. We cannot assure you that we will be able to maintain our exchange listing. If we are delisted, our stock price and liquidity may decline, which could harm your investment and your ability to sell your shares.

Subsequent to September 30, 2011, the Company was notified of noncompliance of the exchange's listing standards due to total stockholders' equity balance of less than \$4,000,000 noted on preliminary December 31, 2011 financial statement. Since this time, the stockholders' equity rose above the \$4,000,000 threshold and has maintained a level in excess of the threshold.

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:

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 consolidated financial statements, increase or decrease, accordingly. None of our revenues for the year ended September 30, 2011 or 2010 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

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

collection efforts may not be fully recovered. It is not possible, at this time, to estimate what those costs may be.

8

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 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 current 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 in the future.

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 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. As of September 30, 2011, the Company had approximately 260,000 square feet of modern manufacturing facilities in Spencer, IA.

The Company's corporate headquarters is located in a leased facility in Minnetonka, Minnesota.

As of September 30, 2011, the Company operated in the following manufacturing, distribution and office locations:

Spencer, Iowa - Property owned by the Company, used for manufacturing, distribution and office space

Minnetonka, Minnesota - Leased corporate office space

See Note 12 to the 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 Note 2 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 fiscal quarter of 2010, the Company recovered 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.

ITEM 4. MINE SAFETY DISCLOSURE

Not Applicable.

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, 2011, the Company had 41 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, 2011 and 2010 is as follows:

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2011	2010	2011	2010	2011	2010	2011	2010
Stock prices:								
High	\$ 0.37	\$ 0.58	\$ 0.39	\$ 0.47	\$ 0.50	\$ 0.60	\$ 0.43	\$ 0.68
Low	\$ 0.29	\$ 0.37	\$ 0.30	\$ 0.35	\$ 0.30	\$ 0.38	\$ 0.25	\$ 0.29

The Company declared no dividends in fiscal 2011 or fiscal 2010. 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 consolidated financial statements included elsewhere in this report, 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 Plans

The Company has a 2007 Incentive Compensation Plan (the "Plan") to incent certain officers and senior management level employees of the Company and its non-employee directors by providing for certain cash benefits and by enabling them to acquire shares of the Company's stock. Non-employee directors and employees selected by the committee appointed by the Board to administer the Plan are eligible to receive awards under the Plan. Under the Plan, awards may be made in the form of options, stock appreciation rights, stock awards, restricted stock unit awards, cash awards and performance awards, which may be subject to conditions as set by the committee administering the plan. A total of 500,000 shares are reserved for issuance under the Plan. The Plan was approved by the Company's stockholders and became effective as of July 1, 2007. No awards are currently outstanding under the Plan.

As of September 30, 2009, our former Chief Executive Officer, Jeffrey M. Tetzlaff, had an option to purchase 500,000 shares of the Company's stock at an exercise price of \$1.68 per share under his Employment Agreement ("Old Agreement"). Effective July 1, 2010, the Company and Mr. Tetzlaff entered into a new Employment Agreement. Under the new agreement, Mr. Tetzlaff no longer has an option to purchase these 500,000 shares.

Under the Old Agreement, Mr. Tetzlaff was granted 50,000 shares of stock in the Company vesting over a three-year period. During the fiscal year ended September 30, 2010, the board elected to accelerate the vesting of the final installment of the shares granted to Mr. Tetzlaff under the Old Agreement. These shares were effectively issued on September 30, 2010.

On July 1, 2010, the Company entered into new employment agreements with Mr. Tetzlaff and Mr. Davis, as the Chief Operating Officer and Chief Financial Officer. Under the terms of these agreements, the Company granted to each 1,005,809 shares of common stock, subject to shareholder approval, equal to 12.5% on a fully-diluted basis of the common stock, which vest in four installments during the respective terms of the agreements with the first installment of 40% vesting October 1, 2010 and which vesting is subject to acceleration on the occurrence of certain events, including a change of control. These awards were approved by the Company's stockholders at the 2010 annual meeting. During the vesting period, Mr. Tetzlaff and Mr. Davis have full voting and participating rights of common stock.

Both Mr. Tetzlaff and Mr. Davis made elections under Section 83(b) of the Internal Revenue Code for their shares, which allows them to pay income tax on the initial grant instead of paying the tax as the stock vests. As such, the Company originally used the Section 83(b) assigned value of \$.05 per share (\$100,581 in total), and recognized the entire associated expense during the year ended September 30, 2010. It was subsequently determined that this was not the appropriate fair value for these shares, and that the stock award included multiple vesting dates that covered multi-year service periods. As part of the restatement further described in Note 11, the shares were revalued as of September 30, 2010 at the grant date fair value price of \$.37, or \$744,299 in total.

Effective December 31, 2010, Mr. Tetzlaff resigned and the Company and Mr. Tetzlaff entered into a Separation Agreement and Release of Claims. In accordance with the terms of that agreement, Mr. Tetzlaff settled the 402,234 shares that vested October 1, 2010, and forfeited his unvested shares. Cumulative compensation expense of \$48,493 related to Mr. Tetzlaff's unvested shares was reversed during the three months ended December 31, 2010.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

Effective December 31, 2010, Daniel Thralow resigned as a member of the Company's Board of Directors. Accordingly, Mr. Thralow forfeited his 50,000 unvested shares. Cumulative compensation expense of \$1,857 related to these unvested shares was reversed during the three months ended December 31, 2010.

During the fourth quarter of the fiscal year ended September 30, 2010, each of two members of the board of directors were granted 50,000 shares of stock for services provided to the Company under the approved Director Equity Compensation Agreement. The shares vest over a period of three years.

At the annual stockholder meeting held in 2010, the stockholders approved the award of 50,000 shares of Company stock to two non-employee directors (Mr. Thralow and Mr. DeShaw), to be vested over a three year period. These shares were issued, subject to forfeiture, effective September 30, 2010. Effective December 31, 2010, Mr. Thralow resigned from the Board and consequently forfeited the unvested shares.

During the fourth quarter of fiscal 2011, 50,000 shares were issued, subject to forfeiture, to two additional non-employee directors (Mr. Morgan and Mr. Bohn), for a total of 100,000 shares over a three year vesting period.

On July 1, 2011, 201,162 of Mr. Davis' remaining 603,485 restricted shares were released from restriction and forfeiture, based upon the vesting schedule of the agreement.

Subsequent to year-end, and concurrent with the execution and completion of the Asset Purchase Agreement more fully disclosed in the Company's 8-K filing dated September 1, 2011, Mr. Davis' remaining 402,323 shares and the 50,000 shares each to Mr. DeShaw, Mr. Morgan and Mr. Bohn (552,323 in total) were released from restriction.

Equity Compensation Plan Information

The following table lists the number of shares granted and not yet vested as of September 30, 2011.

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	-	-	500,000
Equity compensation plans not approved by security holders	-	-	-
Total	-	-	500,000

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, 2011 and September 30, 2010, and the consolidated balance sheet data as of September 30, 2011 and September 30, 2010 are derived from the Company's audited consolidated financial statements included elsewhere herein.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

SELECTED CONSOLIDATED FINANCIAL DATA

	For the year ended September 30, 2011			For the year ended September 30, 2010		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
STATEMENT OF OPERATIONS						
Sales	\$ 2,210,677	\$ 8,377,509	\$ 10,588,186	\$ 3,103,111	\$ 8,841,351	\$ 11,944,462
Cost of goods sold	2,155,852	6,682,999	8,838,851	2,970,908	6,376,613	9,347,521
Inventory adjustments	165,892	1,829,487	1,995,379	31,845	567,193	599,038
Gross profit (loss)	(111,067)	(134,977)	(246,044)	100,358	1,897,545	1,997,903
Sales, general & admin	1,026,681	3,993,036	5,019,717	1,234,937	3,524,726	4,759,663
Intangible impairment	-	110,186	110,186	-	-	-
Fraud expense	-	-	-	35,014	99,761	134,775
Operating expense	1,026,681	4,103,222	5,129,903	1,269,951	3,624,487	4,894,438
Other expense	(69,823)	(185,987)	(255,810)	(128,598)	(108,770)	(237,368)
Net loss pre tax	\$ (1,207,571)	\$ (4,424,186)	\$ (5,631,757)	\$ (1,298,191)	\$ (1,835,712)	\$ (3,133,903)
Net loss	\$ (838,571)	\$ (3,073,186)	\$ (3,911,757)	\$ (838,191)	\$ (1,185,712)	\$ (2,023,903)
BALANCE SHEET						
Total current assets	\$ 2,726,323	\$ 930,338	\$ 3,856,661	\$ 5,526,249	\$ 1,432,344	\$ 6,958,593
Net fixed and intangible assets	8,971,158	-	8,971,158	9,760,431	-	9,760,431
Other assets	1,479	-	1,479	7,413	-	7,413
Total assets	\$ 11,698,960	\$ 930,338	\$ 12,629,298	\$ 15,294,093	\$ 1,432,344	\$ 16,726,437
Total current liabilities			\$ 7,264,947			\$ 5,565,400
Long term liabilities			2,157,545			4,065,279
Total liabilities			\$ 9,422,492			\$ 9,630,679
Net assets			\$ 3,206,806			\$ 7,095,758

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 its competition for nearly 30 years.

Recent Developments

Asset Purchase Agreement

On August 26, 2011, the Company entered into an Asset Purchase Agreement (the "Purchase Agreement") for the sale (the "Asset Sale") of the Company's assets related to its business in aftermarket accessories for all-terrain vehicles and utility vehicles sold under the "Cycle Country" brand name (the "Product Line") to Kolpin Outdoors, Inc. ("Kolpin"). This transaction closed effective December 31, 2011.

In connection with the Kolpin transaction, the Company also entered into the agreements listed below with the Buyer.

Master Supply Agreement

The Company and the Buyer entered into a Master Supply Agreement (the "Supply Agreement") pursuant to which the Buyer will grant the Company the exclusive right to manufacture for the Buyer the products set forth in the Supply Agreement (the "Supplied Products") at the prices set forth in the Supply Agreement, and the Buyer will be obligated to purchase all of its requirements for such Supplied Products from the Company, subject to the conditions set forth in the Supply Agreement. The Supply Agreement will continue in effect until March 31, 2012, unless earlier terminated in accordance with its terms.

Setoff Agreement

The Company, the Buyer and the Subsidiary entered into a Setoff Agreement (the "Setoff Agreement") pursuant to which the Buyer may setoff against the Deferred Payments and/or Contingent Payments due to the Company certain damages that may be incurred by the Buyer. In particular, if the Company breaches its warranty obligations under the Supply Agreement or if the Buyer is required to pay or honor a rebate, discount or marketing program offered by the Company prior to the Closing but redeemed by the customer after the Closing, the Buyer may setoff the damages incurred by the Buyer by deducting the applicable amount from the Deferred Payments and/or the Contingent Payments remaining due. Regardless of whether the Buyer sustains any actual damages in connection with any pre-closing warranty claims or any actual damages in excess of \$50,000, the Buyer may setoff the amount of \$50,000 against the Deferred Payments.

Warehouse and Transition Services Agreement

The Company and the Buyer entered into a Warehouse and Transition Services Agreement (the "Warehouse Agreement") pursuant to which the Buyer will engage the Company to provide certain warehousing, management and shipping services in exchange for the compensation set forth in the Warehouse Agreement. The Warehouse Agreement will continue in effect until March 31, 2012, unless earlier terminated in accordance with its terms.

Guaranty Agreement

The Company, the Subsidiary and FCF Partners, LP, a Delaware limited partnership and the private equity group that is the majority owner of the Buyer (the "Guarantor"), entered into a Guaranty Agreement (the "Guaranty") pursuant to which the Guarantor will guarantee the timely, complete and full payment and performance of the Deferred Payments due to the Company as part of the Purchase Price, and all reasonable fees, costs and expenses paid or incurred by either Seller in attempting to collect or enforce the Guaranty.

Delisting Notice for Company Shares from NYSE Amex.

Upon discovery of the misappropriation of funds noted below, 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 of 2010 ending December 31, 2009.

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 was 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.

On June 4, 2010, the Company received a letter from the NYSE Amex notifying it that the Company had resolved the listing deficiencies discussed above and the Company had regained compliance with the relevant sections of the Company Guide identified in the Notice.

On January 6, 2011, the Company notified NYSE Amex that, as a result of the resignation of Daniel Thralow from the Company's Board of Directors, as described elsewhere in this report, the Company no longer complies with Section 803B(2)(c) of the NYSE Amex's Company Guide, which requires that the Company's audit committee have at least two members, both of whom must be independent. In accordance with Section 802(b) of the Company Guide, the Company has until March 16, 2011 to regain compliance with this requirement. The Board is currently considering candidates and intends to appoint an independent director to fill the vacancy on the board and the audit committee as soon as possible.

On September 15, 2011, the Company received, as expected, a letter from NYSE Amex LLC notifying the Company that the Chairman of the Company's audit committee, Paul DeShaw, no longer satisfied the independence standards of Rule 10A-3 under the Securities Exchange Act of 1934 due to his recent purchase of a large block of the Company's common stock. Mr. DeShaw has resigned from the audit committee, but continues to serve as a director and is independent for all other purposes. By letter dated September 20, 2011, NYSE Amex LLC confirmed that the Company had resolved its Rule 10A-3 compliance issue.

Our financial results and condition place us near the minimum requirements set by NYSE Amex LLC for continued listing on that exchange. We cannot assure you that we will be able to maintain our exchange listing. If we are delisted, our stock price and liquidity may decline, which could harm your investment and your ability to sell your shares.

Misappropriation of Funds by Former Board Chairman

The Company previously reported the misappropriation of funds by its then-Chairman of the Board of Directors and its Audit Committee, Mr. L. G. Hancher Jr. in the fiscal year ended September 30, 2009. This misappropriation of funds was related to a plan for the Company to purchase shares of its own stock which was to be completed by Mr. Hancher on the Company's behalf (the "Stock Buyback") in fiscal 2009. The Company continues to work to recover all of the amounts misappropriated. During the year ended September 30, 2010, the Company recovered and cancelled 195,416 shares of Company stock for \$120,000 related to the above transaction, which reduced common equity and was recorded as fraud recovery in the consolidated statement of operations. The Company believes the value represents the amount the Company provided for the purchase of shares to the third party that returned these shares to the Company. The price per share is consistent with the trading in the market at the time that the Company believed the shares were being purchased on its behalf.

In June 2010, the Company commenced a lawsuit against Mr. Hancher. On August 2, 2010, Mr. Hancher filed a Chapter 7 petition in the Bankruptcy Court for the Southern District of Indiana. As of the date of the filing, proceedings in the Bankruptcy Court are pending. There has been no recovery to date on this action and the amount of a potential recovery, if any, cannot be reasonably estimated at this time.

On January 13, 2011, the Securities and Exchange Commission filed a complaint in U.S. District Court, Northern District of Iowa, against Mr. Hancher and various affiliates, charging them with six counts of securities violations. On the same day, Mr. Hancher entered into a consent agreement with the SEC in which, among other things, Mr. Hancher agreed to pay back approximately \$2.4 million in disgorgement, plus approximately \$600,000 in pre-judgment interest, and a fine of \$130,000. At this time, it is not believed that this will result in restitution to the Company in the foreseeable future, based on the previous filings in Mr. Hancher's pending bankruptcy case.

On May 9, 2011, the Company entered into a settlement agreement with Mr. Hancher. In this agreement, Mr. Hancher and the Company settled the adversary proceedings in exchange for a non-dischargeable judgment in the amount of \$600,000. In doing so, the Company did not limit the size of the claim, but rather, agreed that the amount of \$600,000 was non-dischargeable by Mr. Hancher in his pending bankruptcy case.

Through this negotiated settlement, the Company was able to protect its future recovery without the additional expense of continuing the pursuit of a judgment in federal court against Mr. Hancher, and without the expense of defending its claim in Mr. Hancher's bankruptcy case.

On May 18, 2011, the Securities and Exchange Commission issued an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings and Imposing Remedial Sanctions against Mr. Hancher. The order bars Mr. Hancher from associating with any broker, dealer, etc., and while he consented to the entry of the permanent injunction against him, he did so without admitting or denying any the findings of the Order.

At this time, it is not believed that this will result in restitution to the Company in the foreseeable future, based on the information provided in the filings in Mr. Hancher's pending bankruptcy case.

Additional recoveries, if any, will impact subsequent periods and will be reported for the periods in which such recoveries occur. The possibility of any future recoveries and the amount of any such recovery remain uncertain, and the Company can have no assurance that any such recoveries can be achieved or that they can be achieved without significant cost to the Company.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

Results of Operations

The Company's sales and operating profit (loss) by business segment for the fiscal years ended September 30, 2011 and 2010 are summarized as follows:

	For the year ended September 30, 2011			For the year ended September 30, 2010		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Total Revenue by Segment						
CCAC ATV	\$ -	\$ 7,947,850	\$ 7,947,850	\$ -	\$ 8,187,933	\$ 8,187,933
Plazco	-	340,609	340,609	-	448,473	448,473
Perf-Form	-	89,050	89,050	-	204,945	204,945
Imdyne	2,210,677	-	2,210,677	3,103,111	-	3,103,111
Total Revenue by Segment	\$ 2,210,677	\$ 8,377,509	\$ 10,588,186	\$ 3,103,111	\$ 8,841,351	\$ 11,944,462
Gross Profit (Loss) by Segment						
CCAC ATV	\$ -	\$ 136,373	\$ 136,373	\$ -	\$ 2,160,506	\$ 2,160,506
Plazco	-	(164,983)	(164,983)	-	(133,416)	(133,416)
Perf-Form	-	(106,367)	(106,367)	-	(129,545)	(129,545)
Imdyne	(111,067)	-	(111,067)	100,358	-	100,358
Gross Profit (loss)	(111,067)	(134,977)	(246,044)	100,358	1,897,545	1,997,903
Sales, General & Admin						
	1,026,681	3,993,036	5,019,717	1,234,937	3,524,726	4,759,663
Intangible Impairment	-	110,186	110,186	-	-	-
Fraud Expense	-	-	-	35,014	99,761	134,775
Interest Expense, Net	69,823	255,831	325,654	128,598	181,843	310,441
Loss on Sale of Assets	-	127,452	127,452	-	94,555	94,555
Other Inc/Exp, Net	-	(197,296)	(197,296)	-	(167,628)	(167,628)
Income Tax Benefit	(369,000)	(1,351,000)	(1,720,000)	(460,000)	(650,000)	(1,110,000)
Net Loss	\$ (838,571)	\$ (3,073,186)	\$ (3,911,757)	\$ (838,191)	\$ (1,185,712)	\$ (2,023,903)

Fiscal 2011 vs. Fiscal 2010

Revenue from Continuing Operations

Components of total revenue for the fiscal years ended September 30, 2011 and 2010 are as follows:

	2011 Imdyne	2010 Imdyne
Sales	\$ 2,210,192	\$ 3,195,293
Discounts and Allowances	(20,649)	(113,608)
Freight	21,134	21,426
Total Revenue	\$ 2,210,677	\$ 3,103,111

Total revenue from continuing operations for the fiscal year ended September 30, 2011 decreased approximately \$892,000 or 29% as compared to the fiscal year ended September 30, 2010. The decline in revenues is due, in part, to results of the Company's decision in the first quarter of fiscal year 2011 not to pursue contract work with unprofitable customers.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

Cost of Goods Sold of Continuing Operations

Cost of goods as a percentage of total revenue for the fiscal years ended September 30, 2011 and 2010 are as follows:

	2011 Imdyne	2010 Imdyne
Materials	\$ 1,238,747	\$ 1,676,980
Direct labor	154,606	211,857
Applied Overhead	431,051	576,829
Subcontract	18,751	44,446
Subtotal	1,843,155	2,510,112
Mfg Variance	26,559	31,812
Unapplied Overhead	154,822	223,844
Other	131,316	205,140
Total Costs of Goods Sold	\$ 2,155,852	\$ 2,970,908

	2011	2010
Materials	56.03%	54.04%
Direct labor	6.99%	6.83%
Applied Overhead	19.50%	18.59%
Subcontract	0.85%	1.43%
Subtotal	83.38%	80.89%
Mfg Variance	1.20%	1.03%
Unapplied Overhead	7.00%	7.21%
Other	5.94%	6.61%
Total Costs of Goods Sold	97.52%	95.74%

Total costs of goods sold of continuing operations was approximately \$2.16 million for the fiscal year ended September 30, 2011 compared to approximately \$2.97 million for the fiscal year ended September 30, 2010. Costs of goods sold were approximately 98% of sales for the year ended September 30, 2011 compared to approximately 96% for the year ended September 30, 2010. Decrease in costs of goods sold was primarily due to the elimination of production for unprofitable projects. The cost as a percentage of sales increased slightly due to the temporary scale reduction resulting from management strategy of eliminating projects without profit, as these unprofitable projects previously absorbed a share of overhead. Management will be pursuing suitable replacement activities for those eliminated to regain scale advantages and advance strategically.

Inventory Impairment Adjustment on Continuing Operations

Management has been vigorously evaluating the carrying amount of inventory as it compares to market values. While the majority of these evaluations relate to our discontinued operations, some adjustments affected our continuing operations. As a result of these ongoing evaluations, the Company has recorded several adjustments to inventory.

During the three months ended March 31, 2011, management evaluated the carrying amount of inventory as it compared to the market values. As a result of the evaluation, the Company recorded an adjustment to inventory in the amount of \$48,092. This charge is recorded in the consolidated financial statements as an inventory impairment adjustment. During that same period, the Company adjusted inventory held in the segments identified as discontinued operations as well. This adjustment totaled \$655,960 and is included in the net loss from discontinued operations. These two adjustments to inventory totaled \$704,052.

Additionally, the process of discontinuing select products forced us to evaluate the remaining inventory that we would no longer have distribution channels for. As a result of the evaluation, the Company recorded an adjustment to inventory in the amount of \$40,783. This charge is recorded in the consolidated financial statements as an inventory impairment adjustment. During that same period, the Company adjusted inventory held in the segments identified as discontinued operations as well. This adjustment totaled \$920,444 and is included in the net loss from discontinued operations. These two adjustments to inventory totaled \$961,227.

As a result of the evaluation, the Company recorded an adjustment to inventory in the amount of \$77,017. This charge is recorded in the consolidated financial statements as an inventory impairment adjustment. During that same period, the company adjusted inventory held in the segments identified as discontinued operations as well. This adjustment totaled \$253,083 and is included in the net loss from discontinued operations. These two adjustments to inventory totaled \$330,100.

Management evaluated the Company's remaining inventory and determined that a reserve of \$150,000 at September 30, 2011 and 2010 was appropriate.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

Gross Profitability of Continuing Operations

While continuing operations recorded a gross profit of approximately \$100,000 in fiscal 2010, the Company lost approximately \$111,000 in fiscal 2011. While revenues decreased 29%, costs decreased 27%. Additionally, approximately \$166,000 in inventory impairment charges was a major factor.

Selling, General and Administrative Expenses of Continuing Operations

Selling, general and administrative expenses allocated to continuing operations decreased from the prior fiscal year by approximately \$208,000, from approximately \$1,235,000 to \$1,027,000. While total selling, general and administrative expenses increased by approximately \$260,000, continuing operation's share of total company revenue decreased from 26% in fiscal 2010 to 21% in fiscal 2011. These shifts were a direct result of costs relating to wind-down activities for discontinued operations being allocated to this segment, as increased management efforts were needed to wind-down these operations.

Operating Results of Continuing Operations

The Company recognized a loss from continuing operations of approximately \$1,138,000 in fiscal 2011 compared to a loss from continuing operations of approximately \$1,170,000 in fiscal 2010.

Interest Expense

Interest expense was approximately \$70,000 and \$129,000 for the years ended September 30, 2011 and 2010, respectively for all operations. Interest expense approximated 5.05% of average debt for the year ended September 30, 2011 and 6.58% of average debt for the year ended September 30, 2010.

Pre-Tax Loss from Continuing Operations and Income Taxes

The Company recognized a pretax loss of approximately \$1,200,000 in fiscal 2011 compared to a pretax loss of approximately \$1.3 million in fiscal 2010. The Company recorded an income tax benefit of approximately \$369,000 in fiscal 2011, an effective benefit of 30.5%, compared to an income tax benefit of approximately \$460,000 in fiscal 2010, an effective benefit of 35.4%. The reduction in the tax benefit rate was due to the Company recognizing a deferred tax asset valuation allowance during fiscal 2011.

Loss from Discontinued Operations

The Company recognized a loss from discontinued operations, net of tax, of approximately \$3,100,000 in fiscal 2011 compared to a loss, net of tax, of approximately \$1,200,000 in fiscal 2010.

Sales decreased approximately \$464,000 and costs increased approximately \$260,000 compared to the prior fiscal year. This change was due to costs relating to wind-down activities for discontinued operations being allocated to this segment, as increased management efforts were needed to begin the wrap-up of these operations.

Inventory impairment charges increased approximately \$920,000 compared to last year. This increase was due to the write down of inventory relating to customers no longer served who had a supply at the Company that could not be sold to another customer. The remaining values were based on approximate liquidation values anticipated to be attained at auction.

Selling, general and administrative expenses allocated to discontinued operations increased from the prior fiscal year by approximately \$468,000, from approximately \$1,235,000 to \$1,027,000. While total selling, general and administrative expenses increased by approximately \$468,000, discontinued operation's share of total company revenue increased from 74% in fiscal 2010 to 79% in fiscal 2011.

An analysis of the Perf-Form segment could not support the carrying value of the related intangible assets and, therefore, an impairment charge in the amount of \$110,186 was recorded during fiscal 2011.

Income tax benefits allocated to discontinued operations increased approximately \$701,000 from \$650,000 to \$1,351,000 in fiscal 2011.

Net Loss

The Company recognized a net loss of approximately \$3,900,000 in fiscal 2011 or \$0.56 per basic and diluted share compared to a net loss of approximately \$2,000,000 in fiscal 2010 or \$0.34 per basic and diluted share.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

Financial Condition, Liquidity and Capital Resources

The Company's cash flow from operating, investing and financing activities for the years ended September 30, as reflected in the consolidated statements of cash flows, is summarized in the following table:

	2011	2010
Net cash provided by (used in) operating activities of continuing operations	\$ 1,377,181	\$ (393,948)
Net cash used in investing activities of continuing operations	(111,542)	(179,172)
Net cash provided by (used in) financing activities of continuing operations	(37,481)	821,521
Net cash used in discontinued operations	(1,231,912)	(246,952)
	\$ (3,754)	\$ 1,449

The Company generated positive cash flow from operating activities of approximately \$1,377,000 for the year ended September 30, 2011 but used approximately \$394,000 for the year ended September 30, 2010. The net loss from continuing operations for the year was approximately \$839,000. For the year ended September 30, 2010, the net loss from continuing operations was approximately \$838,000.

Cash used by financing activities for continuing operations was approximately \$37,000 for the year ended September 30, 2011 and cash provided by financing activities was approximately \$822,000 for the year ended September 30, 2010. The Company drew (net) approximately \$944,000 on its lines of credit during fiscal year 2011. Funds were used to finance operations, purchase fixed assets, and pay down long term debt.

As of September 30, 2011, the Company was in violation of its current ratio and term debt coverage ratio covenants in its loan agreements with its lender. As of January 17, 2011, the Company and its lender entered into the Seventh Amendment to the Secured Credit Agreement and Waiver ("Amendment 7"). Under the terms of Amendment 7, the lender agreed to waive the noncompliance by the Company with the required ratio of current assets to current liabilities as of September 30, 2010, December 31, 2010 and the Company's anticipated noncompliance with the required ratio of current assets to current liabilities through October 1, 2011 and further, to waive the Company's noncompliance with the Term Debt Coverage Ratio as of September 30, 2010, December 31, 2010, and the Company's anticipated noncompliance with the Term Debt Coverage Ratio through October 1, 2011.

Amendment 7 replaced Line of Credit One, Line of Credit Two and Line of Credit Three with a Revolving Credit Agreement in an amount not to exceed \$2,700,000, maturing on March 31, 2011.

On September 22, 2011, the Company entered into a Ninth Amendment to its Secured Credit Agreement with Bank Midwest (the "Lender"). The Ninth Amendment increases the revolving credit commitment under the Credit Agreement to \$4,100,000 until the closing of the Company's previously disclosed sale of its branded ATV accessories product line to Kolpin Outdoors Inc. (the "Kolpin Sale"). The Company must prepay a portion of the amounts outstanding under the Credit Agreement upon the closing of the Kolpin Sale. After the closing of the Kolpin Sale, the revolving credit commitment under the Credit Agreement will be \$1,000,000. The Lender also provided all waivers and consents necessary for the Company to enter into and consummate the Kolpin Sale.

The Company's business is seasonal and the year-end falls during one of our busiest times of year. 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. Short term cash can be generated by more aggressively collecting accounts receivable, and by reducing inventory balances. Our continued existence is dependent upon our ability to generate cash and to market and sell our products successfully. However, there are no assurances whatsoever that we will be able to borrow further funds from our lender or that we will increase our revenues and/or control our expenses to a level sufficient to provide positive cash flow.

The consolidated financial statements included herein have been prepared assuming the Company will continue as a going concern. During the years ended September 30, 2011 and 2010, the Company incurred net losses from continuing and discontinued operations of approximately \$3.9 million and \$2.0 million, respectively. As of September 30, 2011, the Company had an accumulated deficit of approximately \$9.3 million. As discussed in Note 19 to the consolidated financial statements, as of September 30, 2011, the Company was in violation of covenants with its lender. If the Company is unable to generate profits and unable to continue to obtain financing for its working capital requirements, it may have to curtail its business sharply or cease business altogether. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts and classification of liabilities that might be necessary in the event the Company does not continue as a going concern.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

Operating Activities

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

	2011	2010
Current assets	\$ 3,656,661	\$ 6,958,593
Current liabilities	7,264,947	5,565,400
Working capital (deficit)	\$ (3,608,286)	\$ 1,393,193
Current ratio	0.50	1.25

Investing Activities

Cash flows used for investing activities for continuing operations were approximately \$112,000 and \$179,000 in fiscal 2011 and 2010, 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:

	2011	2010
Current debt	\$ 441,718	\$ 699,681
Long-term debt	2,033,545	2,478,279
Total debt	2,475,263	3,177,960
Shareholders' equity	3,206,806	7,095,758
Total capitalization	\$ 5,682,069	\$ 10,273,718
Total debt to total capitalization	43.6	30.9

Principal payments on long-term debt were approximately \$703,000 and \$857,000 for fiscal years 2011 and 2010, 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, 2011 and 2010 were approximately \$195,000.

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 consolidated financial statements, increase or decrease, accordingly. None of the Company's revenues for the years ended September 30, 2011 and 2010 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 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, 2011 is approximately \$60,000 annually 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.

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.

Stock Based Compensation

The Company accounts for share-based payments using the related accounting guidance, which requires share-based payment transactions to be accounted for using a fair value based method and the recognition of the related expense in the results of operations.

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, stock based compensation, 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.

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.

Intangible Assets Impairment

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 intangible, 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-free 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.

The Company has determined that indicators of potential impairment existed at September 30, 2011 and 2010 because the Company has experienced a decrease in the Company's market capitalization for a sustained period of time and has continued net losses. In accordance with ASC 350, the Company evaluated its other intangible assets using an undiscounted cash flow analysis prior to evaluating.

As discussed more fully in Note 16, during the fiscal year ended September 30, 2011, the Company concluded that the Perf-Form and Plazco segments may not fit within the long-term strategic plans for the Company. As such, the Company determined that indicators of potential impairment existed in the value of trademarks and patents for its Perf-Form segment. Plazco's intangible assets had been previously fully amortized. Recoverability of intangible assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset. If these projected cash flows are less than the carrying amount, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted or estimated market values and third party appraisals, as considered necessary. This analysis did not support the carrying value of the intangible assets for the Perf-Form segment and, therefore, an impairment charge in the amount of \$100,000 for trademarks and \$10,186 for unamortized patents was recognized on March 31, 2011. These charges are included in discontinued operations.

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.

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.

Long-Lived Asset Impairment

Long-lived 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 long-lived 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-free rate of return and estimated costs of borrowing. In addition, forecasts of future cash flows are judgments based on the Company's experience and knowledge of its operations and the industries in which it operates. Changes in these key estimates and assumptions, or changes in market conditions, economic environment, including inflation and purchasing decisions or the Company's customers, could materially affect our impairment analysis in a given year.

Long-lived assets are depreciated over the estimated useful lives of the assets by using the straight-line and accelerated methods.

The Company has determined that indicators of potential impairment exist because the Company has experienced a decrease in the Company's market capitalization for a sustained period of time and has continued net losses. In accordance with ASC 360, the Company evaluated its long-lived assets using an undiscounted cash flow analysis at the segment level. This analysis supported the carrying value of the long-lived assets. Therefore, management determined that no impairment was necessary.

The Company's analysis uses significant estimates in the evaluation of long-lived assets, 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.

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.

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 beginning on page F-1.

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

None

ITEM 9A. CONTROLS AND PROCEDURES

Restatement of Prior Period Financial Statements Filed

As the Company announced in January 2012, the Company's Audit Committee determined that previously issued consolidated financial statements for the year ended September 30, 2010 would need to be restated.

Evaluation of Disclosure Controls and Procedures

Based on management's evaluation as of the end of the period covered by this report, our Chief Executive Officer and 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 Exchange 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.

Our management, including our current Chief Executive Officer/ Chief Financial Officer, have evaluated the effectiveness of the design and operation of our disclosure controls and procedures and concluded that, because of the material weakness in our internal control over financial reporting of the Company's stock-based compensation plans and customer incentive programs, our disclosure controls and procedures continued to be ineffective as of September 30, 2011. Notwithstanding the material weaknesses discussed below, our management, including our current Chief Executive Officer/Chief Financial Officer, has concluded that the consolidated financial statements present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

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.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. The Company's internal control system is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

An internal control material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

Management has assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2011. In making its assessment of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in Internal Control-Integrated Framework. In performing this assessment, the following material weakness in internal control over financial reporting as of September 30, 2011 was identified: The Company did not have effective policies and procedures, or personnel with sufficient knowledge of accounting for stock-based compensation related matters and sale accounting transactions, to ensure that such transactions were accounted for in accordance with generally accepted accounting principles. Specifically, the Company's policies and procedures did not provide for effective identification of, and consideration of, terms in compensation arrangements that impact the accounting for compensation arrangements.

Based on the material weakness in the Company's internal control over financial reporting described above, management has concluded that, as of September 30, 2011, the Company's internal control over financial reporting was not effective based on the criteria set forth by the COSO of the Treadway Commission in Internal Control-Integrated Framework.

Management's report was not subject to attestation by our certified registered public accounting firm pursuant to rules established by the Securities and Exchange Commission that permit us to provide only management's report in this Annual Report on Form 10-K.

Remediation Steps to Address Material Weakness

To remediate the material weakness in the Company's internal control over financial reporting, the Company plans to take the following actions: (i) implement additional review procedures over stock-based compensation and sales accounting practices, (ii) implement additional review procedures over the selection and application of accounting policies and procedures and (iii) hire accounting and finance staff with the skills and education necessary to maintain future controls over financial reporting. Management, with the oversight of the Audit & Finance Committee, is committed to effectively remediating known weaknesses as expeditiously as possible. Although the Company's remediation efforts are expected to be completed during the third quarter of 2012, the Company's weaknesses will not be considered remediated until new internal controls are in operation for a period of time and are tested, and management concludes that these controls are operating effectively.

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.

There has been no change in the Company's internal control over financial reporting during the Company's year ended September 30, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth for each current director, such director's age, principal occupation for at least the last five years, present position with the Company, the year in which such director was first elected or appointed a director (each serving continuously since first elected or appointed), directorships with other companies whose securities are registered with the Securities and Exchange Commission and term of such director:

Name	Age	Principal Occupation	Director Since	To Serve Until
Paul DeShaw	68	Mr. DeShaw is a long-standing investor in the Company. He is also a Director of BDFSC Holdings Corp. and a Vice President of Broker Dealer Financial Services Corp., and has been with that firm since 1995.	2010	2013
Robert Davis	50	Mr. Davis is the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer. Prior to this role, he was engaged by the Company as a turnaround consultant and acted as the Interim Chief Financial Officer, as well. Through his firm, Bene Merenti LLC, he has been an entrepreneurial CEO for over 20 years, having bought, started, lead and sold many companies during that period.	2009	2012

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

Lance Morgan 43 Mr. Morgan is the founder, president and Chief Executive Officer of Ho-Chunk, Inc., an economic development corporation of the Winnebago Tribe of Nebraska. He is also a partner of Fredericks Peebles & Morgan LLP, a national law firm specializing in Indian law, economic development and Indian gaming. As founder of Ho-Chunk, he helped lead the company from a start-up in 1995 with no revenues and one employee to what is now a tribal conglomerate with more than \$200 million in revenues, 1,100 employees, and operations in diverse industries, including Native American tobacco products, Native-blended gasoline products, hotel development, retail products, government contracting, modular homes and Indianz.Com, the largest Native news and information Web site. Mr. Morgan is a graduate of the University of Nebraska and Harvard Law School. 2011 2014

John P (Jack) Bohn 46 Mr. Bohn is a private investor in Minneapolis, Minnesota. From 1992 to 2010, Mr. Bohn served in a variety of roles with Cargill, most recently as Managing Director for CarVal Investors, where he was responsible for the firm's Latin American and special opportunities businesses. Mr. Bohn was previously Country Manager for Cargill Financial Services Corporation (CFSC) in Russia overseeing CFSC's investments in corporate bonds, government obligations, equities and trade finance. Prior to his assignment in Russia, Mr. Bohn developed the Value Investment business in Mexico and the real estate securities and single asset real estate business in the United States. Mr. Bohn joined Cargill in 1992 as a high- yield trader. Prior to joining Cargill, Mr. Bohn was a member of the Mergers and Acquisitions department at PaineWebber. Mr. Bohn received his MBA from the Amos Tuck School and his BA from Dartmouth College. 2011 2014

Rules of NYSE Amex require that a majority of the Board of Directors be "independent," as defined in American Stock Exchange Company Guide. Under the NYSE 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 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 their family and the Company.

The Board of Directors has determined that Mr. DeShaw, Mr. Morgan and Mr. Bohn are independent.

EXECUTIVE OFFICERS

The following table lists the Company's executive officers as of the date of this filing:

NAME	OFFICE	OFFICER SINCE
Robert Davis	Chief Executive Officer	2011
	Chief Financial Officer and Chief Operating Officer	2010
	Interim Chief Financial Officer, Secretary and Treasurer	2009

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. Mr. Bohn and Mr. Morgan are currently members of the Audit Committee.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

Director Compensation

The following table presents director compensation (excluding directors who are Named Executive Officers) for the year ended September 30, 2011:

	Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total Compensation (\$)
(1)	Paul DeShaw	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(2)	Lance Morgan	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
(3)	John P (Jack) Bohn	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

- (1) Paul DeShaw was elected to the board at the annual meeting of stockholders in 2010 for a term which will expire at the 2013 annual meeting of stockholders. As of September 30, 2011, Mr. DeShaw was not vested in a 50,000 share compensation award approved by the stockholders to be vested over three years.
- (2) Mr. Morgan was elected to the board on September 15, 2011 for a term which will expire in 2014. As of September 30, 2011, Mr. Morgan was not vested in a 50,000 share compensation award to be vested over his three year term.
- (3) Mr. Bohn was elected to the board on September 28, 2011 for a term which will expire in 2014. As of September 30, 2011, Mr. Bohn was not vested in a 50,000 share compensation award to be vested over his three year term.

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. Morgan and Mr. Bohn qualify as audit committee financial experts.

On January 6, 2011, the Company notified NYSE Amex that, as a result of the resignation of Daniel Thralow from the Company's Board of Directors, as described elsewhere in this report, the Company no longer complies with Section 803B(2)(c) of the NYSE Amex's Company Guide, which requires that the Company's audit committee have at least two members, both of whom must be independent. As of September 30, 2011, Mr. Morgan and Mr. Bohn serve on the Audit Committee.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities and Exchange Act of 1934 requires the Company's executive officers, directors and holders of more than 10% of our outstanding shares of Common Stock to file reports of ownership and reports of changes in ownership of Common Stock with the SEC. Executive officers, directors and greater than 10% beneficial owners are required by the SEC regulations to furnish the Company with copies of all Section 16(a) reports they file. The Company believes that during its most recent fiscal year ended December 31, 2011, its executive officers, directors and greater than 10% stockholders complied with the filing requirements under Section 16(a).

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth the total compensation earned over the fiscal years ended September 30, 2011 and 2010 by (1) each person who served as the principal executive officer of the Company during fiscal year 2011, (2) the Company's two most highly compensated executive officers as of September 30, 2011 with compensation during fiscal year 2010 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, 2011 (the "named executive officers").

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

Name and Principal Position	Fiscal Year	Salary	Bonus	Other Annual Comp	Restricted Stock Awards	Securities Underlying Options	LTIP Payouts	All Other Comp
(1) Robert Davis, Chief Executive Officer, Chief Operating Officer and Chief Financial Officer	2011	250,000	-		223,290(5)			-
	2010	59,615	135,000(4)		-(6)			121,346(7)
(2) Jeffrey Tetzlaff, Former President	2011	156,807	50,000		-			
	2010	176,731	135,000(8)		13,333(9)			4,185(10)
(3) Alan Bailey, Former Vice President	2010	76,923	-	-	-	-	-	36,225(11)

- (1) Mr. Davis served as Interim Chief Financial Officer until July 1, 2010 at which time he was named Chief Operating Officer and Chief Financial Officer. Upon Mr. Tetzlaff's resignation, Mr. Davis became Chief Executive Officer.
- (2) Mr. Tetzlaff resigned effective December 31, 2010 and is paid under a Separation Agreement more fully disclosed in an 8-K filing dated January 6, 2011
- (3) Retired effective April 30, 2010
- (4) Includes \$60,000 signing bonus and \$75,000 performance bonus earned in fiscal year 2009 and paid in fiscal year 2010
- (5) Includes 402,324 shares issued in fiscal year 2010 but not vested until October 1, 2010, as well as 201,162 shares issued in fiscal year 2010 but not vested until July 1, 2011. As of September 30, 2011, 402,323 of the initial 1,005,809 shares remain
- (6) Excludes 1,005,809 shares issued in fiscal year 2010 as part of an Employee Agreement effective July 1, 2010 but subject to forfeiture and not yet vested as of September 30, 2010.
- (7) Amounts paid to Mr Davis' consulting firm, Bene Merenti LLC
- (8) Includes \$60,000 signing bonus and \$75,000 performance bonus earned and accrued in fiscal year 2010. \$50,000 was paid in fiscal year 2011. The remainder was surrendered as part of a Separation Agreement and Release of Claims.
- (9) Includes \$13,333 for 33,332 shares vested and issued in fiscal year 2010. Excludes 1,005,809 shares issued in fiscal year 2010 as part of an Employee Agreement effective July 1, 2010 but subject to forfeiture and not yet vested as of September 30, 2010. The 1,005,809 shares were subsequently forfeited and cancelled subject to a Separation Agreement and Release of Claims.
- (10) Issuance of remaining stock for a total of \$100,000.
- (11) Includes \$14,271 vacation payout, \$7,978 value of personal use of company auto and \$13,977 paid for health insurance.
- Outstanding Equity Awards at Fiscal Year-End
- As of September 30, 2011, there were no unexercised options.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our Common Stock as of December 31, 2011 by each stockholder known by us to own beneficially more than 5% of our Common Stock.

As of December 31, 2011, we had 7,090,662 shares of Common Stock outstanding and 41 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 December 31, 2011 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.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class
Robert Davis, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer c/o Cycle Country Accessories Corp. 5929 Baker Road Suite 400 Minnetonka, MN 55345	1,005,809 (direct)	14.18%
Paul DeShaw, Director c/o Cycle Country Accessories Corp. (1) 5929 Baker Road Suite 400 Minnetonka, MN 55345	2,284,560 (direct) 8,700 (indirect)	32.34%
Lance Morgan, Chairman of the Audit Committee, Director c/o Cycle Country Accessories Corp. (2) 5929 Baker Road Suite 400 Minnetonka, MN 55345	50,000 (direct) 95,528 (indirect)	2.05%
John (Jack) Bohn, Director c/o Cycle Country Accessories Corp. 5929 Baker Road Suite 400 Minnetonka, MN 55345	50,000 (direct)	0.71%
All Officers and Directors as a Group (4 persons)	3,494,597	49.28%

(1) Includes 8,700 shares owned by Mr. DeShaw's spouse

(2) Consists of shares owned by Ho-Chunk, Inc., of which Mr. Morgan is the Chief Executive Officer. Mr. Morgan has sole voting and dispositive power over these shares, but has no personal ownership of Ho-Chunk, Inc. or these shares.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

From time to time, the Company has engaged in various transactions with certain of its directors, executive officers and other affiliated parties. The following paragraphs summarize certain information concerning certain transactions and relationships that have occurred during the past fiscal year or are currently proposed.

In fiscal 2010, the Company contracted with Bene Merenti, LLC for the services of the CFO and a Risk-Management Consultant. Amounts paid to Bene Merenti, LLC were approximately \$316,000 for the year ended September 30, 2010 and included amounts for services performed, travel, insurance, and expense reimbursements. Bene Merenti, LLC is owned by Robert Davis. As of July 1, 2010, Robert Davis entered into a three year employment agreement with the Company. Amounts paid to Bene Merenti, LLC were approximately \$45,000 for the year ended September 30, 2011 and included amounts for risk management services provided to the Company by the firm, travel, insurance, and expense reimbursements.

It is our policy that all future transactions between the Company and its officers, directors, principal shareholders and affiliates must be approved by a majority of the independent and disinterested outside directors.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the fees billed to the Company for the fiscal years ended September 30, 2011 and 2010 by Boulay, Heutmaker, Zibell & Co. P.L.L.P.

	Fiscal 2011	Fiscal 2010
Audit Fees	\$ 171,800	\$ 188,200
Audit-Related Fees	32,000	41,100
Tax Fees	21,200	6,200
All Other Fees	-	93,700
Total Fees	\$ 225,000	\$ 329,200

Audit Fees -Includes audit of the Company's annual financial statements, review of the Company's quarterly reports on Form 10-Q, and consents and assistance with and review of registration statements filed with the SEC. .

Audit-Related Fees -Includes accounting consultations related to GAAP and the application of GAAP and includes time and research provided to the Company including work related to the misappropriations of funds discussed elsewhere in this report.

Tax Fees -Includes tax compliance and consulting.

All Other Fees - Includes time and research related services provided to the Company including work related to the misappropriations of funds discussed elsewhere in this report.

The Audit Committee of the Company pre-approved all fees discussed above.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as a part of this report:

Financial Statements

Included in Item 8 of Part II of this report are the following:

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets - September 30, 2011 and September 30, 2010.

Consolidated Statements of Operations - Years ended September 30, 2011 and September 30, 2010.

Consolidated Statements of Shareholders' Equity - Years ended September 30, 2011 and September 30, 2010.

Consolidated Statements of Cash Flows - Years ended September 30, 2011 and September 30, 2010.

Notes to the Consolidated Financial Statements.

Financial Statement Schedules

All schedules are omitted because they are not applicable, are not required or the required information has been included in the consolidated financial statements or notes thereto.

Exhibits

A list of the exhibits filed or incorporated by reference as part of this Annual Report on Form 10-K is set forth in the Index to Exhibits which immediately precedes such exhibits and is incorporated herein by this reference.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on April 23, 2012.

CYCLE COUNTRY ACCESSORIES CORP.

(Registrant)

/s/ Robert Davis

Robert Davis

Chief Executive Officer

In accordance with the requirements of the Exchange Act, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated.

Name and Signature	Title	Date
/s/ Robert Davis Robert Davis	Chief Executive Officer, Chief Financial Officer, Treasurer, Secretary and Director (principal executive, financial and accounting officer)	April 23, 2012
/s/ Paul DeShaw Paul DeShaw	Director	April 23, 2012
/s/ Lance Morgan Lance Morgan	Director	April 23, 2012
/s/ John P (Jack) Bohn John P (Jack) Bohn	Director	April 23, 2012

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

EXHIBIT INDEX

The following exhibits are filed, or incorporated by reference where indicated, as part of Part IV of this Annual Report on Form 10-K:

Exhibit Number	Exhibit
3.1	Articles of Incorporation (Incorporated by reference to Exhibit 3.1 contained in the Company's Registration Statement on Form SB-2 (and amendments thereto) filed August 29, 2001 (file number 333-68570)).
3.2	Amended and Restated Bylaws as amended effective through May 7, 2007 (Incorporated by reference to Exhibit 3.3 contained in the Company's Quarterly Report on Form 10-QSB for the quarterly period ended March 30, 2007).
3.3	Amendment to Articles of Incorporation
10.2	Lease of Milford Facility, dated November 9, 2007 (Incorporated by reference to Exhibit 10 contained in the Company's Current Report on Form 8-K filed November 20, 2007)
10.3	Secured Credit Agreement, dated August 21, 2001 (Incorporated by reference to Form SB-2 filed August 29, 2001 (file number 333-68570))
10.4	First Amendment to Secured Credit Agreement, dated July 22, 2002. (Incorporated by reference)
10.5	Second Amendment to Secured Credit Agreement, dated May 30, 2003 (Incorporated by reference to Exhibit 10.10 contained in the Company's registration statement on Form SB-2 (and amendments thereto filed January 20, 2006 (file number 333-131775))
10.6	Third Amendment to Secured Credit Agreement, dated June 25, 2003 (Incorporated by reference to Exhibit 10.11 contained in the Company's registration statement on Form SB-2 (and amendments thereto filed January 20, 2006 (file number 333-131775))
10.7	Fourth Amendment to Secured Credit Agreement, dated January 1, 2005 (Incorporated by reference to Exhibit 10.12 contained in the Company's registration statement on Form SB-2 (and amendments thereto filed January 20, 2006 (file number 333-131775))
10.8	Fifth Amendment to Secured Credit Agreement, dated April 29, 2005 (Incorporated by reference to Exhibit 10.13 contained in the Company's registration statement on Form SB-2 (and amendments thereto filed January 20, 2006 (file number 333-131775))
10.9	Executive Employment Agreement between the Company and Robert Davis (Incorporated by reference to Exhibit 10.1, contained in the Company's Current Report on Form 8-K filed December 9, 2010)
10.10	Separation Agreement and Release of Claims, between the Company and Jeffrey M. Tetzlaff (Incorporated by reference to Exhibit 99.1 contained in the Company's Current Report on Form 8-K filed January 6, 2011)
10.11	Sixth Amendment to Secured Credit Agreement, dated April 26, 2005 ((incorporated by reference to Exhibit 10.11 contained in the Company's Annual Report on Form 10-K for the year ended September 30, 2010))
10.12	Seventh Amendment to Secured Credit Agreement and Waiver dated January 17, 2011 ((incorporated by reference to Exhibit 10.12 contained in the Company's Annual Report on Form 10-K for the year ended September 30, 2010))
10.13	2007 Incentive Compensation Plan (incorporated by reference to Exhibit 10.13 contained in the Company's Annual Report on Form 10-K for the year ended September 30, 2010)
10.14	Eighth Amendment to Secured Credit Agreement
10.15	Asset Purchase Agreement, dated as of August 26, 2011, among the Company, Cycle Country Accessories Corporation and Kolpin Outdoors, Inc. (Incorporated by reference to Annex A to the Company's Definitive Information Statement on Schedule 14C, filed November 18, 2011)
10.16	Ninth Amendment to Secured Credit Agreement, dated September 22, 2011

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

- 31.1 Certification required by Rule 13a-14(a).
- 32.1 Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

CYCLE COUNTRY ACCESSORIES CORP. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	F-2
Consolidated Financial Statements	
<u>Consolidated Balance Sheets</u>	F-3
<u>Consolidated Statements of Operations</u>	F-4
<u>Consolidated Statements of Stockholder Equity</u>	F-5
<u>Consolidated Statements of Cash Flows</u>	F-6
<u>Notes to Consolidated Financial Statements</u>	F-8
F-1	

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Cycle Country Accessories Corp. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Cycle Country Accessories Corp. and Subsidiaries as of September 30, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cycle Country Accessories Corp. and Subsidiaries as of September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 19 to the consolidated financial statements, the Company sustained several consecutive periods of operating losses. Those conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 19. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Boulay, Heutmaker, Zibell & Co. P.L.L.P.

Certified Public Accountants

Minneapolis, Minnesota
April 20, 2012

F-2

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

CYCLE COUNTRY ACCESSORIES CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	September 30, 2011	September 30, 2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 25,185	\$ 28,939
Accounts receivable, net	850,087	1,963,548
Inventories	799,205	2,206,555
Income taxes receivable	2,120	640,733
Deferred income taxes, net	625,000	366,000
Prepaid expenses and other	424,726	320,474
Assets held for sale	930,338	1,432,344
Total current assets	3,656,661	6,958,593
Property, plant and equipment, net	8,971,158	9,760,431
Other assets	1,479	7,413
Total assets	\$ 12,629,298	\$ 16,726,437
Liabilities and Stockholders' Equity		
Current Liabilities:		
Disbursements in excess of bank balances	\$ 108,757	\$ 387,141
Accounts payable	1,818,906	695,241
Accrued expenses	1,251,966	1,055,583
Bank line of credit	3,643,600	2,700,000
Current portion of notes payable	441,718	699,681
Current portion of deferred gain	-	27,754
Total current liabilities	7,264,947	5,565,400
Long-Term Liabilities:		
Notes payable, less current portion	2,033,545	2,478,279
Deferred income taxes	124,000	1,587,000
Total long term liabilities	2,157,545	4,065,279
Total liabilities	9,422,492	9,630,679
Stockholders' Equity:		
Common stock, \$.0001 par value; 100,000,000 shares authorized; 7,090,662 and 8,046,471 shares issued and outstanding, respectively	709	805
Additional paid-in capital	12,518,814	12,495,917
Accumulated deficit	(9,312,717)	(5,400,964)
Total stockholders' equity	3,206,806	7,095,758
Total liabilities and stockholders' equity	\$ 12,629,298	\$ 16,726,437

See Accompanying Notes to Consolidated Financial Statements

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

CYCLE COUNTRY ACCESSORIES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	For the Years Ended September 30,	
	2011	2010
Revenue	\$ 2,210,677	\$ 3,103,111
Cost of goods sold	2,155,852	2,970,908
Inventory impairment adjustment	165,892	31,845
Gross profit (loss)	(111,067)	100,358
Selling, general, and administrative expenses	1,026,681	1,234,937
Fraud expense	-	35,014
Total operating expenses	1,026,681	1,269,951
Loss from operations	(1,137,748)	(1,169,593)
Other income (expense)		
Interest expense, net	(69,823)	(128,598)
Total other expense, net	(69,823)	(128,598)
Loss from continuing operations before income tax benefit	(1,207,571)	(1,298,191)
Income tax benefit	369,000	460,000
Net loss from continuing operations	\$ (838,571)	\$ (838,191)
Loss from discontinued operations, net of tax benefit	(3,073,186)	(1,185,712)
Net Loss	\$ (3,911,757)	\$ (2,023,903)
Weighted average shares of common stock		
Basic	7,258,201	6,068,247
Diluted	7,258,201	6,068,247
Loss per basic and diluted share:		
Continuing Operations	\$ (0.12)	\$ (0.14)
Discontinued Operations	\$ (0.42)	\$ (0.20)
	\$ (0.54)	\$ (0.34)

See Accompanying Notes to Consolidated Financial Statements

F-4

CYCLE COUNTRY ACCESSORIES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDER EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	Common Stock	Additional Paid In Capital	Accumulated Deficit	Treasury Stock	Total Stockholder Equity
Balances at September 30, 2009	\$ 748	\$ 14,849,334	\$ (3,377,057)	\$ (2,581,636)	\$ 8,891,385
Net Loss	-	-	(2,023,903)	-	(2,023,903)
Treasury Stock - recover 195,416 shares at \$0.6141 per share	-	-	-	(120,000)	(120,000)
Treasury Stock - cancel 195,416 shares at \$0.61 per share	(20)	(119,980)	-	120,000	-
Treasury Stock - cancel 1,410,730 shares at \$1.83 per share	(141)	(2,581,494)	-	2,581,636	-
Issuance of Unrestricted Common Stock Issue 3,609 shares to directors	-	5,999	-	-	5,999
Issue 5,373 shares to directors	1	2,499	-	-	2,500
Issue 50,000 shares to officers	5	(5)	-	-	-
Issuance of Restricted Common Stock:					
Issue 2,011,618 restricted common shares to officers at \$0.37 per share	202	(202)	-	-	-
Issue 100,000 restricted common shares to directors at \$0.37 per share	10	(10)	-	-	-
Stock-Based Compensation	-	339,776	-	-	339,778
Balances at September 30, 2010	805	12,495,917	(5,400,964)	-	7,095,758
Net Loss	-	-	(3,911,757)	-	(3,911,757)
Treasury Stock - settle 402,324 unrestricted shares at \$0.32 per share as part of officer severance agreement	-	-	-	(128,744)	(128,744)
Treasury Stock - cancel 402,324 shares	(40)	(128,704)	-	128,744	-
Cancel 603,485 unvested restricted shares as part of officer severance agreement	(61)	61	-	-	-
Cancel 50,000 unvested restricted shares as part of director resignation	(5)	5	-	-	-
Issuance of Restricted Common Stock:					
Issue 100,000 restricted common shares to directors at \$0.28 per share	10	(10)	-	-	-
Stock-Based Compensation	-	151,544	-	-	151,544
Balances at September 30, 2011	\$ 709	\$ 12,518,814	\$ (9,312,717)	\$ -	\$ 3,206,806

See Accompanying Notes to Consolidated Financial Statements

F-5

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

CYCLE COUNTRY ACCESSORIES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Cash Flows from Operating Activities from Continuing Operations:		
Net loss from continuing operations	\$ (838,571)	\$ (838,191)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation	178,523	235,048
Inventory reserve	-	-
Bad debt reserve	9,800	-
Share-based compensation	31,597	88,274
Inventory impairment adjustment	165,892	31,845
Deferred income taxes, net	(369,000)	(196,000)
Fraud recovery	-	(31,176)
Change in:		
Accounts receivable, net	1,053,461	(143,996)
Inventories	(586,125)	(508,916)
Income tax receivable	638,613	729,680
Prepaid expenses and other	(104,251)	(243,078)
Other assets	5,934	32,975
Accounts payable	1,123,664	132,552
Accrued expenses	67,644	317,035
Net cash provided by (used for) operating activities from continuing operations	1,377,181	(393,948)
Cash Flows from Investing Activities:		
Purchase of property, plant and equipment	(111,542)	(179,172)
Net cash used for investing activities in continuing operations	(111,542)	(179,172)
Cash Flows from Financing Activities:		
Change in disbursements in excess of bank balances	278,384	(51,495)
Payments on bank notes payable	(702,697)	(856,984)
Advance on development loan	-	60,000
Bank line of credit, net	943,600	1,670,000
Net cash provided by (used for) financing activities from continuing operations	(37,481)	821,521
Cash flows from Discontinued Operations:		
Cash used for operating activities	(1,205,289)	(176,024)
Cash used for investing activities	(26,623)	(70,928)
Net cash used for discontinued operations	(1,231,912)	(246,952)
Net increase (decrease) in cash and cash equivalents	(3,754)	1,449
Cash and cash equivalents, beginning of year	28,939	27,490
Cash and cash equivalents, end of year	\$ 25,185	\$ 28,939

See Accompanying Notes to Consolidated Financial Statements

CYCLE COUNTRY ACCESSORIES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

	2011	2010
Supplemental disclosures of cash flow information:		
Cash paid (received) during the year for:		
Interest	\$ 321,410	\$ 315,704
Income tax refunds, net	\$ (636,613)	\$ (993,680)
Supplemental schedule of non-cash investing and financing:		
Recovery of treasury shares from fraud	\$ -	\$ 120,000
Issuance of common stock for payment of board members	\$ -	\$ 8,500
Treasury stock purchased included in accrued expense	\$ 128,744	\$ -

See Accompanying Notes to Consolidated Financial Statements

F-7

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity and Principles of Consolidation - Cycle Country Accessories Corp. ("Cycle Country") a Nevada corporation, has a wholly-owned subsidiary, Cycle Country Accessories Corp. ("Cycle Country - Iowa"), an Iowa Corporation. Cycle Country - Iowa had a wholly-owned subsidiary, Cycle Country Accessories Subsidiary Corp ("Cycle Country Sub"), a Nevada Corporation which was dissolved during fiscal year 2010.

The entities are collectively referred to as the "Company" for these financial statements. All significant intercompany balances and transactions have been eliminated in consolidation.

Nature of the Business - The Company has one distinct segment, Imdyne, which is engaged in the design, manufacture and assembly of an array of parts for original equipment manufacturers (OEMs) and other customers. The Company has offices in Minnetonka, MN and Spencer, IA, and has approximately 160,000 square feet of modern manufacturing facilities in its owned building in Spencer, IA.

The Company records assets, liabilities, revenues and expenses associated with three other segments as discontinued operations for all periods presented. On August 26, 2011, the Company entered into an Asset Purchase Agreement (the "Purchase Agreement") for the sale (the "Asset Sale") of the Company's assets related to its business in aftermarket accessories for all-terrain vehicles and utility vehicles sold under the "Cycle Country" brand name (the "Product Line") to Kolpin Outdoors, Inc. ("Kolpin"). Details of the Purchase Agreement are more fully disclosed in the Company's 8-K filing dated September 1, 2011. Subsequent to September 30, 2011, the brand "Cycle Country" and the ATV accessories division, as well as Perf-Form segment, were sold. See Note 20 for additional information on these sales. Following these sales, the Company redefined its business strategies and changed its name to "ATC Venture Group".

Plazco manufactures, sells, and distributes injection-molded plastic products for vehicles such as golf cars, and low-speed vehicles (LSVs). Perf-Form manufactures, sells, and distributes oil filters for the Powersports industry, including ATVs, UTVs and Motorcycles. As more fully disclosed in Note 16, during the nine months ended June 30, 2011 the Company has concluded that these segments do not fit within the long-term strategic plans of the Company.

Revenue Recognition - The Company primarily ships products to its customers by third party carriers. The Company recognizes revenues from product sales when title and risk of loss to the products is passed to the customer, which usually occurs at the point of shipping.

Certain costs associated with the shipping and handling of products to customers are billed to the customer and included as revenue in the accompanying consolidated statements of operations. The actual freight costs incurred are included in cost of goods sold. Sales were recorded net of sales discounts, returns and allowances. Sales discounts, returns and allowances were approximately \$21,000 for continuing operations and \$864,000 for discontinued operations for the year ended September 30, 2011 and approximately \$114,000 for continuing operations and \$917,000 for discontinued operations for the year ended September 30, 2010.

Cost of Goods Sold - The components of cost of goods sold in the accompanying consolidated statements of operations include all direct materials and direct labor associated with the assembly and/or manufacturing of products.

Cash and Cash Equivalents - The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company maintains its accounts primarily at one financial institution. At times throughout the year, the Company's cash and cash equivalent balances may exceed amounts insured by the Federal Deposit Insurance Company.

Accounts Receivable - Credit terms are generally extended to customers on a short-term basis. These receivables do not bear interest, although a finance charge may be applied to balances more than thirty days past due. Trade accounts receivable are carried on the books at their net realizable value. The Company performs ongoing credit evaluations of its customers to reduce credit risk.

Individual trade accounts receivable are periodically evaluated for collectability based on past credit history and their current financial condition. Trade accounts receivable are charged against the allowance for doubtful accounts when such receivables are deemed to be uncollectible. While the Company has a large customer base that is geographically dispersed, a slowdown in markets in which the Company operates may result in higher than expected uncollectible accounts, and therefore, the need to revise estimates for bad debts. To the extent historical experience is not indicative of future performance or other assumptions used by management do not prevail, the provision for uncollectible accounts could differ significantly, resulting in either higher or lower future provisions for uncollectible accounts. The allowance for doubtful accounts was \$75,000 at September 30, 2011 and \$15,000 at September 30, 2010, respectively. It is at least reasonably possible that the Company's estimate will change in the future.

Inventories - Inventory is stated at the lower of cost or market. Inventory consists of raw materials, work in process, and finished goods. Cost is determined using the weighted average method.

Property, Plant, and Equipment - Property, plant and equipment is stated at cost. Depreciation is provided over the estimated useful lives of the assets by using the straight-line and accelerated methods. Long-lived assets, such as property, plant, and equipment, are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset. If these projected cash flows are less than the carrying amount, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values and third party appraisals, as considered necessary. In accordance with ASC 360, the Company evaluated its long-lived assets using an undiscounted cash flow analysis. This analysis supported the carrying value of the long-lived assets and, therefore, no impairment was recorded. Forecasts of future cash flows are judgments based on the Company's experience and knowledge of its operation and the industries in which it operates. Changes in these key estimates and assumptions or changes in market conditions, economic environments, including inflation and purchasing decisions of the Company's customers could materially affect the impairment analysis in a given year.

F-8

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

The Company's analysis uses significant estimates in its evaluation. It is reasonably possible that its estimates and assumptions could change in the near future, which could lead to further impairment of long-lived assets. The estimated useful lives are as follows:

Asset Description	Years
Land Improvements	15-20
Building and Building Improvements	10-40
Plant Equipment	5-25
Tooling and Dies	3-10
Vehicles	3-7
Office Equipment	3-10

Maintenance and repairs are expensed as incurred; major improvements and betterments are capitalized. Construction in progress expenditures will be depreciated using the straight-line and accumulated method over their useful lives once the assets are placed into service.

Intangible Assets - Indefinite life intangible assets are reviewed and assessed for impairment at least annually or when indicators of potential impairment exist, using a fair-value based approach.

As discussed more fully in Note 16, during the fiscal year ended September 30, 2011, the Company concluded that the Perf-Form and Plazco segments may not fit within the long-term strategic plans for the Company. As such, the Company determined that indicators of potential impairment existed in the value of trademarks and patents for its Perf-Form segment. Plazco's intangible assets had been previously fully amortized. Recoverability of intangible assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset. If these projected cash flows are less than the carrying amount, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted or estimated market values and third party appraisals, as considered necessary. This analysis did not support the carrying value of the intangible assets for the Perf-Form segment and, therefore, an impairment charge in the amount of \$100,000 for trademarks and \$10,186 for unamortized patents was recognized on March 31, 2011. These charges are included in discontinued operations.

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

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, patents in process 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 had been amortized over their estimated useful lives of 15 years. All intangible assets as of September 30, 2011 and September 30, 2010 are associated with divisions that are available for sale. As such, the Company stopped amortizing the patents when they became available for sale.

Investments - In 2000, the Company invested \$25,000 in Golden Rule (Bermuda) Ltd., a captive insurance company from which the Company purchased some of its insurance needs. The investment is not an investment of excess cash, but rather a mechanism to provide insurance. In 2009, management determined that the program was no longer providing sufficient benefits to warrant continued participation. In fiscal 2009, the Company cancelled the insurance plan provided by Golden Rule and exited the program. The Company received \$100 in exchange for its stock which represented the par value of the stock. The Company impaired the balance of the cost of the stock at a loss of \$24,900 during the fiscal year ended September 30, 2010.

Warranty Costs - Estimated future costs related to product warranties are accrued as products are sold based on prior experience and known current events and are included in accrued expenses in the accompanying consolidated balance sheets. Accrued warranty costs have historically been sufficient to cover actual costs incurred.

F-9

Income Taxes - Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis for financial and income tax reporting. Deferred taxes also are recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future income taxes payable.

The Company follows a two-step approach to recognizing and measuring tax benefits and liabilities when realization of the tax position is uncertain. The first step is to determine whether the tax positions meet the more-likely-than-not condition for recognition and the second step is to determine the amount to be recognized based on the cumulative probability that exceeds 50%.

The Company recognizes in its consolidated financial statements only those tax positions that are "more-likely-than-not" of being sustained upon examination by taxing authorities, based on the technical merits of the position.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. With a few exceptions, the Company is no longer subject to U.S. federal, state, or local income tax examinations by tax authorities for years before 2007. The Company's policy is to recognize interest and penalties related to uncertain tax benefits in income tax expense. The Company has no significant accrued interest or penalties related to uncertain tax positions as of September 30, 2011 and 2010 and such uncertain tax positions as of each reporting date are insignificant. The Company does not anticipate that the total unrecognized tax benefits will significantly change prior to September 30, 2012.

Stock Based Compensation - The Company accounts for share-based payments using the related accounting guidance, which requires share-based payment transactions to be accounted for using a grant date fair value based method and the recognition of the related expense in the results of operations.

Earnings (Loss) Per Share - Basic earnings (loss) per share ("EPS") is calculated by dividing net income (loss) by the weighted-average number of shares outstanding during the period. Diluted EPS is computed in a manner consistent with that of basic EPS while giving effect to the potential dilution that could occur if stock options or other share-based awards were exercised, by dividing net income by the weighted average number of shares and share equivalents during the period.

The Company incurred a net loss for the years ended September 30, 2011 and September 30, 2010. A net loss causes all outstanding common stock equivalents, such as certain stock options, warrants, and restricted share awards, to be antidilutive. As a result, the basic and dilutive losses per common share are the same.

Legal - The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. 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.

Advertising - Advertising consists primarily of trade magazine advertisements, product brochures and catalogs, and trade shows. Advertising is included in selling, general, and administrative expenses in the accompanying consolidated statements of operations. Advertising expenses were approximately \$37,000 for continuing operations and \$138,000 for discontinued operations for the year ended September 30, 2011 and approximately \$46,000 for continuing operations and \$130,000 for discontinued operations for the year ended September 30, 2010.

Research and Development Costs - Research and development costs are expensed as incurred. Research and development costs incurred are included in selling, general & administrative expenses in the accompanying consolidated statements of operations. Research and development costs were approximately \$101,000 for continuing operations and \$383,000 for discontinued operations for the year ended September 30, 2011 and approximately \$92,000 for continuing operations and \$261,000 for discontinued operations for the year ended September 30, 2010.

Shipping and Handling Costs - Shipping and handling costs represent costs associated with shipping products to customers and handling finished goods. Shipping and handling costs are included in selling, general, and administrative expenses and cost of goods sold in the accompanying consolidated statements of operations. Shipping and handling costs were approximately \$39,000 for continuing operations and \$149,000 for discontinued operations for the year ended September 30, 2011 and approximately \$63,000 for continuing operations and \$179,000 for discontinued operations for the year ended September 30, 2010.

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and operating results, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Significant items subject to such estimates include the useful lives and assumptions used in the impairment analysis of property, plant, and equipment; valuation of intangible assets and deferred tax assets; allowance for doubtful accounts; and allowance for

inventory reserves. Actual results could differ significantly from those estimates.

Fair Value of Financial Instruments - The Company's accounting for fair value measurements of assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis adhere to the Financial Accounting Standards Board (FASB) fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability

Level 3 inputs are unobservable inputs for the asset or liability

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The carrying value of cash, accounts receivable, and accounts payable, short term debt and other working capital items approximate fair value at September 30, 2011 and 2010 due to the short maturity nature of these instruments.

The fair value of trademarks was determined based on estimated discounted cash flows, which is considered Level 3 input in the valuation hierarchy. See Note 4 for current value information.

F-10

Note 2 - MISAPPROPRIATION OF FUNDS

The Company previously reported the misappropriation of funds by its then-Chairman of the Board of Directors and Audit Committee Chairman, Mr. L. G. Hancher Jr. in the fiscal year ended September 30, 2009. This misappropriation of funds was related to a plan for the Company to purchase shares of its own stock which was to be completed by Mr. Hancher on the Company's behalf (the "Stock Buyback") in fiscal 2009.

The Company continues to work to recover all of the amounts misappropriated. During the year ended September 30, 2010, the Company recovered and cancelled 195,416 shares of Company stock with a market value of \$120,000, which reduced common equity and was recorded against fraud expense, net in the consolidated statement of operations. The Company believes the value represents the amount the Company provided for the purchase of shares to the third party that returned these shares to the Company. The price per share is consistent with the trading in the market at the time the Company believed that the shares were being purchased on its behalf.

In June 2010, the Company commenced a lawsuit against Mr. Hancher. On August 2, 2010, Mr. Hancher filed a Chapter 7 petition in the Bankruptcy Court for the Southern District of Indiana. Proceedings in the Bankruptcy Court are pending. There has been no recovery to date on this action and the amount of a potential recovery, if any, cannot be reasonably estimated at this time.

On January 13, 2011, the Securities and Exchange Commission filed a complaint in U.S. District Court, Northern District of Iowa, against Mr. Hancher and various affiliates of his, charging them with six counts of securities violations involving multiple issuers, including the Company. On the same day, Mr. Hancher entered into a consent agreement with the SEC in which, among other things, Mr. Hancher agreed to pay back an aggregate of approximately \$2.4 million in disgorgement, plus approximately \$600,000 in pre-judgment interest, and a fine of \$130,000.

On May 9, 2011, the Company entered into a settlement agreement with Mr. Hancher. In this agreement, Mr. Hancher and the Company settled the adversary proceedings in exchange for a non-dischargeable judgment in the amount of \$600,000. In doing so, the Company did not limit the size of the claim, but rather, agreed that the amount of \$600,000 was non-dischargeable by Mr. Hancher in his pending bankruptcy case. Through this negotiated settlement, the Company was able to protect its future recovery without the additional expense of continuing the pursuit of a judgment in federal court against Mr. Hancher, and without the expense of defending its claim in Mr. Hancher's bankruptcy case.

On May 18, 2011, the Securities and Exchange Commission issued an Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings and Imposing Remedial Sanctions against Mr. Hancher. The order bars Mr. Hancher from associating with any broker, dealer, etc., and while he consented to the entry of the permanent injunction against him, he did so without admitting or denying any the findings of the Order.

At this time, it is not believed that this will result in restitution to the Company in the foreseeable future, based on the information provided in the filings in Mr. Hancher's pending bankruptcy case.

Additional recoveries, if any, will impact subsequent periods and will be reported for the periods in which such recoveries occur. The possibility of any future recoveries and the amount of any such recovery remain uncertain, and the Company can have no assurance that any such recoveries can be achieved or that they can be achieved without significant cost to the Company.

Note 3 - INVENTORIES

Inventories are stated at the lower of cost or market using the weighted average cost 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 deduction in utility below carrying value, management would reduce the Company's inventory to a new cost basis through a lower of cost or market adjustment.

Though we routinely do this analysis each quarter, the changes in our senior sales, marketing, and product development management that took place in our second quarter (which were more fully disclosed in our Form 10-Q filing for the period ended March 31, 2011), allowed us to analyze the inventory from a fresh perspective. This evaluation concluded that the need existed to more aggressively challenge the prior sales and marketing team's processes and conclusions.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

Therefore, during the three months ended March 31, 2011, management evaluated the carrying amount of inventory as it compared to the market values. As a result of the evaluation, the Company recorded an adjustment to inventory in the amount of \$48,092. This charge is recorded in the consolidated financial statements as an inventory impairment adjustment. During that same period, the Company adjusted inventory held in the segments identified as discontinued operations as well. This adjustment totaled \$655,960 and is included in the net loss from discontinued operations. These two adjustments to inventory totaled \$704,052.

Additionally, the process of discontinuing select products forced us to evaluate the remaining inventory that we would no longer have distribution channels. As a result of the evaluation, the Company recorded an adjustment to inventory in the amount of \$40,783. This charge is recorded in the consolidated financial statements as an inventory impairment adjustment. During that same period, the Company adjusted inventory held in the segments identified as discontinued operations as well. This adjustment totaled \$920,444 and is included in the net loss from discontinued operations. These two adjustments to inventory totaled \$961,227.

As a result of the evaluation, the Company recorded an adjustment to inventory in the amount of \$77,017. This charge is recorded in the consolidated financial statements as an inventory impairment adjustment. During that same period, the company adjusted inventory held in the segments identified as discontinued operations as well. This adjustment totaled \$253,083 and is included in the net loss from discontinued operations. These two adjustments to inventory totaled \$330,100.

During fiscal year 2010, the Company performed process improvements specifically for the Plazco & Perf-Form segments. At that time, the Company identified specific inventory as obsolete due to decreased sales and decreased demand for those raw materials. As a result, the Company recorded an adjustment to inventory in the amount of \$315,725, of which \$315,577 related to discontinued operations. Additionally, the Company recorded an adjustment to inventory of \$277,059 associated with inventory count variances for the year ended September 30, 2010. \$31,696 of this adjustment related to continuing operations, while \$245,363 related to discontinued operations.

Management evaluated the Company's remaining inventory and determined that a reserve of \$150,000 at September 30, 2011 and 2010 was appropriate.

The major components of inventories as of September 30 are as follows:

	2011	2010
Raw Material	\$ 382,452	\$ 1,090,341
Work in Process	77,961	69,481
Finished Goods	488,792	1,196,733
Inventory Reserve	(150,000)	(150,000)
Total Inventories	\$ 799,205	\$ 2,206,555

Note 4 - PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment and related accumulated depreciation as of September 30 are as follows:

	2011	2010
Land	\$ 119,820	\$ 119,820
Land Improvements	160,442	160,442
Building	5,749,588	5,727,051
Plant Equipment	5,866,866	6,307,139
Tooling and Dies	13,880	124,289
Vehicles	324,858	375,902
Office Equipment	957,361	1,148,665
Construction in Progress	-	2,950
	13,192,815	13,966,258
Less Accumulated Depreciation	(4,221,657)	(4,205,827)
	\$ 8,971,158	\$ 9,760,431

Note 5 - INTANGIBLE ASSETS

Intangible assets consist of trademarks, patents in process & patents and are associated with divisions that are available for sale. Intangible assets of \$36,951 and \$161,957 are classified as available for sale as of September 30, 2011 and September 30, 2010, respectively.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

Note 6 - ACCRUED EXPENSES

Accrued expenses as of September 30 are as follows:

	2011	2010
Accrued salaries and related benefits	\$ 646,653	\$ 543,286
Accrued customer incentives	198,520	196,866
Accrued warranty expense	50,000	50,000
Accrued real estate tax	83,049	102,484
Accrued royalty expense	5,043	1,731
Accrued interest	10,668	6,418
Accrued expense - other	258,033	154,798
Total	\$ 1,251,966	\$ 1,055,583

Note 7 - DEBT OBLIGATIONS

Lines of Credit

The Company entered into a Secured Credit Agreement which provided for a line of credit ("Line of Credit One") with Bank Midwest, (the "Lender"), in August 2001, subsequently amended, for the lesser of \$1,000,000 or 80% of eligible accounts receivable and 50% of eligible inventory. Line of Credit One has an interest rate at 8%. At September 30, 2011, the amount due on Line of Credit One was \$0 and September 30, 2010 there was \$1,000,000 due on Line of Credit One.

The Company entered into a Secured Credit Agreement which provided for a line of credit ("Line of Credit Two") with the Lender in September 2009, subsequently amended, for \$550,000 at an interest rate at 6.5%. At September 30, 2011, the amount due on Line of Credit Two was \$0 and September 30, 2010 there was \$550,000 due on Line of Credit Two.

On July 16, 2010, the Company entered into an agreement with the Lender to replace Line of Credit Two with a new, larger facility, ("Line of Credit Three"). Under the terms of Line of Credit Three, the Company has added an additional line of credit for the lesser of \$1,700,000 or 80% of eligible accounts receivable and 50% of inventory and bears interest at 8%. The note is collateralized by all of the Company's assets. The balance of Line of Credit Three was \$0 and \$1,700,000 as of September 30, 2011 and September 30, 2010, respectively.

On September 22, 2011, the Company entered into a Ninth Amendment to its Secured Credit Agreement ("Line of Credit Four") with the Lender. The Ninth Amendment increases the revolving credit commitment under the Credit Agreement to \$4,100,000 until the closing of the Company's previously disclosed sale of its branded ATV accessories product line to Kolpin Outdoors Inc. (the "Kolpin Sale"). The Company must prepay a portion of the amounts outstanding under the Credit Agreement upon the closing of the Kolpin Sale. After the closing of the Kolpin Sale, the revolving credit commitment under the Credit Agreement will be \$1,000,000. The Lender also provided all waivers and consents necessary for the Company to enter into and consummate the Kolpin Sale. As of September 30, 2011, the balance due under Line of Credit Four agreement was \$3,643,600.

Lines of Credit One, Three, and Four contain conditions and covenants that prevent or restrict the Company from engaging in certain transactions without the consent of the 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 ratio and shall not declare or pay any dividends or any other distributions without the consent of the Lender. As more fully described in Note 7, as of and for the twelve months ended September 30, 2011, the Company was not in compliance with some of its covenants with the Lender.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

Term Loans

Term loan balances as of September 30 are as follows:

	2011	2010
Note 1 to commercial lender payable in equal monthly installments of \$42,049 including interest at 6.125%. The note matured April 2011 and was secured by all Company assets.	\$ -	\$ 284,263
Note 2 to commercial lender payable in equal monthly installments of \$33,449 including interest fixed at 6.125% until April 2011. Beginning April 2011, the interest is reset every 60 months to 0.50% over prime not to exceed 10.5% or be less than 5.5%. The note matures April 2018 and is secured by all Company assets.	2,153,545	2,418,530
Note 3, in an original amount of \$750,000, to commercial lender payable in equal monthly installments of \$14,567 including interest at 6.125% until maturity of April 2013 secured by the specific equipment acquired.	261,718	415,167
Note - Spencer Area Jobs Trust due in full March 2014 forgivable in full if the Company maintains required job levels.	60,000	60,000
Total	2,475,263	3,177,960
Less current maturities	(441,718)	(699,681)
Net	\$ 2,033,545	\$ 2,478,279

These secured credit agreements contain 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. As of and for the years ended September 30, 2011 and 2010, the Company was not in compliance with the term debt coverage requirement or the working capital requirement of the agreement. A waiver was received, the terms of which are more fully described in Note 21 herein. In addition, the Company is required to maintain a minimum working capital and shall not declare or pay any dividends or make any other distributions. Additionally, any proceeds from the sale of stock received from the exercise of warrants are to be applied to any outstanding balance on the notes or the line of credit described above.

On April 29, 2010, the Company entered into an agreement with the Spencer Area Jobs Trust (the "Trust"). Under the terms of this agreement, the Trust advanced \$60,000 to the Company under a loan which is forgivable if the Company maintains no less than seventy full time employment positions through February 2014. If the Company does not maintain seventy employment positions, the amount of the loan forgiven will equal \$850 for each employment position retained. The Company will extinguish this debt amount, if any, upon notice from the Trust.

Scheduled long-term debt maturities as of September 30, 2011 are as follows:

2012	\$ 441,718
2013	395,003
2014	374,947
2015	334,788
2016	355,879
Thereafter	572,928
	\$ 2,475,263

Subsequent to September 30, 2011, the Company used funds received from the sale of secured equipment as well as funds received from the sale of certain of the Company's assets to Kolpin Outdoors, Inc. to retire Note 3 in full.

Note 8 - INCOME TAXES

The benefit for income taxes for the years ended September 30 consist of the following:

	2011	2010
Current tax benefit	\$-	\$(264,000)
Deferred tax benefit	(369,000)	(196,000)
Total tax benefit	\$(369,000)	\$(460,000)

Deferred tax assets and liabilities as of September 30 are comprised of the following:

	2011	2010
Deferred Tax Assets:		
Inventory reserve	\$-	\$141,000
Capitalized fees	33,000	37,000
Accrued expenses	227,000	210,000
Allowance for uncollectible accounts	26,000	5,000
Deferred gain on sale	-	9,000
Charitable contributions	15,000	13,000
NOL carryforward	2,137,000	292,000
State NOL carryforward	68,000	52,000
Business credit carryforward	187,000	177,000
Total Deferred Assets	2,693,000	936,000
Deferred Tax Liability:		
Property and equipment	(1,992,000)	(2,157,000)
Less Valuation Allowance	(200,000)	-
Net Deferred Tax Asset (Liability)	\$501,000	\$(1,221,000)

	2011	2010
Current Assets	\$625,000	\$366,000
Long-Term Liabilities	(124,000)	(1,587,000)
Net Deferred Tax Asset (Liability)	\$501,000	\$(1,221,000)

A reconciliation of the income tax benefit computed by applying the statutory rate of 34% for the years ended September 30 is as follows:

	2011	2010
Federal statutory tax	\$(410,600)	\$(441,400)
Increase in Valuation Allowance	43,000	-
Permanent items	8,900	29,500
State taxes	(5,600)	(15,600)
Other R&D and Workers Opportunity Credit	(4,700)	(32,500)
	\$(369,000)	\$(460,000)

A valuation allowance of \$200,000 has been provided for the deferred tax assets at September 30, 2011. The net change in the total valuation allowance was \$200,000 and \$-0- for the years ended September 30, 2011 and 2010, respectively. Of the increase in the valuation allowance during 2011, \$257,000 relates to the recognized tax benefit within discontinued operations. The Company has federal operating loss carry forwards of approximately \$6,285,000 that expire beginning in tax year 2029 and state operating loss carry forwards of approximately \$1,129,000 which will expire in tax years 2023 through 2030. In assessing the reliability of deferred tax assets, the Company considers

whether its more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax is dependent on the generation of future taxable income during the periods in which those temporary differences became deductible. The Company considers the reversal of deferred tax liabilities and projected future taxable income, including the 2012 anticipated gains of its discontinued operations, in making this assessment.

Note 9 - STOCKHOLDERS' EQUITY

Common Stock - The Company has 100,000,000 shares of \$0.0001 par value common stock authorized and 7,090,662 and 8,046,474 issued and outstanding at September 30, 2011 and 2010, respectively. As further described in Note 15, of these authorized common stock balances, the Company had issued 552,323 and 2,111,618 restricted shares to employees, subject to forfeiture, as of September 30, 2011 and 2010, respectively.

Preferred Stock - The Company has 20,000,000 shares of \$0.0001 par value undesignated preferred stock authorized with no shares issued or outstanding at September 30, 2011 and 2010. The Board of Directors is authorized to adopt resolutions providing for the issuance of preferred shares and the establishment of preferences and rights pertaining to the shares being issued, including dividend rates. In the event of any dissolution or liquidation of the Company, whether voluntary or involuntary, the holders of shares of preferred stock described above, will be paid the full amounts they are entitled to receive before any holders of common stock are entitled to receive, pro rata, any remaining assets of the Company available for distribution to its stockholders.

Warrants - The Company had previously issued warrants outstanding to purchase 40,000 shares of the Company's common stock at \$4.00 per share, which expired June 9, 2010. For the year ended September 30, 2010, none of the 40,000 warrants were exercised.

F-15

Treasury Stock - During the year ended September 30, 2009, the Company entered into a stock buyback program with the intent to repurchase and retire some of the Company's outstanding shares. The stock buyback program began in October 2008, and was originally reported in the Company's Form 10-Q for the period ending December 31, 2008. However, as discussed in Note 2, the Company's funds were not used as instructed, resulting in a fraud loss of \$620,000 for the year ending September 30, 2009.

During the year ended September 30, 2010, the Company recovered 195,416 shares of Company stock, designated as treasury stock and recorded at a value of \$120,000 as fraud recovery in the consolidated statement of operations. The shares were subsequently cancelled as of September 30, 2010. The Company believes the value represents the amount the Company provided for the purchase of shares to the third party that returned these shares to the Company. The price per share is consistent with the trading within the market at the time and the Company believed that the shares were being purchased on its behalf.

As of September 30, 2009, the Company had 1,410,730 shares of its own stock held as treasury stock. These shares were obtained through a sale-leaseback transaction in November of 2007, as is detailed in Note 2 and were cancelled as of September 30, 2010.

During the year ended September 30, 2011, 402,324 shares of vested and unrestricted stock valued at \$128,744 were returned to the Company by Jeffrey M. Tetzlaff, the Company's former Chief Executive Officer and President, as part of a Separation Agreement and Release of Claims entered into by Mr. Tetzlaff and the Company. The shares were cancelled as of September 30, 2011.

Note 10 - PENSION AND PROFIT SHARING PLAN

The Company maintains a 401(K) Retirement Savings Plan, which allows qualified employees to defer the maximum portion of their earnings allowed by law. The plan also allows discretionary and matching contributions from the Company. The Company matches 25% of the employee contribution, up to a max contribution of 1% of the employee's compensation. Company contributions to the plan were approximately \$3,000 for continuing operations and \$11,000 for discontinued operations for the year ended September 30, 2011 and approximately \$4,000 for continuing operations and \$13,000 for discontinued operations for the year ended September 30, 2010.

Note 11 - BUSINESS CONCENTRATIONS

For the years ended September 30, 2011 and September 30, 2010, one customer represented approximately 15% and 11% of total revenue, respectively.

The following table details the number of customers representing more than 10% of gross accounts receivable as of September 30, 2011 and September 30, 2010 and the percentage of gross accounts receivable represented by those customers:

	Imdyne	ATV	Perf-Form	Plazco	Total
As of September 30, 2011					
# of accounts exceeding 10% of total accounts receivable	1	3	1	3	8
% of accounts receivable concentration	92%	84%	100%	94%	86%
As of September 30, 2010					
# of accounts exceeding 10% of total accounts receivable	2	3	1	2	8
% of accounts receivable concentration	53%	67%	75%	60%	65%

While the ATV, Perf-Form and Plazco segment operations are considered discontinued, their related accounts receivable are not available for sale and thus are presented above.

For the year ended September 30, 2011, 87%, 100% and 90% of net sales were earned within the United States for the ATV, Plazco and Perf-form segments, respectively. For the year ended September 30, 2010, 89%, 100% and 86% of net sales were earned within the United States for the ATV, Plazco and Perf-form segments, respectively.

For the year ended September 30, 2011, three customers (totaling approximately 64%) exceeded 10% of ATV's total revenue. These three customers accounted for approximately 65% of ATV total revenue for the year ended September 30, 2010.

For the year ended September 30, 2011, three customers (totaling approximately 48%) exceeded 10% of Plazco's total revenue. These three customers accounted for approximately 47% of Plazco total revenue for the year ended September 30, 2010.

For the year ended September 30, 2011, two customers (totaling approximately 53%) exceeded 10% of Perf-Form's total revenue. These two customers accounted for approximately 37% of Perf-Form's total revenue for the year ended September 30, 2010.

Note 12 - LEASES

In November 2007, the Company sold its Milford, Iowa property and entered into an agreement to lease approximately 90% of the facility under a three year triple net lease that contains two one year renewal options. The annual lease cost is approximately \$181,000 payable in monthly installments with the final payment due on November 1, 2010. The Company continued to use the facility on a month-by-month basis through October 2011.

In April 2009, the Company entered into a sixty-seven month lease agreement with an unrelated party for office space in Minneapolis, totaling approximately \$50,000 per year. The agreement commenced in June 2009, and the base rent was abated for a period of seven months with the first payment due in January 2010. The Company is responsible for base rent and operating expenses.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

At September 30, 2011 the Company had the following commitments for payments of rentals under leases which had a non-cancelable term of more than one year:

F-16

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

2012	\$	67,107
2013		51,589
2014		52,608
2015		13,152
	\$	184,456

Rent expense was approximately \$36,000 for continuing operations and \$133,000 for discontinued operations for the year ended September 30, 2011 and approximately \$66,000 for continuing operations and \$188,000 for discontinued operations for the year ended September 30, 2010.

Note 13 - SEGMENT INFORMATION

Segment information has been presented on a basis consistent with how business activities are reported internally to management. Management evaluates the operating profit of each segment by using the direct costs of manufacturing its products after an allocation of indirect costs. In determining the total revenues by segment, freight income and sales discounts are allocated to each of the segments for internal reporting purposes.

The Company has four operating segments that assemble, manufacture, or sell a variety of products. Each operating segment is separately managed and has separate financial information evaluated regularly by the Company's executive officers in determining resource allocation and assessing performance. As more fully discussed in Note 16, three of these segments are classified as discontinued operations. The remaining segment, "Imdyne", is the Company's contract manufacturing division, and is engaged in the design, manufacture and assembly of a wide array of parts, components, and other precuts for non-competing OEM and other businesses.

The significant accounting policies of the operating segments are the same as those described in Note 1 for the fiscal years ended September 30, 2011 and 2010.

The following is a summary of certain financial information related to continuing operations:

	For the Years Ended September 30,	
	2011	2010
Revenue	\$ 2,210,677	\$ 3,103,111
Cost of goods sold	2,155,852	2,970,908
Inventory impairment adjustment	165,892	31,845
Gross profit (loss)	(111,067)	100,358
Selling, general, and administrative expenses	1,026,681	1,234,937
Fraud expense	-	35,014
Total operating expenses	1,026,681	1,269,951
Loss from operations	(1,137,748)	(1,169,593)
Other income (expense)		
Interest expense, net	(69,823)	(128,598)
Total other expense, net	(69,823)	(128,598)
Loss from continuing operations before income tax benefit	(1,207,571)	(1,298,191)
Income tax benefit	369,000	460,000
Net loss from continuing operations	\$ (838,571)	\$ (838,191)

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

The following is a summary of the Company's revenue in different geographic areas during the years ended September 30, 2011 and 2010:

	2011	2010
United States	\$ 2,209,236	\$ 3,102,472
Other Countries	1,441	639
Total Revenue	\$ 2,210,677	\$ 3,103,111

As of September 30, 2011 and 2010, all of the Company's long-lived assets are located in the United States of America.

Note 14 - RELATED PARTY TRANSACTIONS

In fiscal 2010, the Company contracted with Bene Merenti, LLC for the services of the CFO and a Risk-Management Consultant. Amounts paid to Bene Merenti, LLC were approximately \$316,000 for the year ended September 30, 2010 and included amounts for services performed, travel, insurance, and expense reimbursements. Bene Merenti, LLC is owned by Robert Davis. As of July 1, 2010, Robert Davis entered into a three year employment agreement with the Company. Amounts paid to Bene Merenti, LLC were approximately \$45,000 for the year ended September 30, 2011 and included amounts for risk management services provided to the Company by the firm, travel, insurance, and expense reimbursements.

Note 15 - STOCK BASED COMPENSATION

The Company accounts for share-based payments using the related accounting guidance, which requires share-based payment transactions to be accounted for using a fair value based method and the recognition of the related expense in the results of operations.

Executive Stock Based Compensation

The Company's employment agreement dated June 24, 2008 with its former chief executive officer, Jeffrey M. Tetzlaff, provided for the grant of 50,000 shares of stock in the Company, vesting over a three-year period. At the end of the first and second full year of employment, Mr. Tetzlaff became vested in and received 16,666 shares of stock each year. During the year ended September 30, 2010, the Board accelerated the vesting of the final installment of 16,668 shares of stock which otherwise would have vested on April 7, 2011.

Under the 2008 employment agreement, Mr. Tetzlaff also received an option to purchase up to an additional 500,000 shares of the Company's common stock. Effective July 1, 2010, the option to purchase these shares was terminated. There were no outstanding options as of September 30, 2011.

On July 1, 2010, the Company entered into new employment agreements with Mr. Tetzlaff and Robert Davis, as the Chief Operating Officer and Chief Financial Officer. Under the terms of these agreements, the Company granted to each 1,005,809 shares of common stock, subject to shareholder approval, equal to 12.5% on a fully-diluted basis of the common stock, which vest in four installments during the respective terms of the agreements with the first installment of 40% vesting October 1, 2010 and which vesting is subject to acceleration on the occurrence of certain events, including a change of control. These awards were approved by the Company's stockholders at the 2010 annual meeting. During the vesting period, Mr. Tetzlaff and Mr. Davis have full voting and participating rights of common stock.

Both Mr. Tetzlaff and Mr. Davis made elections under Section 83(b) of the Internal Revenue Code for their shares, which allows them to pay income tax on the initial grant instead of paying the tax as the stock vests. As such, the Company originally used the Section 83(b) assigned value of \$.05 per share (\$100,581 in total), and recognized the entire associated expense during the year ended September 30, 2010. It was subsequently determined that this was not the appropriate fair value for these shares, and that the stock award included multiple vesting dates that covered multi-year service periods. As part of the restatement further described in Note 11, the shares were revalued as of September 30, 2010 at the grant date fair value price of \$.37, or \$744,299 in total.

Effective December 31, 2010, Mr. Tetzlaff resigned and the Company and Mr. Tetzlaff entered into a Separation Agreement and Release of Claims. In accordance with the terms of that agreement, Mr. Tetzlaff settled the 402,234 shares that vested October 1, 2010, and forfeited his unvested shares. Cumulative compensation expense of \$48,493 related to Mr. Tetzlaff's unvested shares was reversed during the three months ended December 31, 2010.

On July 1, 2011, 201,162 of Mr. Davis' remaining 603,485 restricted shares were released from restriction and forfeiture, based upon the vesting schedule of the agreement.

For the fiscal years ended September 30, 2011 and 2010, \$145,000 and \$339,000, respectively, was recognized as total executive stock based compensation expense. This expense was allocated \$30,000 to continuing operations and \$115,000 to discontinued operations for the year ended September 30, 2011 and \$88,000 to continuing operations and \$251,000 to discontinued operations for the year ended September 30, 2010.

Remaining unrecognized executive stock based compensation expense expected to be recognized within 3 years was \$77,000 and \$446,000 at September 30, 2011 and 2010, respectively.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

Subsequent to year-end, and concurrent with the execution and completion of the Asset Purchase Agreement more fully disclosed in the Company's 8-K filing dated September 1, 2011, the remaining 402,323 restricted shares of Mr. Davis' shares were released from restriction and forfeiture. All previously unrecognized executive stock based compensation expense was reversed during the year ended September 30, 2012.

Director Stock Based Compensation

During the fiscal year ended September 30, 2010, the Company issued shares to members of the Board of Directors for their services provided to the Company as directors in 2008 and 2009. A total of 5,373 shares at \$0.46 per share were earned in fiscal year 2009 and issued in fiscal year 2010. A total of 3,609 shares at an average of \$1.66 per share were earned in 2008 and issued in fiscal year 2010.

At the annual stockholder meeting held in 2010, the stockholders approved the award of 50,000 shares of Company stock to two non-employee directors (Mr. Thralow and Mr. DeShaw), to be vested over a three year period. These shares were issued, subject to forfeiture, effective September 30, 2010. Effective December 31, 2010, Mr. Thralow resigned from the Board and consequently forfeited the unvested shares. During the fourth quarter of the fiscal year ended September 30, 2010, each of two members of the board of directors were granted 50,000 shares of stock for services provided to the Company under the approved Director Equity Compensation Agreement. The shares vest over a period of three years.

For the fiscal years ended September 30, 2011 and 2010, \$6,000 and \$600, respectively, was recognized as total director stock based compensation expense. This expense was allocated \$1,200 to continuing operations and \$4,800 to discontinued operations for the year ended September 30, 2011 and \$158 to continuing operations and \$450 to discontinued operations for the year ended September 30, 2010.

Unrecognized executive stock based compensation expense remaining was \$40,000 and \$36,000 at September 30, 2011 and 2010, respectively. Subsequent to year-end, and concurrent with the execution and completion of the Asset Purchase Agreement more fully disclosed in the Company's 8-K filing dated September 1, 2011, the 50,000 restricted shares of Mr. DeShaw, Mr. Morgan and Mr. Bohn were released from restriction and forfeiture. All previously unrecognized director stock based compensation expense was expensed during the quarter ended December 31, 2011.

Note 16 - DISCONTINUED OPERATIONS

In the quarter ended March 31, 2011, the Company concluded that the Perf-Form and Plazco segments no longer fit with the long term strategic plans of the Company. Both of these segments are outside of the Company's core product lines and/or our core customer relationships. Both of these segments have seen substantial decline in the past three years in sales and profitability as they lacked adequate sales, marketing, and operational leadership. Further, the Company has no internal expertise in engineering in either of these product segments. As a result, with the changes in the senior management of the Company, the determination was made that these segments no longer fit the Company's strategic plan, and therefore, these segments are expected to cease operations within one year and are reported as discontinued operations in the condensed consolidated financial statements.

In addition, the value of the Perf-Form segment did not support the carrying value of the intangible assets, and an impairment charge in the amount of \$110,186 for trademarks and unamortized patents was recognized in the three months ended March 31, 2011. See Note 20 for information on subsequent sale of this segment.

On August 26, 2011, the Company entered into an Asset Purchase Agreement (the "Purchase Agreement") for the sale (the "Asset Sale") of the Company's assets related to its business in aftermarket accessories for all-terrain vehicles and utility vehicles sold under the "Cycle Country" brand name (the "Product Line") to Kolpin Outdoors, Inc. ("Kolpin"). Details of the Purchase Agreement are more fully disclosed in the Company's 8-K filing dated September 1, 2011. Since this product line (ATV) was sold subsequent to September 30, 2011, it has been included in discontinued operations for all years presented.

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

Losses from discontinued operations, net of income taxes for all periods presented, include the operating results of Cycle Country ATV Accessories, Perf-Form and Plazco and are as follows:

For the Year Ended September 30, 2011				
	ATV	Plazco	Perf-Form	Total
Revenue	\$ 7,947,850	\$ 340,609	\$ 89,050	\$ 8,377,509
Cost of goods sold	6,269,824	299,255	113,920	6,682,999
Inventory impairment adjustment	1,541,653	206,337	81,497	1,829,487
Gross profit (loss)	136,373	(164,983)	(106,367)	(134,977)
Selling, general, and administrative expenses				3,993,036
Intangible impairments				110,186
Interest expense, net				255,831
(Gain) loss on sale of assets				127,452
Other (income) expense, net				(197,296)
Income tax benefit				(1,351,000)
Net loss from discontinued operations				\$ (3,073,186)

For the Year Ended September 30, 2010				
	ATV	Plazco	Perf-Form	Total
Revenue	\$ 8,187,933	\$ 448,473	\$ 204,945	\$ 8,841,351
Cost of goods sold	5,798,883	349,794	227,936	6,376,613
Inventory impairment adjustment	228,544	232,095	106,554	567,193
Gross profit (loss)	2,160,506	(133,416)	(129,545)	1,897,545
Selling, general, and administrative expenses				3,524,726
Fraud Expense				99,761
Interest expense, net				181,843
(Gain) loss on sale of assets				94,555
Other (income) expense, net				(167,628)
Income tax benefit				(650,000)
Net loss from discontinued operations				\$ (1,185,712)

F-20

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

The carrying amounts of the major classes of assets for these segments are presented below:

	As of September 30, 2011				As of September 30, 2010			
	ATV	Plazco	Perf-Form	Total	ATV	Plazco	Perf-Form	Total
Current Assets								
Inventories	\$ 652,047	\$ -	\$ 10,801	\$ 662,848	\$ 726,573	\$ 177,575	\$ 98,046	\$ 1,002,194
Total current assets	652,047	-	10,801	662,848	726,573	177,575	98,046	1,002,194
Property, plant and equipment, net	150,417	78,608	1,514	230,539	161,468	105,033	1,692	268,193
Intangible assets, net	34,640	2,311	-	36,951	46,882	2,527	112,548	161,957
Total assets	\$ 837,104	\$ 80,919	\$ 12,315	\$ 930,338	\$ 934,923	\$ 285,135	\$ 212,286	\$ 1,432,344

While the ATV, Plazco and Perf-Form segment operations are considered discontinued, their related accounts receivable and deposits on inventory are not available for sale and thus are not presented above. Accounts receivable identifiable to the ATV, Plazco and Perf-Form segments as of September 30, 2011 are \$772,779, \$47,097 and \$1,086, respectively. Accounts receivable identifiable to the ATV, Plazco & Perf-form segments as of September 30, 2010 are \$1,547,583, \$92,409 and \$15,263, respectively. Deposits on inventory identifiable to the ATV segment are \$404,015 and \$244,055 as of September 30, 2011 and 2010, respectively.

Note 17 - SALES - LEASEBACK - OPERATING LEASE

On November 14, 2007, contemporaneously with the sale of the Milford manufacturing facility, the Company entered into a sale-leaseback arrangement. The lease back has been accounted for as an operating lease with a three-year term. A gain of \$725,792 was deferred and amortized in proportion to lease expense. As of November 30, 2010, all of the gain had been recognized.

Amortization of the gain recognized for the fiscal years ended September 30, 2011 and 2010 was \$27,754 and \$166,524, respectively. These gains are included in discontinued operations. Total rent expense for the related property was approximately \$13,000 for continuing operations and \$49,000 for discontinued operations for the year ended September 30, 2011 and approximately \$47,000 for continuing operations and \$134,000 for discontinued operations for the year ended September 30, 2010.

Note 18 - COMMITMENTS AND CONTINGENCIES

Letters of Credit - Letters of credit are purchase guarantees that ensure the Company's payment to third parties in accordance with specified terms and conditions. The Company is a party to one such agreement which approximated \$195,000, as of September 30, 2011 and 2010. This letter of credit guarantees the payment of the insurance premiums to Golden Rule (Bermuda) Ltd., a captive insurance company from which the Company previously bought some of its insurance (see Note 1). Though the Company has changed insurance providers, as part of its prior contracts with Golden Rule (Bermuda) Ltd, the Company is contractually obligated to maintain this Letter of Credit for three years after termination of the insurance.

Note 19 - GOING CONCERN

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. During the years ended September 30, 2011 and 2010, the Company incurred net losses of \$3,911,757 and \$2,023,903. As of September 30, 2011, the Company had an accumulated deficit of \$9,312,717. As discussed in Note 7, as of September 30, 2011, the Company was in violation of covenants with its lender, a waiver for which was received, as more fully described in Note 21. If the Company is unable to generate profits and unable to continue to obtain financing or renew existing financing for its working capital requirements, it may have to curtail its business sharply or cease business altogether. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or the amounts and classification of liabilities that might be necessary in the event the Company does not continue as a going concern. The Company expects the existing cash balances, cash flow generated from operating activities, and the available borrowing capacity under the revolving line of credit agreement to be sufficient to fund operations. Short term cash can be generated through the aggressive collection of accounts receivable and by reducing inventory balances. The Company used recent net operating losses to file for and receive income tax refunds on income taxes previously paid in of approximately \$637,000 during the year ended September 30, 2011. The Company is in the process of securing replacement financing through an asset-based lender for its Revolving Credit Agreement.

Note 20 - SUBSEQUENT EVENTS

Sale of Cycle Country

Subsequent to September 30, 2011, the brand "Cycle Country" and the ATV accessories division were sold to Kolpin Outdoors, Inc. ("Kolpin") for a sale price of \$8,000,000, subject to certain adjustments. Revenue will be recognized on this sale in the period the transaction was complete or at the time revenue was earned for portions requiring continued products or services. Details of the Purchase Agreement are more fully disclosed in the Company's 8-K filing dated September 1, 2011. This agreement was fully executed on December 31, 2011, as fully disclosed in the Company's 8-K filing dated January 6, 2012. There has been a recent dispute relating to the payment of a portion of the deferred and

Edgar Filing: ATC Ventures Group, Inc. - Form 10-K

contingent purchase price due to the Company under the asset purchase agreement. No portion of these contingent and deferred payments were recorded as revenue as of September 30, 2011.

Following this sale, the Company redefined its business strategies and changed its name from "Cycle Country Accessories Corp." to "ATC Venture Group".

Sale of Perf-Form

On November 3, 2011, the Perf-Form Segment was sold for approximately \$25,000.

AMEX Compliance - Subsequent to September 30, 2011, the Company was notified of non-compliance of the exchange's listing standards due to total stockholders' equity balance of less than \$4,000,000 noted on preliminary December 31, 2011 financial statement. After the subsequent sale noted above, the Company's stockholder's equity rose above the \$4,000,000 threshold and has maintained at a level in excess of the threshold in draft second quarter financial statements.

Note 21 - COVENANT WAIVER

As of September 30, 2011, the Company was out of compliance with its debt covenants as noted in Note 7. This violation resulted in an increase in the interest rate on the working capital line of credit and the note payable as discussed in Note 7. On March 20, 2012, the terms of the working capital line of credit were amended to waive the covenant violation. Pursuant to the terms of the amended agreement, covenant requirements have been waived for the period ending September 30, 2011 until September 30, 2012.

