HUFFY CORP
Form 8-K/A
December 02, 2002

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

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: September 19, 2002
(Date of earliest event reported)

HUFFY CORPORATION
(Exact name of Registrant as specified in its Charter)

Ohio	1-5325	31-0326270
(State or other jurisdiction of incorporation)	(Commission File No.)	(IRS Employer Identification Number)

225 Byers Road, Miamisburg, Ohio	45342-3657
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (937) 865-5431

N/A

(Former name or former address, if changed since last report)

On October 4, 2002 we filed a Form 8-K reporting the closing of our acquisition of Gen-X Sports. In that Form 8-K, we indicated, in Item 7(a), that we would be filing certain financial statements of the acquired companies in an amendment to the Form 8-K. This Form 8-K/A constitutes that amendment. Items 7(a), 7(b) and 7(c) of the original Form 8-K are amended to read in their entireties as set forth below. Item 2 is not amended in any respect and is not repeated.

Item 7. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

Audited combined statements of operations and cash flows of Gen-X Holdings, Inc. and Gen-X Equipment Inc. (currently referred to as Gen-X Sports Inc. and Gen-X Sports, Inc. respectively) for the period beginning January 1, 2000 and ending May 26, 2000 are included in this report and were audited by Deloitte & Touche LLP.

The combined financial statements of Gen-X Sports Inc. and Gen-X Sports, Inc. for the year ended December 31, 2001 and for the period from May 26, 2000 to December 31, 2000 are incorporated herein by reference to Huffy Corporation's Registration Statement on Form S-4 filed on July 5, 2002 and amended on July 29, 2002, File No. 333-92030. Such financial statements have been audited by Arthur Andersen LLP, independent auditors. Representatives for Arthur Andersen LLP are not available to provide the consent required for the inclusion of their reports on the financial statements of Gen-X Sports Inc. and Gen-X Sports, Inc. incorporated in this Form 8-K and we have dispensed with the requirement to file their consent in reliance upon Rule 437a of the Securities Act of 1933. Because Arthur Andersen LLP has not consented to the inclusion of their reports in this Form 8-K, it will not be possible to recover against Arthur Andersen LLP under Section 11 of the Securities Act of 1933 for any untrue statements of a material fact contained in the financial statements audited by Arthur Andersen LLP that are included in this Form 8-K or any omissions to state a material fact required to be stated therein.

The combined financial statements of Gen-X Sports Inc. and Gen-X Sports, Inc. for the period from January 1, 2002 to September 18, 2002 are included in this report. These financial statements were audited by KPMG LLP.

Consolidated audited financial statements of Huffy Corporation for the period from January 1, 2002 to September 30, 2002 are included in this report. The results of Gen-X Sports Inc. and Gen-X Sports, Inc. for the period of Huffy's ownership from September 19, 2002 to September 30, 2002 are included in the consolidated financial statements. These consolidated financial statements were audited by KPMG LLP.

(b) Pro forma financial information.

Unaudited pro forma financial statements of the combined companies as of and for the nine months ended September 30, 2002 are included with this report.

(c)	Exhibits.	
2.1(a)	Agreement and Plan of Merger, dated June 5, 2002 and amended as of July 1, 2002, by and among Huffy Corporation, HSGC, Inc. and Gen-X Sports Inc. (incorporated herein by reference to Exhibit 2.a to Huffy Corporation's Registration Statement on Form S-4 filed on July 5, 2002 and amended on July 29, 2002, File No. 333-92030).	*
2.1(b)	Amendment No. 2 to the Agreement and Plan of Merger, dated July 25, 2002, by and among Huffy Corporation, HSGC, Inc. and Gen-X Sports Inc.	*
2.1(c)	Share Purchase Agreement, dated June 5, 2002, by and among Huffy	*

	Corporation, HSGC Canada Inc., Gen-X Sports, Inc., K&J Financial, Inc., DLS Financial, Inc., Kenneth Finkelstein Family Trust, James Salter Family Trust, James Salter, Kenneth Finkelstein and the Sellers (as defined in the Agreement) (incorporated herein by reference to Exhibit 2.b to Huffy's Registration Statement on Form S-4 filed on July 5, 2002 and amended on July 29, 2002, File No. 333-92030).	
2.1(d)	Amendment No. 1 to the Share Purchase Agreement, dated July 25, 2002, by and among Huffy Corporation, HSGC Canada Inc. and Kenneth Finkelstein, as Representative for and in the name of and on behalf of the Sellers (as defined in the Agreement).	*
2.1(e)	Second Amended and Restated Loan and Security Agreement, dated September 19, 2002, by and among Huffy Corporation and its subsidiaries, Gen-X Sports Inc. and its subsidiaries, Gen-X Sports, Inc. and its subsidiaries, Congress Financial Corporation (Central) and the Lenders (as defined in the Agreement).	*
23.1	Independent Auditor's Consent, Deloitte & Touche LLP dated November 27, 2002.	
23.2	Independent Auditor's Consent, KPMG LLP, dated December 2, 2002	
23.3	Independent Auditor's Consent, KPMG LLP, dated December 2, 2002	
*	Indicates that the exhibit is incorporated by reference into this 8-K from a previous filing with the Commission.	

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Registrant:

HUFFY CORPORATION

/s/ Timothy G. Howard

Date: December 2, 2002

By: Timothy G. Howard
Vice President - Corporate Controller
(Principal Accounting Officer)

Combined Statements of Operations and Cash Flows of

GEN-X HOLDINGS, INC. AND
GEN-X EQUIPMENT INC.

Period from January 1, 2000 to May 26, 2000

(expressed in U.S. dollars)

INDEPENDENT AUDITORS' REPORT ON
COMBINED STATEMENTS OF OPERATIONS AND CASH FLOWS

To the Board of Directors of
Gen-X Holdings, Inc. and Gen-X Equipment Inc.

We have audited the combined statements of operations and cash flows of Gen-X Holdings, Inc. and Gen-X Equipment Inc. (collectively "the Company") for the period from January 1, 2000 to May 26, 2000. This financial information is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards and auditing standards generally accepted in the United States of America. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial information presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, this financial information presents fairly, in all material respects, the results of operations and cash flows of the Company for the period from January 1, 2000 to May 26, 2000 in accordance with Canadian generally accepted accounting principles.

/s/ Deloitte & Touche LLP
Chartered Accountants

Toronto, Ontario
November 27, 2002

GEN-X HOLDINGS, INC. AND GEN-X EQUIPMENT INC.
COMBINED STATEMENT OF OPERATIONS
PERIOD FROM JANUARY 1, 2000 TO MAY 26, 2000
(EXPRESSED IN U.S. DOLLARS)

REVENUE	$ 34,095,729
COST OF SALES	25,050,511
GROSS PROFIT	9,045,218

OPERATING EXPENSES	4,966,469
INCOME BEFORE INCOME TAXES	4,078,749
INCOME TAXES (Note 3)	2,000,342
NET INCOME	$ 2,078,407

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GEN-X HOLDINGS, INC. AND GEN-X EQUIPMENT INC.
COMBINED STATEMENT OF CASH FLOWS
PERIOD FROM JANUARY 1, 2000 TO MAY 26, 2000
(EXPRESSED IN U.S. DOLLARS)

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES

OPERATING	
Net income	$2,078,407
Item not affecting cash	
Depreciation and amortization	169,769
Net change in non-cash working capital items	
Accounts receivable	(4,601,702)
Inventories	1,254,023
Prepaid expenses and deposits	(56,598)
Accounts payable	3,187,240
Accrued liabilities	1,172,982
Income taxes payable	1,735,093
CASH PROVIDED BY OPERATING ACTIVITIES	4,939,214
INVESTING	
Incorporation and other organization costs	(75,000)
Purchase of capital assets, net	(122,472)
CASH USED IN INVESTING ACTIVITIES	(197,472)
FINANCING	
Bank indebtedness	(3,809,125)
Repayments of amounts due to parent company	(820,636)
Repayment of mortgage principal	(11,981)
Repayments of other long-term debt	(100,000)
CASH USED IN FINANCING ACTIVITIES	(4,741,742)

NET CASH INFLOW		-
CASH, BEGINNING OF PERIOD		-
CASH, END OF PERIOD	$	-
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	$	530,665
Income taxes paid	$	-

GEN-X HOLDINGS, INC. AND GEN-X EQUIPMENT INC.
NOTES TO COMBINED STATEMENTS OF OPERATIONS AND CASH FLOWS
PERIOD FROM JANUARY 1, 2000 TO MAY 26, 2000
(EXPRESSED IN U.S. DOLLARS)

1. BASIS OF PRESENTATION

These combined statements of operations and cash flows include the consolidated financial information of Gen-X Holdings, Inc. and the financial information of Gen-X Equipment Inc. (collectively the "Company").

The Company is wholly-owned by Global Sports, Inc. ("Global" and "Parent Company"), a public company in the United States.

This financial information is prepared in U.S. dollars as the Company conducts a majority of its business in that currency. Intercompany transactions and balances have been eliminated.

Gen-X Holdings, Inc. is a Washington corporation which includes the accounts of its wholly-owned subsidiaries: Gen-X Equipment, Ltd., Gen-X Equipment AG, and Lamar Snowboards, Inc. ("Lamar").

Gen-X Equipment Inc. is a company incorporated under the Ontario Business Corporations Act.

Nature of business

The Company is a distributor of excess inventories of sports equipment and accessories and specializes in acquiring excess inventories of snowboards, snowboard boots and bindings, in-line skates, premium sunglasses and sports goggles, skateboards, mountain bikes, wakeboards and specialty footwear from manufacturers and other suppliers and reselling these products to sporting goods retailers worldwide. The Company also markets its own branded products in the snowboard and accessories business under the Lamar and Limited brand names, as well as aluminum scooters marketed under the Company's Rage brand.

2. SIGNIFICANT ACCOUNTING POLICIES

This financial information has been prepared by management in accordance with Canadian generally accepted accounting principles. The more significant accounting policies followed in the preparation of financial information are summarized as follows:

Inventories

Inventories are carried at the lower of cost and market using the first-in, first-out method.

Capital assets

Capital assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and fixtures	-	5 years
Computer equipment	-	3 years

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other assets

Other assets include incorporation and other organization costs capitalized which are being amortized over 20 years.

Goodwill

Goodwill is amortized using the straight-line method over 20 years. Goodwill is written down when there has been a permanent impairment in the value of unamortized goodwill. A permanent impairment in goodwill is determined by comparison of the carrying value of unamortized goodwill with undiscounted future earnings of the related business.

Income taxes

Income taxes are provided based on the deferral method of tax allocation. Under this method, deferred income taxes arise primarily from differences between the financial reporting and tax basis of assets and liabilities based on current tax rates.

Revenue recognition

The Company recognizes revenue from the sale of its products when delivery has occurred, the sale price is fixed and collectibility is probable. Provision is made at the time related revenue is recognized for estimated product returns and rebates.

Concentration of credit risk

The Company performs ongoing credit evaluations of its customers. Based on the Company's assessment of credit risk, sales in the United States and Canada are made on open credit, C.O.D., cash in advance or by post-dated cheque. International sales are generally made on a cash in advance or on a letter of credit basis. The majority of accounts are credit insured with the Export Development Corporation of Canada.

Foreign currency

Accounts receivable and accounts payable denominated in foreign currencies are translated into U.S. dollars at the exchange rate as of the balance sheet date. Revenues, costs of sales and expenses are translated at the prevailing exchange rate at the time the transaction occurs. Adjustments resulting from foreign exchange transactions are recorded in the combined statement of operations.

Use of estimates

The preparation of the financial information in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial information and accompanying notes. Actual results could differ from those estimates.

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3. SUBSEQUENT EVENT

Effective close of business on May 26, 2000, the share capital of Gen-X Holdings, Inc. (a Washington corporation) and the share capital of Gen-X Equipment Inc. (an Ontario corporation) was acquired by Gen-X Sports Inc. and Gen-X Sports, Inc., respectively, for total cash consideration of $16,170,000. Consideration was represented by total cash of $13,200,000 and the assumption of certain notes payable amounting to $2,970,000.

In addition, Global assumed the income taxes payable in respect of Gen-X Equipment, Ltd. prior to acquisition for the period from January 1, 2000 to May 26, 2000.

4. RECONCILIATION TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company's combined statements of operations and cash flows are expressed in U.S. dollars and are prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which conform in all material respects with those in the United States ("U.S. GAAP"), except for the following:

Net income reconciliation

(EXPRESSED IN U.S. DOLLARS)

Net income as reported	$ 2,078,407
Description of items having the effect of decreasing reported income:	
Incorporation and other organization costs (a)	(70,000)
Net income under U.S. GAAP	$ 2,008,407

(a) Incorporation and other organization costs

During the period, the Company recorded $73,000 of costs in other assets related to incorporation and other organization costs net of amortization of $2,000 in accordance with Canadian GAAP. Under U.S. GAAP these costs are required to be expensed in the period incurred. The net income under U.S. GAAP for the period from January 1, 2000 to May 26, 2000 is overstated by $70,000 net of tax.

Under Canadian GAAP, the Company is following the deferral method of tax allocation under which full provision for income taxes are made on the entire reported income. In accordance with SFAS No. 109, U.S. GAAP requires that income taxes be accounted for by the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of the assets and liabilities and are measured at the enacted tax rates that will be in effect when the differences are expected to reverse. Such differences principally arise from the timing of income and expense recognition for accounting and tax purposes. The income taxes as determined under SFAS No. 109 would not differ from the income taxes as reported.

4. RECONCILIATION TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CONTINUED)

The Company's comprehensive income as determined under SFAS No. 130 would not differ from net income for the above period.

There are no differences in cash used in operating, investing and financing activities as reported and as per US. GAAP except for the effect of the accounting for incorporation and other organization costs as noted above in (a). Under U.S. GAAP, cash provided by operating activities would be $4,864,214 and cash used in investing activities would be $122,472 after giving effect to the difference in accounting for the incorporation and organization costs.

DRAFT #4
NOVEMBER 22, 2002

Combined Financial Statements
(Expressed in U.S. dollars)

GEN-X SPORTS INC.
AND GEN-X SPORTS, INC.

Period from January 1, 2002 to September 18, 2002

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the combined balance sheet of Gen-X Sports Inc. and Gen-X Sports, Inc. as at September 18, 2002 and the combined statements of income and retained earnings and cash flows for the period from January 1, 2002 to September 18, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards and generally accepted auditing standards in the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Company as at September 18, 2002 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

/s/ KPMG LLP

Chartered Accountants

Toronto, Canada

November 1, 2002

GEN-X SPORTS INC. AND GEN-X SPORTS, INC.
Combined Balance Sheet
(Expressed in U.S. dollars)

September 18, 2002

Assets	
Current assets:	
Accounts receivable	$
Inventories	
Prepaid expenses and deposits	
Future income taxes (note 9)	
Capital assets (note 3)	
Other assets	
Goodwill	
	$
Liabilities and Shareholders' Equity	
Current liabilities:	
Bank indebtedness (note 4)	$
Accounts payable and accrued liabilities	
Current portion of long-term debt (note 5)	
Long-term debt (note 5)	
Preferred shares (note 6)	
Shareholders' equity:	
Share capital (note 7)	
Retained earnings	
Commitments (note 8)	
Subsequent events (note 10)	
	$

See accompanying notes to combined financial statements.

On behalf of the Board:

/s/ Kenneth J. Finkelstein Director

/s/ James J. Salter Director

GEN-X SPORTS INC. AND GEN-X SPORTS, INC.
Combined Statement of Income and Retained Earnings
(Expressed in U.S. dollars)

Period from January 1, 2002 to September 18, 2002

Sales	$
Cost of sales	
Gross margin	
Operating expenses	
Income before income taxes	
Income taxes	
Net income	
Retained earnings, beginning of period	
Dividends	
Retained earnings, end of period	$

See accompanying notes to combined financial statements.

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GEN-X SPORTS INC. AND GEN-X SPORTS, INC.
Combined Statement of Cash Flows
(Expressed in U.S. dollars)

Period from January 1, 2002 to September 18, 2002

Cash provided by (used in):	
Operating activities:	
Net income	$
Depreciation and amortization	
Change in non-cash operating working capital	
Financing activities:	
Repayment of long-term debt	
Proceeds from issuance redemption of common shares	
Proceeds from issuance redemption of preferred shares	
Investing activities:	
Expenditures for capital assets	
Decrease in cash	
Cash, beginning of period	
Bank indebtedness, end of period	$
Supplemental cash flow information:	
Income taxes paid	$
Interest paid	

See accompanying notes to combined financial statements.

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GEN-X SPORTS INC. AND GEN-X SPORTS, INC.
Notes to Combined Financial Statements

(Expressed in U.S. dollars)

Period from January 1, 2002 to September 18, 2002

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1. BASIS OF PRESENTATION:

These combined financial statements include the consolidated financial statements of Gen-X Sports Inc. (a Delaware corporation) and the financial statements of Gen-X Sports, Inc. (an Ontario corporation) (collectively, the "Company"), which are companies under common control.

These combined financial statements are prepared in U.S. dollars as the Company conducts a majority of its business in that currency. Intercompany transactions and balances have been eliminated in these combined statements of income and retained earnings.

Gen-X Sports Inc. and Gen-X Sports, Inc. were incorporated on December 13, 1999 and September 15, 1999, respectively, commencing operations with the May 26, 2000, acquisition of Gen-X Holdings Inc., and Gen-X Equipment Inc., from Global Sports, Inc. The financial statements of Gen-X Sports Inc., includes the accounts of its wholly owned subsidiaries Gen-X Sports, Ltd., Gen-X Sports AG and Lamar Snowboards, Inc.

The Company markets its own branded products in the golf, in-line skate, ice hockey, snowboard and accessories business under the Tommy Armour, Teardrop, Ram, Ultra Wheels, Hespeler, Lamar and Limited brand names, as well as aluminum scooters marketed under the Company's Rage brand and under the Company's licensed Oxygen name.

The Company is also a leading distributor of excess inventories of sports equipment and accessories and specializes in acquiring excess inventories of snowboards, snowboard boots and bindings, in-line skates, premium sunglasses and sports goggles, skateboards, mountain bikes, wakeboards and specialty footwear from manufacturers and other suppliers and reselling these products to sporting goods retailers worldwide.

2. SIGNIFICANT ACCOUNTING POLICIES:

These combined financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") which, as applied to the Company, are in accordance with United States. The more significant accounting policies are summarized as follows:

(a) Revenue recognition:

The Company recognizes revenue from the sale of its products when delivery has occurred, the sale price is fixed and collectibility is probable. Provision is made at the time related revenue is recognized for estimated product returns and rebates.

GEN-X SPORTS INC. AND GEN-X SPORTS, INC.
Notes to Combined Financial Statements (continued)
(Expressed in U.S. dollars)

Period from January 1, 2002 to September 18, 2002

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(b) Concentration of credit risk:

The Company performs ongoing credit evaluations of its customers. Based on the Company's assessment of credit risk, sales in the United States and Canada are made on open credit, cash on deliver ("C.O.D."), cash in advance or by post-dated cheque. International sales are generally made on a cash in advance or on a letter of credit basis. The majority of accounts are credit insured with the Export Development.

(c) Inventories:

Inventories are carried at the lower of cost and market using the first-in, first-out method.

(d) Capital assets:

Capital assets are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building	40 years
Furniture and fixtures	5 years
Computer equipment	3 years
Production equipment	1 - 10 years
Leasehold improvements	Over term of lease

(e) Goodwill:

In July 2001, The Canadian Institute of Chartered Accountants ("CICA") issued a new CICA Handbook Section 1581, "Business Combinations" and Section 3062, "Goodwill and Other Intangible Assets".

The Company has adopted these standards effective January 1, 2002. The impact of adopting Section 1581, is not material for the Company, as it does not expect to reclassify any amounts from goodwill.

As a result of adopting Section 3062, goodwill will no longer be amortized after December 31, 2001, but rather will be reviewed at least annually for impairment and written down for impairment losses as deemed necessary. Transitional impairments, if any, are not expected to be material, however, impairment reviews may result in future periodic write-downs.

GEN-X SPORTS INC. AND GEN-X SPORTS, INC.
Notes to Combined Financial Statements (continued)
(Expressed in U.S. dollars)

Period from January 1, 2002 to September 18, 2002

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(f) Other assets:

Other assets include patents and trademarks, incorporation, other organization costs and deferred financing costs. Patents and trademarks were amortized over 40 years and effective January 1, 2002, the Company adopted Section 3062, "Goodwill and Other Intangible Assets", and as a result, patents and trademarks will no longer be amortized after December 31, 2001 since they have been assessed as having indefinite lives. These patents and trademarks will be reviewed at least annually for impairment and written down for impairment losses as deemed necessary. Incorporation and other organization costs are amortized over 20 years. Deferred financing costs are amortized on a straight-line basis, over the expected term of the related financing.

(g) Foreign currency:

Accounts receivable and accounts payable denominated in foreign currencies are translated into U.S. dollars at the exchange rate as of the balance sheet date. Revenue, costs of sales and expenses are translated at the prevailing exchange rate at the time the transaction occurs. Adjustments resulting from foreign exchange transactions are recorded in the combined statements of income and retained earnings.

(h) Use of estimates:

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

(i) Financial instruments:

The estimated fair values of accounts receivable, bank indebtedness, capital loan, accounts payable and accrued liabilities, and current portion of long-term debt approximate their carrying values due to the relatively short period to maturity of these instruments.

The estimated fair values of long-term debt and preferred shares approximate their carrying values as the long-term debt was paid and preferred shares redeemed the next day.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(j) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

(k) Stock-based compensation:

The Company has stock-based compensation plans, which are described in note 7. No compensation expense is recognized for these plans when stock or stock options are issued to employees. Consideration paid by employees on the exercise of stock options is credited to common shares. For consideration paid to an employee for the repurchase of stock options, the excess of the consideration paid over the carrying amount of the stock option canceled is charged to retained earnings.

3. CAPITAL ASSETS:

		Cost		Accumulated depreciation	
Land	$	1,500,000	$	-	$
Building		6,500,000		133,125	
Furniture and fixtures		1,827,387		763,318	
Computer equipment		752,140		381,276	
Production equipment		868,765		180,400	
Leasehold improvements		418,019		42,281	
	$	11,866,311	$	1,500,400	$

4. BANK INDEBTEDNESS:

Gen-X Sports, Inc. has a demand revolving line of credit available with the HSBC Bank Canada (the "Bank") in the amount of Cdn. $40,000,000 subject to certain margin requirements. The line of credit is available to Gen-X Sports, Inc. and Gen-X Sports Inc. and each of its wholly owned subsidiaries. As of September 18, 2002, U.S. $22,000,000 of this facility was utilized by the Company. The line is available in either U.S. or Cdn. dollar currency by way of either direct advances, bankers' acceptances or by import letters of credit. The line bears interest primarily at either the U.S. base rate or the Bank's prime rate of interest plus 1/2%.

Gen-X Sports, Inc. has a demand revolving line of credit with HSBC Bank USA (the "Bank") in the amount of U.S. $9,000,000 subject to certain margin requirements. The line of credit is available to Gen-X Sports, Inc. As of September 18, 2002, $7,500,000 of this facility was utilized by the Company. The line is available in U.S. dollar currency by way of direct advances and includes a U.S. $5,000,000 sub-limit for issuance of documentary trade letters of credit. The line bears interest primarily at the Bank's prime rate of interest plus 3/4% or LIBOR plus 1.90% (up to 180 days).

The credit facilities are secured by:

(a) A general security agreement covering all of the Company's assets;

(b) Unlimited guarantees from all companies in the group;

(c) Subordination agreements relating to other long-term debt;

(d) A general assignment of book debts; and

(e) An assignment of accounts receivable credit and general insurance.

Subsequent to September 18, 2002, this bank indebtedness was paid in full as part of Huffy Corporation acquiring the Company.

As at September 18, 2002, the Company had an obligation under import letters of credit in the amount of $793,786.

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5. LONG-TERM DEBT:

Loan payable to Ride, Inc., bearing interest at U.S. prime rate per annum, secured by a pledge of the shares of Gen-X Sports, Inc. and Gen-X Sports, Ltd. The loan is repayable in equal quarterly principal installments in the amount of $100,000 plus accrued interest

Promissory notes payable to former Lamar shareholders, bearing interest at 6% per annum, $400,000 is payable in fiscal 2001 and $200,000 thereafter in each year through to 2003 plus accrued interest

Promissory notes payable to former Lamar shareholders, bearing interest at 6% per annum, $125,680 payable in 2003 plus accrued interest

Subordinated note payable to the bank, bearing interest at banker's acceptance plus 125 basis points plus 9% per annum, secured by a third charge on all assets of the Company (a)

Mortgage note payable to bank, bearing interest at U.S. prime rate per annum, due in monthly installments of $20,833 plus interest through October 2006, secured by land and building

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Less current portion	
	$

Principal payments are as follows:

2002	$
2003	
2004	
2005	
2006	
	$

(a) The Company is in violation of its subordinated note payable to the bank at September 18, 2002 and accordingly, has reclassified this debt as a current liability. Subsequent to September 18, 2002, this loan was paid in full as part of Huffy Corporation acquiring the Company.

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GEN-X SPORTS INC. AND GEN-X SPORTS, INC.
Notes to Combined Financial Statements (continued)
(Expressed in U.S. dollars)

Period from January 1, 2002 to September 18, 2002

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6. PREFERRED SHARES:

Authorized:	
Gen-X Sports Inc.:	
3,960,000 Series A redeemable preferred shares	
Gen-X Sports, Inc.:	
Unlimited number of Class A preferred shares Issued and outstanding:	
Gen-X Sports Inc.:	
2,970,000 Series A redeemable preferred shares	$
Gen-X Sports, Inc.:	

2,000,000 Class A preferred shares

$
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Preferred shares are represented by redeemable, retractable Series A preferred shares of Gen-X Sports Inc. and Class A preferred shares of Gen-X Sports, Inc. as described following:

(a) The Series A redeemable preferred ("Series A Shares") are non-voting entitled to a cumulative dividend at a rate of 7%, and non-participating except to the extent of this aggregate redemption value of $2,970,000 plus any accrued unpaid dividends. Dividends are payable on the 15th day of April, July, October and January of each year.

Any or all of the Series A Shares are redeemable at any time at the Company's option at a redemption price of $1.00 per share plus accrued interest. In addition, the Series A Shares have a mandatory redemption requirement, at a redemption price of $1.00 per share.

On May 1, 2001, Gen-X Sports Inc. was required to redeem 990,000 shares of the Series A Shares. On May 1, 2002, Gen-X Sports Inc. was required to redeem an additional 990,000 shares of the Series A Shares. The shareholders of the Series A Shares have elected to defer the 2001 and 2002 retraction to any subsequent year.

Subsequent to September 18, 2002, all the preferred shares were redeemed as part of Huffy Corporation acquiring the Company.

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6. PREFERRED SHARES (CONTINUED):

(b) The Class A preferred shares ("Class A" Shares) of Gen-X Sports, Inc. are voting, entitled to a cumulative preferential dividend at a rate of bankers' acceptance rate plus 10.25%, with a redemption value of $2,000,000 plus any accrued unpaid dividends. Dividends are paid on a monthly basis.

These Series A Shares and Class A Shares dividends are recorded as interest expense in the combined statements of income and retained earnings.

7. SHARE CAPITAL:

Authorized:	
Gen-X Sports Inc.:	
250,001 Series B Junior participating preferred shares 6,000,000 Series C non-voting preferred shares 50,000,000 common shares	
Gen-X Sports, Inc.:	
Unlimited number of common shares	
Issued and outstanding:	
Gen-X Sports Inc.:	
83,334 Series B Junior participating preferred shares	$
5,462,363 Series C non-voting preferred shares	
5,369,029 common shares	
Gen-X Sports, Inc.	
5,452,362 common shares	
Options granted (Gen-X Sports Inc.)	
	$

(a) The holders of the common shares in Gen-X Sports Inc. are entitled to a 5% per annum cash dividend based on a share value of $6.00 for the issued and outstanding common shares.

(b) The Series B Junior participating preferred shares ("Series B" Shares) are convertible into common shares on a one-to-one basis at any time at the option of the holders. Each of the Series B Shares has voting rights equal to the number of common shares they are convertible into. In the event that dividends are paid to the holders of common shares, a dividend is payable to the holders of the Series B Shares equal to the dividends that would have been paid in respect of common shares into which the Series B shares are convertible.

7. SHARE CAPITAL (CONTINUED):

(c) The Series C non-voting preferred shares ("Series C" Shares) are entitled to non-cumulative dividends, if declared.

(d) During 2002, dividends were declared and paid in the amount of $1,795,475 to the holders of the issued and outstanding common shares.

Stock options:

During 2002, an additional 10,000 options were issued for a total of 1,209,289, and remain outstanding at September 18, 2002 as follows:

(a) 953,000 shares at an exercise price of $6.00;

(b) 158,250 shares at an exercise price of $12.00; and

(c) 98,039 shares at an exercise price of $1.80.

These options vest either over a three or four-year period. Of the 1,209,289 shares, 125,039 are fully vested.

Subsequent to September 18, 2002, these stock options were cancelled as part of Huffy Corporation acquiring the Company.

8. COMMITMENTS:

The Company is committed under certain operating leases. Total future minimum lease payments related to these operating leases are approximately as follows:

2002	$
2003	
2004	
2005	
2006	
2007 and thereafter	
	$

GEN-X SPORTS INC. AND GEN-X SPORTS, INC.
Notes to Combined Financial Statements (continued)
(Expressed in U.S. dollars)

Period from January 1, 2002 to September 18, 2002

9. INCOME TAXES:

Income tax expense for the Company differs from the amount that would be computed by applying the Canadian federal and provincial statutory income tax rates of 38.6% to income before income taxes. The reasons for the differences are as follows:

	Amount
Combined Canadian federal and provincial income taxes	$ 906
Effect of lower taxes applicable to U.S. and Swiss income	(1,034)
Loss carryforward utilized, not previously recognized	(875)
Valuation allowance	1,358
	$ 355

The tax effects of temporary differences that give rise to significant portions of the current and future tax assets and future tax liabilities at September 18, 2002 are presented below:

Current tax assets (liabilities):	
Current taxes payable	$
Future tax assets:	
Difference in property and equipment and goodwill basis	
Net operating loss carryforward	
Less valuation allowance	
Total future tax assets	

Total future income taxes	$

The Company has net operating loss carryforwards in the U.S. of approximately $27.0 million and in Canada of approximately $2.0 million that, depending upon the jurisdiction, expire between the years 2006 and 2022. Of these amounts, approximately $20.0 million arose from the acquisition of First Team Sports, Inc. in 2001, and the utilization of these net operating loss carryforwards are limited under U.S. tax provisions.

10. SUBSEQUENT EVENTS:

The Company was acquired on September 19, 2002 by Huffy Corporation for cash consideration and shares of Huffy Corporation.

Certain outstanding debt and preferred shares of the Company were repaid subsequent to the purchase.

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Consolidated Financial Statements

Huffy Corporation

September 30, 2002, December 31, 2001, and December 31, 2000

(with Independent Auditor's Report thereon)

Independent Auditors' Report

The Board of Directors and Shareholders,
Huffy Corporation:

We have audited the accompanying consolidated balance sheets of Huffy Corporation and subsidiaries (the Company) as of September 30, 2002, December 31, 2001 and December 31, 2000, and the related consolidated statements of operations, shareholders' equity and cash flows for the nine-months ended September 30, 2002, and for each of the years in the two-year period ended December 31, 2001. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations and cash flows for the nine-months ended September 30, 2002, and for each of the years in the two-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Cincinnati, OH /s/ KPMG LLP

November 18, 2002 KPMG LLP

ITEM 7. FINANCIAL STATEMENTS:

HUFFY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollar Amounts in Thousands, Except Share Data)

	For the Nine Months ended September 30, 2002	Years Ended December 31, 2001	Decemb 200
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Net sales	$ 246,826	$ 331,138	$ 48
Cost of sales	201,839	291,188	40
Gross profit	44,987	39,950	8
Selling, general and administrative expenses	37,201	47,607	5
Plant closure and manufacturing reconfiguration	--	3,713	
Operating income (loss)	7,786	(11,370)	2
Other expense (income):			
Interest expense	924	1,761	
Interest income	(16)	(633)	
Other expense	1,385	303	
Earnings (loss) before income taxes	5,493	(12,801)	1
Income tax expense (benefit)	1,925	(4,391)	
Earnings (loss) from continuing operations	3,568	(8,410)	1
Discontinued operations:			
Income (loss) from discontinued operations	(723)	--	
Gain on disposal of discontinued operations	--	--	2
Extraordinary loss	--	--	
Net earnings (loss)	$ 2,845	$ (8,410)	$ 3
Earnings (loss) per common share:			
Basic:			
Weighted average number of common shares	10,896,562	10,298,076	10,18
Earnings (loss) from continuing operations	$ 0.33	$ (0.82)	$
Earnings (loss) from discontinued operations	(0.07)	--	
Extraordinary loss	--	--	
Net earnings (loss) per common share	$ 0.26	$ (0.82)	$
Diluted:			
Weighted average number of common shares	11,153,166	10,298,076	10,32
Earnings (loss) from continuing operations	$ 0.32	$ (0.82)	$
Earnings (loss) from discontinued operations	(0.06)	--	
Extraordinary loss	--	--	
Net earnings (loss) per common share	$ 0.26	$ (0.82)	$

See accompanying notes to the consolidated financial statements.

HUFFY CORPORATION
CONSOLIDATED BALANCE SHEETS
(Dollar Amounts In Thousands)

	September 30, 2002	December 31, 2001	December 31 2000
ASSETS			

Current assets:			
Cash and cash equivalents	$ 514	$ 26,541	$ 4,334
Accounts and notes receivable, net	87,282	48,934	79,811
Inventories	48,202	12,483	43,324
Deferred federal income taxes	9,980	13,900	16,935
Prepaid expenses	10,236	3,903	3,644
Total current assets	156,214	105,761	148,048
Property, Plant and Equipment, at cost:			
Land and land improvements	151	182	182
Buildings and building improvements	1,741	3,399	2,948
Machinery and equipment	18,498	16,818	19,557
Office furniture, fixtures and equipment	17,328	16,348	16,788
Leasehold improvements	1,963	1,584	2,346
Construction in progress	1,071	989	1,600
	40,752	39,320	43,421
Less: Accumulated depreciation and amortization	29,557	30,053	30,741
Net property, plant and equipment	11,195	9,267	12,680
Net assets held for sale	5,480	--	--
Excess of cost over net assets acquired, net	23,686	8,038	8,764
Intangible assets, net	48,275	--	--
Deferred federal income taxes	18,694	1,906	--
Other assets	6,843	20,513	11,001
	$ 270,387	$ 145,485	$ 180,493
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Notes payable	$ 46,821	$ --	$ 17,656
Current installments of long-term obligations	714	--	--
Accounts payable	68,275	31,161	28,015
Accrued expenses:			
Salaries, wages and other compensation	6,313	4,363	6,295
Insurance	6,049	7,403	11,235
Environmental	2,000	6,959	8,050
Other	7,947	4,403	10,867
Total accrued expenses	22,309	23,128	36,447
Other current liabilities	7,356	7,096	8,278
Total current liabilities	145,475	61,385	90,396
Long-term obligations, less current installments	4,773	--	--
Pension liabilities	24,200	5,294	2,091
Postretirement benefits other than pension	9,350	9,570	9,707
Other long-term liabilities	6,123	3,634	5,168
Total liabilities	189,921	79,883	107,362
Shareholders' equity:			
Common stock	21,153	16,931	16,704

Additional paid-in capital	95,168	67,226	66,204
Retained earnings	77,992	75,147	83,557
Unearned stock compensation	(37)	--	--
Accumulated other comprehensive loss	(24,041)	(3,421)	(2,676)
Treasury shares, at cost	(89,769)	(90,281)	(90,658)
Total shareholders' equity	80,466	65,602	73,131
	$ 270,387	$ 145,485	$ 180,493

See accompanying notes to the consolidated financial statements.

HUFFY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar Amounts in Thousands)

	For the Nine Months Ended -- September 30, De 2002
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net earnings (loss) from continuing operations	$ 3,568
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization	2,643
(Gain) loss on sale of property, plant and equipment	12
Write-down of certain property, plant and equipment	--
Extraordinary charge for the early extinguishment of debt	--
Deferred federal income taxes	(11,644)
Changes in assets and liabilities, excluding the effects of acquisitions:	
Accounts and notes receivable, net	4,304
Inventories	(12,089)
Prepaid expenses and income taxes	(3,099)
Other assets	14,049
Accounts payable	6,516
Accrued expenses	(9,539)
Other current liabilities	260
Postretirement benefits other than pensions	(220)
Other long-term liabilities	738
Other	--
Net cash provided by (used in) continuing operating activities	(4,501)
Discontinued operating activities:	
Gain on disposal from discontinued operations	--
Gain (loss) from discontinued operations	(723)
Non-cash items from discontinued operations	--
Cash provided by discontinued operations	--
Net cash provided by (used in) discontinued operating activities	(723)
Net cash provided by (used in) operating activities	(5,224)

CASH FLOWS FROM INVESTING ACTIVITIES:	
Capital expenditures	(1,977)
Proceeds from sale of property, plant and equipment	--
Gen-X acquisition	(19,001)
McCalla acquisition, net of cash acquired	(4,900)
Net cash provided by (used in) investing activities	(25,878)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Net increase (decrease) in short-term borrowings	46,821
Repayment of debt assumed in the Gen-X acquisition	(37,800)
Preferred shares redeemed	(4,970)
Issuance of long-term debt	458
Reduction of long-term debt	(123)
Issuance of common shares	689
Dividends paid	--
Net cash provided by (used in) financing activities	5,075
Net change in cash and cash equivalents	(26,027)
Cash and cash equivalents:	
Beginning of the period	26,541
End of the period	$ 514

See accompanying notes to the consolidated financial statements.

HUFFY CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollar Amounts in Thousands)

	Total	Common Stock	Additional Paid-In Capital	Retained Earnings	Unea Sto Compen
Balance at December 31, 1999	$ 37,482	$ 16,667	$66,242	$ 48,571	$
Comprehensive income, net of tax:					
Net earnings	34,986			34,986	
Minimum pension liability adjustment, net of income tax expense of $205	178				
Total comprehensive income	35,164				
Issuance of 36,671 shares in connection with common stock plans	485	37	(38)		
Balance at December 31, 2000	$73,131	$ 16,704	$66,204	$ 83,557	$
Comprehensive loss, net of tax:					
Net loss	(8,410)			(8,410)	
Minimum pension liability adjustment, net of income tax benefit of $194	(434)				

Unrealized loss on derivative instruments	(311)				
Total comprehensive loss	(9,155)				
Issuance of 227,129 shares in connection with common stock plans	1,626	227	1,022		
Balance at December 31, 2001	$65,602	$ 16,931	$67,226	$ 75,147	$
Comprehensive loss, net of tax:					
Net earnings	2,845			2,845	
Minimum pension liability adjustment, net of income tax benefit of $11,185	(20,698)				
Foreign currency translation adjustment	1				
Unrealized loss on derivative instruments, net of income tax benefit of $126	77				
Total comprehensive loss	(17,775)				
Unearned stock compensation	(37)				
Issuance of 4,161,241 shares in connection with the acquisition of Gen-X Sports Inc.	31,987	4,161	27,826		
Issuance of 60,580 shares in connection with common stock plans	689	61	116		
Balance at September 30, 2002	$80,466	$ 21,153	$95,168	$ 77,992	$

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements (in thousands, except for share data)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION - The consolidated financial statements include the accounts of Huffy Corporation and its subsidiaries. All Huffy Corporation subsidiaries except for Gen-X Sports Inc. and the McCalla Companies results include activity for the fiscal periods ended September 28, 2002 while Gen-X Sports Inc. and the McCalla Companies results included activity for the period ended September 30, 2002. All entities results include activity for the fiscal years ended December 31, 2001 and 2000. All inter-company transactions and balances have been eliminated. The Company is in the process of conforming all new acquisitions to the company's reporting periods.

RECLASSIFICATION - Certain prior year balances have been reclassified to conform with the 2002 presentation.

CASH AND CASH EQUIVALENTS - Cash equivalents consist principally of short-term money market instruments with original maturities of three months or less.

REVENUE RECOGNITION - The Company recognizes revenue on products when shipments occur or title passes to the customer. Revenue for retail services is recognized at the time the service is performed.

CONCENTRATIONS OF CREDIT RISK - Financial instruments that potentially expose the Company to concentrations of credit risk, as defined by Statement of Financial Accounting Standards (SFAS) No. 105, consist primarily of trade accounts receivable. In the normal course of business, Huffy extends credit to various companies in the retail industry where certain concentrations of credit risk exist. These concentrations of credit risk may be similarly affected by changes in economic or credit conditions and may, accordingly, impact Huffy's overall credit risk. Management believes that the diversification of accounts receivable is sufficient to reduce potential market credit risk, and that the allowance for doubtful accounts is adequate to absorb estimated losses as of September 30, 2002, December 31, 2001 and December 31, 2000. The allowance for doubtful accounts was $1,431, $5,766, and $1,372 as of September 30, 2002, December 31, 2001 and December 31, 2000, respectively.

INVENTORIES - Inventories are valued at cost (not in excess of market) determined by the first-in, first-out (FIFO) method. Management periodically reviews inventory for salability and believes that the reserve for obsolescence at September 30, 2002, December 31, 2001 and December 31, 2000 is adequate to absorb estimated losses.

PROPERTY, PLANT, AND EQUIPMENT - Depreciation and amortization of plant and equipment is provided on the straight-line method.

Annual depreciation and amortization rates are as follows:

Land improvements	5 - 10%
Buildings and improvements	2-1/2 - 10%
Office furniture, fixtures, machinery, equipment and computer software	10 - 33-1/3%
Leasehold improvements	4-1/2 - 33-1/3%

ASSETS HELD FOR SALE - The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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 expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

The Company has classified a portion of the land and buildings obtained in the Gen-X acquisition as net assets held for sale as of September 30, 2002. The assets are stated at estimated fair value of approximately $5,480, as determined by an independent appraisal. The Company will formalize its plan for disposal by sale of these assets, within three months subsequent to the acquisition date, in accordance with SFAS No.144.

AMORTIZATION OF INTANGIBLES - The Company adopted the provisions of SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets, as of January 1, 2002. SFAS No. 141 addresses financial accounting and reporting for business combinations requiring the use of the purchase method of accounting for combinations initiated subsequent to June 30, 2001. SFAS No. 142 provides guidance for the financial accounting and reporting for goodwill and other intangible

assets requiring that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of SFAS No.142. SFAS No.142 also requires intangible assets with definite useful lives to be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144.

On March 27, 2002, the Company acquired 100% of the common stock of McCalla Company and subsidiaries. The aggregate purchase price was $5,400 and was paid in cash. Of the total purchase consideration, $4,876 was allocated to goodwill and $300 to an agreement not to compete.

On September 19, 2002, the Company acquired all of the common stock of Gen-X Sports and its subsidiaries. Included in the assets acquired are trademarks, patents and licensing agreements recorded at their fair values of $45,800, $1,285 and $940, respectively, as well as goodwill in the amount of $10,772. The fair values for these assets, excluding goodwill, were determined by an independent third-party appraiser.

The Company has the following acquired intangible assets as of September 30, 2002, December 31, 2001 and 2000:

	As of September 30, 2002		As of December 31, 2001		A
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	C
Assets subject to amortization:					
Patents	$ 1,285	$ 6	$ --	$ --	
License agreements	940	14	--	--	
Covenant not to compete	300	30	--	--	
Total assets subject to amortization	$ 2,525	$ 50	$ --	$ --	
Assets not subject to amortization:					
Trademarks at Gen-X	45,800	--	--	--	
Goodwill recorded in connection with the Gen-X acquisition	10,772	--	--	--	
Goodwill in the Bicycle business unit	8,824	2,380	8,824	2,380	
Goodwill in Huffy Sports business unit	1,973	569	1,973	569	
Goodwill recorded in connection with the McCalla acquisition	4,876	--	--	--	
Goodwill in Huffy Service First business unit	478	288	478	288	
Total assets not subject to amortization	$ 72,723	$ 3,237	$ 11,275	$ 3,237	

The Company recorded amortization expense of $50 in the first three quarters of 2002. The Company estimates that amortization expense will be $165 in the fourth quarter of 2002 and $655, $570, $297, $228, $94, and $476 for each of the years ended December 31, 2003, 2004, 2005, 2006, 2007 and thereafter, respectively.

Prior to the adoption of SFAS 142, the Company amortized the excess of cost over net assets acquired on a straight-line basis over fifteen to forty years.

The Company's reporting units are tested annually for impairment.

The following table provides a summary of net income (loss) and related basic and diluted EPS information as reported, and as adjusted to exclude goodwill amortization, for the years ended December 31, 2001 and 2000.

	December 31, 2001	December 31, 2000
Reported net income (loss)	$ (8,410)	$ 34,986
Add back: Goodwill amortization	726	726
Adjusted net income (loss)	$ (7,684)	$ 35,712
Basic EPS		
Reported net income (loss)	$ (0.82)	$ 3.43
Adjusted net income (loss)	(0.75)	3.51
Diluted EPS		
Reported net income (loss)	$ (0.82)	$ 3.39
Adjusted net income (loss)	(0.75)	3.46

DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS - The carrying value of cash and cash equivalents, trade receivables, trade accounts payable, notes payable, and accrued expenses approximates fair value due to the short maturity of these instruments.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES - In accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, an Amendment to SFAS No. 133, during 2002 and 2001, the Company recorded an adjustment, net of tax, of $77 and $(311), respectively, in accumulated other comprehensive gain to recognize at fair value an interest rate swap that is designated as a cash-flow hedging instrument. No other derivative instruments have been identified.

The interest rate swap is recognized on the balance sheet at fair value. The Company has determined that the swap is effective; therefore, changes in the fair value of the swap are recorded on a quarterly basis as an adjustment to accumulated other comprehensive loss.

EARNINGS (LOSS) PER COMMON SHARE - Basic earnings (loss) per share of common stock is based upon the weighted average number of shares of common stock outstanding during the year. Diluted earnings (loss) per share are computed based on the weighted average number of shares of common stock and common stock equivalents outstanding during the year. Earnings (loss) per common share are not diluted if the Company has a loss from continuing operations.

USE OF ESTIMATES AND ASSUMPTIONS - Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted. Actual results could differ from those estimates and assumptions.

STOCK OPTION PLANS - Prior to January 1, 1996, the Company accounted for its stock option plans in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. On January 1, 1996, the Company adopted SFAS No. 123, "Accounting for Stock-Based Compensation," which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants made in 1995 and future years as if the fair-value-based method defined in SFAS No. 123

had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS No. 123.

REPORTING SEGMENTS - Huffy Bicycle Company including Royce Union Bicycle Company and American Sports Design Company, Huffy Sports Company, Gen-X Sports Inc, McCalla Companies and Huffy Service First, Inc. operate as one business segment providing consumer products and services.

NOTE 2. ACQUISITIONS

On September 19, 2002, the Company acquired all of the stock of Gen-X Sports Inc. in exchange for $19,001 in cash and the issuance of 4,161,241 shares of Huffy Corporation's Class A common shares to the stockholders of Gen-X. The $7.687 per share value of the Class A common shares issued was determined based upon the average market price of Huffy Corporation's common shares over the two day period before and after the terms of the acquisition were agreed to and announced. The purchase price is subject to certain post-closing adjustments. Should Gen-X meet 2002 financial performance objectives, specified in the purchase agreement, and if there are no breaches of warranties and representations, up to 838,662 additional common shares may be issued to the Gen-X stockholders. In addition, the acquired companies immediately redeemed $4,970 of preferred stock and refinanced their existing bank debt. Included in the assets acquired are trademarks, patents and licensing agreements recorded at their fair values of $45,800, $1,285 and $940, respectively, as well as goodwill in the amount of $10,772. Gen-X is a designer, marketer and distributor of branded sports equipment, including action sports products, winter sports products and golf products, and is a purchaser and reseller of sporting goods and athletic footwear inventories. The Company believes that the combination of Huffy & Gen-X will create a stronger, more competitive sporting goods company capable of achieving greater financial strength, earnings power, operational efficiency and growth potential than either company would on its own. It will also broaden each company's brand portfolios and sporting goods product offerings and broaden and diversify the customer base. Finally, the combination has the potential to decrease seasonal fluctuations in sales and earnings.

The table below presents selected financial data from the Huffy and Gen-X unaudited pro forma condensed combining statements of operations for the nine months ended September 30, 2002. The unaudited pro forma condensed combining statements of operations are presented as if the merger had occurred on January 1, 2002. This information should be read in conjunction with the unaudited pro forma condensed combining financial statements and related notes and the historical financial statements and related notes of Huffy and Gen-X included in or incorporated by reference into this joint proxy statement/prospectus.

Huffy Corporation, Gen-X Sports Inc. and Gen-X Sports, Inc.
Summary Unaudited Pro Forma Condensed Combining Statement of Operat
(Dollar amounts in thousands, except per share data)

Pro Forma Year End

	Huffy Corporation	Gen-X Sports Inc.
Net Sales	$ 246,826	$ 93,644
Gross Profit	44,987	23,037
Selling, general, and administrative expenses	37,201	17,453
Operating income	7,786	5,584
Other expense	1,385	826
Interest expense, net	908	3,023
Earnings before income taxes	5,493	1,735
Income tax expense	1,925	355
Earnings from continuing operations	$ 3,568	$ 1,380
Earnings from continuing operations per common share		
Basic	$ 0.34	
Diluted	$ 0.33	
Shares used in calculation of earnings per share		
Basic	10,438,647	
Diluted	10,695,251	

See accompanying footnotes.

Notes to Unaudited Pro Forma Condensed Combining Statement of Operations

(1) To record the effect on depreciation of adjusting the value of property, plant and equipment to fair value.

(2) To record the change in interest expense from the use of Huffy's cash and borrowing lines to finance the acquisition purchase price of $19,001, to repay Gen-X and Gen-X Ontario debt, and to redeem and purchase outstanding preferred stock for $4,970. The incremental interest on the weighted average borrowing of $35,515 is recorded at Huffy's estimated weighted average borrowing rate of 5.4%.

(3) To eliminate the Gen-X interest expense.

(4) To record the income tax expense adjusting the effective tax rate for the combined entity to the expected blended tax rate of 32.5%.

(5) To amortize patents and license agreements acquired over their expected useful lives.

The following table summarized the estimated fair value of the assets acquired and the liabilities assumed at the date of acquisition.

	September 19, 2002
Accounts receivable	$ 41,531
Inventories	23,630
Prepaid expense	3,234
Property, plant and equipment	7,979
Intangible assets	48,025
Goodwill	10,772
Other assets	1,574
Total assets acquired	136,745
Accounts payable	30,441
Accrued liabilities	7,394
Long-term debt	42,952
Total liabilities assumed	80,787
Net assets acquired	$ 55,958

Of the $48,025 of acquired intangible assets, $45,800 was assigned to registered trademarks that are not subject to amortization. The remaining $2,225 of acquired intangible assets have weighed-average useful lives of approximately seven years. The intangible assets that make up that amount include patents of $1,285, (approximately ten-year weighed-average useful lives), and license agreements of $940, (approximately two-year weighed-average useful lives).

On March 27, 2002, Huffy Service First acquired the stock of McCalla Company and its subsidiaries, Creative Retail Services and Creative Retail Services Canada, ("McCalla") for $5,400, less $500 net cash acquired, subject to certain post-closing adjustments. Of the total purchase price, $4,876 was recorded as goodwill and $300 was recorded as a covenant not-to-compete. McCalla provides merchandising, including cycle and periodic product resets, stocking and sales training for a number of well-known manufacturers serving the Home Center channel, including, among others, Philips Lighting, Duracell, and The Stanley Works.

Both of these acquisitions were accounted for on the purchase method of accounting in accordance with SFAS No.141.

NOTE 3. SUPPLEMENTAL CASH FLOW INFORMATION

	September 30,	December 31,	December 31,

	2002	2001	2000
Cash paid (refunded) during the period for:			
Interest	$ 505	$ 845	$14,145
Taxes	(119)	1,532	4,646
Details of acquisitions:			
Fair value of assets acquired	136,745	--	--
Liabilities assumed	80,787	--	--
Net assets acquired	55,958	--	--
Less: common shares issued	31,987	--	--
Less: preferred shares redeemed	4,970	--	--
Cash paid for Gen-X common shares	19,001	--	--
Cash paid for McCalla acquisition	5,400	--	--
Less: cash acquired	500	--	--
Net cash paid for McCalla acquisition	4,900	--	--
Net cash paid for acquisitions	$ 23,901	$ --	$ --

NOTE 4. INVENTORIES

The components of inventories are as follows:

	September 30, 2002	December 31, 2001	December 31, 2000
Finished goods	$43,096	$10,768	$39,284
Work-in-process	176	105	147
Raw materials and supplies	4,930	1,610	3,893
	$48,202	$12,483	$43,324

NOTE 5. LINES OF CREDIT AND LONG-TERM OBLIGATIONS

In January 2000, the Company signed a $170 million, 18-month borrowing facility secured by all of the assets of the Company. The facility consisted of $40 million of senior term debt, $30 million of subordinated debt, and a $100 million revolving credit facility. In November 2000, the senior term debt and subordinated debt were repaid.

In September 2002, the Company entered into an Amended and Restated Loan and Security Agreement with Congress Financial Corporation. The $75 million revolving credit facility is secured by all assets of the Company and its affiliates and will expire on December 31, 2004, with a 12-month renewal option. The interest rate under the revolving credit facility varies based upon excess availability from prime to prime plus .25%, or LIBOR plus 1.75% to LIBOR plus 2.75%. The revolving credit facility contains covenants which require the Company to maintain a minimum of $50,000 of net worth, restrict certain business activities, including the payment of dividends, limit capital expenditures and require EBITDA to be maintained at prescribed levels. As of September 30, 2002, the Company is in compliance with these covenants. The Company assumed three long-term obligations in the Gen-X acquisition with a combined outstanding balance of $5,153. The mortgage loan assumed in the Gen-X acquisition is secured by net assets held for sale as described in Note 2. Sale proceeds from the disposal of this property would be used to retire the unpaid balance on the mortgage.

	September 30, 2002	December 31, 2001	December 31, 2000
SHORT-TERM BORROWINGS:			
Revolving credit facility	$ 46,821	$ --	$ 17,656
Weighted average interest rate	5.00%	N/A	10.76%
LONG-TERM OBLIGATIONS:			
6% Term loan due July 2003	$ 326	$ --	$ --
Mortgage loan due monthly through 2021	4,806	--	--
Capital lease due monthly through 2005	355	--	--
	5,487	--	--
Less: current installments	714	--	--
	$ 4,773	$ --	$ --

Prior to the acquisition of Gen-X on September 19, 2002, the Company had been debt free, with cash invested since the first quarter of 2001. Interest expense in 2001 was primarily comprised of amortization of financing costs, letters of credit and revolver non-usage fees.

Principal payments required on the long-term obligations during the fourth quarter of 2002, and for each of the years 2003 through 2007, and thereafter, are approximately, $85, $714, $404, $291, $250, $250 and $3,493, respectively.

As of September 30, 2002, the revolving credit facility had $17,573 of unused availability. Management believes that the available balance on the amended credit facility and internally generated cash flows will be sufficient to finance the Company's seasonal working capital and capital expenditure needs in the coming year.

NOTE 6. PREFERRED STOCK

Under the Company's Amended Articles of Incorporation, there are 1,000,000 authorized, unissued shares of Cumulative Preferred Stock, $1.00 par value. Subject to certain limitations, the Articles provide that the Board of Directors may fix the conditions of each series of Preferred Stock.

The Company entered into a Rights Agreement with its transfer agent in 1988, as amended in 1991 and 1994, and the Board of Directors declared a dividend of one Preferred Share Purchase Right for each outstanding share of the Company's Common Stock. Upon the occurrence of certain events, Preferred Share Purchase Rights entitle the holder to purchase at a price of $60.00, one one-hundredth of a share of Series C Cumulative Preferred Stock, subject to adjustment. The Rights become exercisable only if a person or group acquires 15% or more of the Company's Common Stock, or announces a tender offer for 15% or more of the

Common Stock. Under certain circumstances all Rights holders, except the person or group holding 15% or more of the Company's Common Stock, will be entitled to purchase a number of shares of the Company's Common Stock having a market value of twice the Right's current exercise price. Alternately, if the Company is acquired in a merger or other business combination, after the Rights become exercisable, the Rights will entitle the holder to buy a number of the acquiring Company's common shares having a market value at that time of twice each Right's current exercise price.

Further, after a person or group acquires 15% or more (but less than 50%) of the Company's outstanding Common Stock, the Company's Board of Directors may exchange part or all of the Rights (other than the Rights held by the acquiring person or group) for shares of Common Stock. The Rights expire December 9, 2004 and may be redeemed by the Company for $0.01 per Right at any time prior to the acquisition by a person or group of 15% or more of the Company's Common Stock.

NOTE 7. COMMON STOCK AND COMMON STOCK PLANS

Under the Company's Amended Articles of Incorporation, there are 60,000,000 authorized shares of Common Stock, $1.00 par value.

At September 30, 2002, the Company has stock-based compensation plans which are described below. The Company applies APB Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for its fixed stock option plans and its stock purchase plan except for options issued below fair market value. The compensation cost that has been charged against income for options issued below fair market value and options issued to replace canceled options, was $161, $122, and $725, for the nine months ended September 30, 2002 and for the years ended December 31, 2001 and 2000, respectively. Had compensation cost for the Company's stock-based compensation plans been determined consistent with SFAS No. 123, the Company's net earnings (loss) and earnings (loss) per share would have been reduced to the pro forma amounts indicated below:

	Nine Months Ended	Year Ended	
	2002	2001	2000
Net earnings (loss)			
As Reported	$ 2,845	$ (8,410)	$ 34,986
Pro Forma	2,445	(9,297)	34,497
Diluted net earnings (loss) per common share:			
As Reported	$ 0.26	$ (0.82)	$ 3.39
Pro Forma	$ 0.22	(0.90)	3.34

	September 30, 2002 Number of Shares	2002 Weighted-Average Exercise Price	December 31, 2001 Number of Shares	2001 Weighte Averag Exerci Price
1998 NON-QUALIFIED PLAN				

Outstanding at January 1	477,450	$ 8.74	353,825	$ 10
Granted at fair value	185,750	7.22	161,250	6
Granted below fair value	--	--	--	
Forfeited	(47,063)	11.60	(35,000)	12
Exercised	(16,249)	6.23	(2,625)	6
Outstanding	599,888	$ 8.11	477,450	$ 8
Exercisable	149,156	$ 11.17	170,549	$ 11
Weighted-average fair value of options granted during the period;				
Issued at fair value on grant date		$ 3.87		$ 3
Issued below fair value on grant date		--		
1998 QUALIFIED PLANS				
Outstanding at January 1	460,843	$ 6.08	314,558	$ 5
Granted at fair value	22,960	1.00	190,495	5
Granted below fair value	--	--	--	
Forfeited	--	--	--	
Exercised	(21,530)	1.29	(44,210)	3
Outstanding	462,273	$ 6.05	460,843	$ 6
Exercisable	274,313	$ 6.17	287,093	$ 5
Weighted-average fair value of options granted during the period;				
Issued at fair value on grant date		$ 7.60		$ 3
Issued below fair value on grant date		--		
1988 PLAN				
Outstanding at January 1	440,753	$ 13.36	825,477	$ 12
Granted at fair value	--	--	--	
Granted below fair value	--	--	--	
Forfeited	(45,810)	13.73	(299,724)	14
Exercised	--	--	(85,000)	1
Outstanding	394,943	$ 13.31	440,753	$ 13
Exercisable	394,943	$ 13.31	437,003	$ 13
Weighted-average fair value of options granted during the period;				
Issued at fair value on grant date		$ --		$
Issued below fair value on grant date		--		
1987 DIRECTOR STOCK OPTION PLAN				
Outstanding at January 1	132,046	$ 13.39	188,913	$ 13
Granted at fair value	--	--	--	
Granted below fair value	--	--	--	
Forfeited	--	--	(56,250)	13
Exercised	(10,273)	1.00	(617)	0
Outstanding	121,773	$ 14.44	132,046	$ 13
Exercisable	121,773	$ 14.44	132,046	$ 13
Weighted-average fair value of options				

granted during the period;			
Issued at fair value on grant date	$	--	$
Issued below fair value on grant date		--	

	Range of Exercise Price	Options Outstanding Number Outstanding at 9/28/02	Average Remaining Contractual Life	Weighted Average Exercise Price	Ex a
1998 Non-Qualified Plans	$ 4 to 6	6,000	6.5 years	$ 5.61	
	6 to 8	483,438	8.5 years	6.67	
	8 to 10	13,000	7.3 years	8.80	
	10 to 12	6,000	7.1 years	11.07	
	12 to 14	2,000	6.8 years	14.00	
	14 to 16	66,700	6.1 years	15.01	
	16 to 18	19,750	5.7 years	17.21	
	18 to 20	3,000	5.8 years	19.19	
1998 Qualified Plan	$ 0 to 2	109,273	7.9 years	$ 1.00	
	2 to 6	10,000	7.6 years	4.13	
	6 to 8	269,000	7.3 years	6.14	
	8 to 10	12,000	8.6 years	8.79	
	10 to 14	46,000	6.5 years	13.66	
	14 to 18	16,000	5.6 years	16.25	
1988 Plan	$ 10 to 12	151,895	3.6 years	$ 11.16	
	12 to 14	64,422	4.1 years	13.62	
	14 to 16	154,872	4.1 years	14.48	
	16 to 18	3,000	5.0 years	16.31	
	18 to 20	20,754	1.2 years	19.00	
1987 Director Option Plan	$ 0 to 2	9,273	3.2 years	$ 1.00	
	12 to 14	50,625	4.6 years	13.00	
	14 to 18	61,875	1.6 years	17.63	

The Company has fixed option plans, which include the 1998 Qualified Plans, the 1998 Key Employee Non-Qualified Plan, the 1988 Stock Option Plan and Restricted Share Plan, and the 1987 Director Stock Option Plan. The 1998 Qualified Plans consist of the 1998 Director Stock Incentive Plan, the 1998 Key Employee Stock Plan, and the 1998 Restricted Share Plan.

The 1998 Non-Qualified Plan, the 1998 Key Employee Stock Plan, and the 1988 Stock Option Plan and Restricted Share Plan authorize the issuance of non-qualified stock options, restricted shares, incentive stock options (except under the 1998 Key Employee Non-Qualified Stock Plan), and stock appreciation rights, although no incentive stock options or stock appreciation rights have been issued. The exercise price of each non-qualified stock option, granted under the plan, equals the market price of the Company's stock on the date of the grant. The options maximum term ranges from four to ten years. Options vest at the end of the first through fourth years.

The 1998 Director Stock Incentive Plan authorizes an automatic issuance of restricted shares to non-employee Directors, which vest at the next Annual Meeting of Shareholders. The 1987 Director Stock Option Plan authorized the automatic issuance of non-qualified stock options to non-employee Directors. Under both plans, Directors can elect to receive discounted stock options in lieu of all or part of the annual retainer fee. Such shares cannot include stock appreciation rights. Under the 1998 Director Stock Incentive Plan, options vest at the end of six months. Under the 1987 Director Stock Option Plan, options vest at the end of the third, fourth, and fifth years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2002, 2001 and 2000, respectively; expected volatility of 52.9% in 2002, 43.3% in 2001, 42.2% in 2000; risk-free interest rates from 3.35% to 6.80% for all plans and years; and expected lives from 4.00 to 8.83 years.

The 1989 Employee Stock Purchase Plan, as amended, authorizes the offering and sale to employees of up to 975,000 shares of the Company's common stock at a price approximately 90% of the closing price of the common stock on the offering date. Under the plan, the Company sold 9,516 and 5,167 shares, to employees in 2001 and 2000, respectively. At September 30, 2002, rights to purchase approximately 51,290 shares were outstanding under this plan at an exercise price of $5.38 per share and 479,253 additional shares were available for issuance.

Under SFAS No. 123, compensation cost is recognized for the fair value of the employee's purchase rights, which was estimated using the Black-Scholes model with the following assumptions for 2002, 2001 and 2000, respectively: an expected life of one year for all years; a risk-free interest rate of 2.0% for 2002 grants, 6.1% for 2001 grants and 5.2% for 2000 grants, and expected volatility of 52.9% in 2002, 43.3% in 2001 and 42.2% in 2000. The weighted-average fair value of those purchase rights granted in 2002, 2001 and 2000 was $1.16, $1.22 and $1.72, respectively.

NOTE 8. EARNINGS PER SHARE

	Income (Numerator)	Shares (Denominator)	Per Share Amount
SEPTEMBER 30, 2002			
BASIC EPS			
Net earnings available to common shareholders	$ 2,845	10,896,562	$ 0.26
EFFECT OF DILUTIVE SECURITIES			
Stock options	--	256,604	
DILUTED EPS			
Net earnings available to common shareholders and assumed conversions	$ 2,845	11,153,166	$ 0.26
DECEMBER 31, 2001			
BASIC EPS			
Net earnings available to common shareholders	$ (8,410)	10,298,076	$ (0.82)
EFFECT OF DILUTIVE SECURITIES			
Stock options	--	--	

DILUTED EPS			
Net earnings available to common shareholders and assumed conversions	$ (8,410)	10,298,076	$ (0.82)
DECEMBER 31, 2000			
BASIC EPS			
Net earnings available to common shareholders	$ 34,986	10,187,048	$ 3.43
EFFECT OF DILUTIVE SECURITIES			
Stock options	--	133,314	
DILUTED EPS			
Net earnings available to common shareholders and assumed conversions	$ 34,986	10,320,362	$ 3.39

Options to purchase 864,143, 1,026,691 and 1,276,776 shares of common stock were outstanding in 2002, 2001, and 2000. respectively, but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares.

NOTE 9. BENEFIT PLANS

The Company sponsors defined benefit pension plans covering certain salaried and hourly employees. Benefits to salaried employees are based upon the highest three consecutive years of earnings out of their last ten years of service; benefits to hourly workers are based upon their years of credited service. Contributions to the plans reflect benefits attributed to employees' service to-date and also to services expected to be provided in the future. Plan assets consist primarily of common and preferred stocks, common stock index funds, investment grade corporate bonds, and U.S. government obligations.

In addition to the Company's defined benefit pension plans, the Company sponsors several defined benefit health care and life insurance plans that provide postretirement medical, dental, and life insurance benefits to full-time employees who meet minimum age and service requirements. The plans are contributory, with retiree contributions adjusted annually, and contain other cost-sharing features such as deductibles and coinsurance. The Company's policy is to fund the cost of medical benefits in amounts determined at the discretion of management.

The Company also sponsors a deferred compensation plan for the benefit of highly compensated management employees. The eligible employees make contributions to the plan and receive postretirement benefits based upon a stated rate of return on those contributions. The Company's policy is to fund the cost of the benefits in amounts determined at the discretion of management.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	2002	2001	2000
One-Percentage-Point Increase			
Effect on total service and interest cost components	$ 12	$ 17	$ 65
Effect on postretirement benefit obligations	228	261	240

One-Percentage-Point Decrease			
Effect on total service and interest cost components	$ (11)	$ (16)	$ (55)
Effect on postretirement benefit obligations	(208)	(238)	(219)

The Company maintains defined contribution retirement plans covering its eligible employees. The purpose of these defined contribution plans is generally to provide additional financial security during retirement by providing employees with an incentive to make regular savings. The Company's contributions to the plans are based on employee contributions and were $876, $871 and $544, in the nine months ended September 30, 2002 and for the years ended December 31, 2001 and 2000, respectively.

The following tables sets forth the plans' funded status and amounts recognized in the Company's Consolidated Statements of Operations of as September 30, 2002, December 31, 2001 and December 31, 2000:

		Pension Plans
	Nine months ended September 30, 2002	Year ended December 31, 2001
Change in benefit obligations:		
Benefit obligation at beginning of year	$ 81,302	$ 77,995
Service cost	832	1,144
Interest cost	4,715	5,885
Plan participant contributions	--	--
Amendments	860	(315)
Actuarial loss	7,317	2,521
Disbursements	(3,858)	(5,928)
Curtailments	--	--
Settlements	--	--
Benefit obligation at end of period	91,168	81,302
Change in plan assets:		
Fair value of plan assets at beginning of year	73,220	79,760
Actual return on plan assets	(7,250)	(4,837)
Employer contribution	397	4,225
Plan participant contribution	--	--
Disbursements	(3,858)	(5,928)
Settlements	--	--
Fair value of plan assets at end of year	62,509	73,220
Funded status	(28,659)	(8,082)
Unrecognized net actuarial loss	39,472	20,846
Unrecognized prior service cost	1,225	519
Unrecognized initial net asset	(469)	(552)
Net amount recognized	11,569	12,731
Amounts recognized in the balance sheets consist of:		
Prepaid benefit cost	--	15,267

Accrued benefit liability	(24,618)	(5,912)
Intangible asset	1,280	352
Accumulated other comprehensive income	34,907	3,024
Net amount recognized	11,569	12,731
Weighted-average assumption:		
Discount rate	7.25%	7.625%
Expected return on plan assets	9.50%	9.50%
Rate of compensation increase	Age-Graded	Age-Graded

	Health Care & Life Insurance	
	Nine months ended September 30, 2002	Year ended December 31, 2001
Change in benefit obligations:		
Benefit obligation at beginning of year	$ 4,077	$ 3,667
Service cost	--	2
Interest cost	209	286
Plan participant contributions	67	85
Amendments	(537)	--
Actuarial loss	400	655
Disbursements	(463)	(618)
Curtailments	--	--
Settlements	--	--
Benefit obligation at end of period	3,753	4,077
Change in plan assets:		
Fair value of plan assets at beginning of year	--	--
Actual return on plan assets	--	--
Employer contribution	396	533
Plan participant contribution	67	85
Disbursements	(463)	(618)
Settlements	--	--
Fair value of plan assets at end of year	--	--
Funded status	(3,753)	(4,077)
Unrecognized net actuarial gain	(565)	(983)
Unrecognized prior service cost	(507)	--
Unrecognized initial net asset	--	--
Net amount recognized	(4,825)	(5,060)
Amounts recognized in the balance sheets consist of:		
Prepaid benefit cost	--	--
Accrued benefit liability	(4,825)	(5,060)
Intangible asset	N/A	N/A
Accumulated other comprehensive income	N/A	N/A
Net amount recognized	(4,825)	(5,060)

Weighted-average assumption:		
Discount rate	7.25%	7.625%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A

For measurement purposes, a 9.00% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2002, and assumed to decrease gradually to 5.50% for 2006 and thereafter.

	Deferred Compensation Plan		
	Nine months ended September 30, 2002	Year ended December 31, 2001	Y Dece
Change in benefit obligations:			
Benefit obligation at beginning of year	$ 6,546	$ 6,971	$
Service cost	--	--	
Interest cost	332	544	
Plan participant contributions	--	--	
Amendments	--	--	
Actuarial gain	(1)	(624)	
Disbursements	(381)	(345)	
Curtailments	--	--	
Settlements	--	--	
Benefit obligation at end of period	6,496	6,546	
Change in plan assets:			
Fair value of plan assets at beginning of year	--	--	
Actual return on plan assets	--	--	
Employer contribution	381	345	
Plan participant contribution	--	--	
Disbursements	(381)	(345)	
Settlements	--	--	
Fair value of plan assets at end of year	--	--	
Funded status	(6,496)	(6,546)	
Unrecognized net actuarial loss	1,972	2,035	
Unrecognized prior service cost	--	--	
Unrecognized initial net asset	--	--	
Net amount recognized	(4,524)	(4,511)	
Amounts recognized in the balance sheets consist of:			
Prepaid benefit cost	--	--	
Accrued benefit liability	(4,524)	(4,511)	
Intangible asset	N/A	N/A	
Accumulated other comprehensive income	N/A	N/A	
Net amount recognized	(4,524)	(4,511)	

Weighted-average assumption:		
Discount rate	7.25%	7.625%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A

The following table sets forth the plans' funded status and amounts recognized in the Company's Consolidated Statements of Operations as of September 30, 2002, December 31, 2001 and December 31, 2000:

	Pension Plans			Health Care & Life Insurance Plans		
	2002	2001	2000	2002	2001	2000
Components of net periodic benefit cost:						
Service cost	$ 832	$ 1,144	$ 1,724	$ --	$ 2	$ 136
Interest cost	4,715	5,885	6,066	209	286	405
Expected return on plan assets	(5,117)	(7,387)	(8,394)	--	--	--
Amortization of prior service cost	155	80	156	(31)	--	(4)
Amortization of initial net asset	(83)	(111)	(210)	--	--	--
Recognized net actuarial loss (gain)	1,057	302	206	(17)	(171)	(274)
Settlement loss (gain)	--	--	890	--	--	(1,470)
Curtailment gain	--	--	(861)	--	--	(2,589)
Net periodic benefit cost (income)	$ 1,559	$ (87)	$ (423)	$ 161	$ 117	$(3,796)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $91,169, $87,111, and $62,509 respectively, as of September 30, 2002, $6,961, $6,914, and $1,003 respectively, as of December 31, 2001 and $6,514, $6,047, and $1,055 respectively, as of December 31, 2000.

NOTE 10. INCOME TAXES

The provisions for federal and state income taxes attributable to income from continuing operations consist of:

	2002	2001	2000
Current tax expense (benefit):			
Federal	$ 710	$(4,950)	$ 723
State	1	(942)	560
Foreign	462	71	181
	1,173	(5,821)	1,464
Deferred tax expense	752	1,430	4,965

Total tax expense (benefit)	$ 1,925	$(4,391)	$6,429

The Company has a receivable for federal income taxes of $8,089 as of September 30, 2002 and $5,951 as of December 31, 2001. Taxes payables of $200 were recorded as of December 31, 2000.

	2002	2001	2000
Earnings (loss) before income taxes from continuing operations	$ 5,493	$(12,801)	$ 17,095
Tax provision (benefit) computed at statutory rate	1,942	(4,480)	5,983
Increase (reduction) in taxes due to:			
Impact of foreign losses for which a current tax benefit is not available	232	71	181
State income taxes (net of federal tax benefit)	1	(612)	364
Goodwill amortization	11	8	8
Foreign sales corporation	(35)	(140)	(155)
Life insurance	(2)	(104)	(41)
Non-deductible meals and entertainment	98	120	135
Tax credits	(232)	(71)	(120)
Change in prior year income tax estimate	266	662	--
Miscellaneous	(59)	155	74
Impact of foreign tax rates	(297)	--	--
Actual tax provision (benefit)	$ 1,925	$ (4,391)	$ 6,429

The components of the net deferred tax asset as of September 30, 2002, December 31, 2001 and December 31, 2000 were as follows:

	2002	2001	2000
DEFERRED TAX ASSETS:			
Allowance for doubtful accounts	$ 472	$ 2,018	$ 481
Inventory, principally due to additional cost inventoried for tax purposes	1,181	1,270	1,001
Intangibles	(152)	--	
Property, plant, and equipment	1,250	405	(256)
Workers' compensation	1,199	1,417	3,383
Product liability	767	1,085	1,251
Deferred compensation	2,800	2,791	1,108
Accrued vacation	159	30	29
Incurred, but not reported	314	322	333
Pension liability	8,930	(2,661)	(1,336)
Postretirement benefits other than pensions	1,414	1,506	2,797
Environmental reserves	1,054	2,436	2,890
Severance reserves	87	110	438
Promotional allowances	1,638	1,535	1,675
Net operating loss carry forward and tax credits	14,012	3,450	459
Other liabilities and reserves	(7)	92	2,504

Gross deferred tax assets	35,118	15,806	16,757
Valuation allowance	(6,444)	--	--
Total deferred tax assets	28,674	15,806	16,757
DEFERRED TAX LIABILITIES:			
Other deferred liabilities	--	--	96
Total deferred tax liabilities	--	--	96
Net deferred tax asset	$ 28,674	$ 15,806	$ 16,661

Net operating losses of $29,289 expire on varying dates between 2017 and 2022. Foreign operating losses of $2,961 expire in 2007. State net operating losses of $459 expire on varying dates between 2004 and 2022. Tax credits of $840 expire through varying dates between 2003 and 2017.

The valuation allowance for deferred tax assets as of September 30, 2002 and December 31, 2001 and 2000 were $6,444, $0 and $0, respectively. The valuation allowance changed for the period ended September 30, 2002 by $6,444, $6,322 of the allowance was related to deferred tax assets acquired in the Gen-X acquisition. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset, the Company will need to generate future taxable income of approximately $29,289 prior to the expiration of the net operating loss carryforwards in 2022. Taxable income (losses) for the periods ended September 30, 2002, December 31, 2001 and December 31, 2000 were ($6,060), ($25,093) and $20,336, respectively. Based upon the level of historical taxable income and projections for future taxable income over the periods, which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at September 30, 2002. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. To the extent that the amount of the deferred tax asset realized differs from these estimates and the deferred tax asset was acquired in the Gen-X Sports acquisition, adjustments to the deferred tax assets will be reflected as a change in goodwill.

The Company and its domestic subsidiaries file a consolidated U.S. federal income tax return. Such returns have been audited or settled through the year 1996.

NOTE 11. CREDIT CONCENTRATION

Kmart is the Company's largest customer comprising 22% of consolidated net sales in the first nine months of 2002 down from 38% and 28% for the years ended December 31, 2001 and 2000, respectively. In January 2002, Kmart Corporation filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. Pre-bankruptcy receivables from Kmart were sold

during the second quarter 2002 and cash recovered consistent with previously established reserves. The Company's next largest customer made up 20%, 18%, and 21% of consolidated net sales in the first nine months of 2002 and in the years ended December 31, 2001 and 2000, respectively.

NOTE 12. COMMITMENTS AND CONTINGENCIES

The Company leases certain manufacturing and warehouse facilities, office space, machinery, and vehicles under cancelable and non-cancelable operating leases, most of which expire within ten years and may be renewed by the Company. Rent expense under such arrangements totaled approximately $2,568, $3,488, and $4,205, for the nine months ended September 30, 2002 and for the years ended December 31, 2001 and 2000, respectively.

Future minimum rental commitments under non-cancelable operating leases at September 30, 2002 are as follows:

	Years Ended
2003	$ 4,396
2004	3,615
2005	2,809
2006	1,260
2007	502
Thereafter	731
Total minimum	$ 13,313

Litigation

The Company along with numerous California water companies and other potentially responsible parties ("PRPs") for the Baldwin Park Operable Unit of the San Gabriel Valley Superfund have been named in fourteen civil lawsuits which allege claims related to the contaminated groundwater in the Azusa, California area (collectively, the "San Gabriel Cases").

The cases had been stayed for a variety of reasons, including a number of demurrers and writs taken in the Appellate Division, relating primarily to the California Public Utilities Commission ("PUC") investigation described below. The resulting Appellate Division decisions were reviewed by the California Supreme Court, which ruled in February 2002. The cases have been reactivated as a result of the California Supreme Court's decision, with the trial level Coordination Judge holding a number of Status Conferences on all of the cases, at which conferences issues pertaining to the three master complaints (two of which include the Company as a defendant), preliminary demurrers to such master complaints, case management orders and initial written discovery were discussed. As noted by the matters being discussed with the Court, the toxic tort cases are in their initial stages. Thus, it is impossible to currently predict the outcome of any of the actions.

The Company, along with the other PRPs for the Baldwin Park Operable Unit of the San Gabriel Valley Superfund Site (the "BPOU"), has also been named in four civil lawsuits filed by water purveyors. The water purveyor lawsuits allege CERCLA, property damage, nuisance, trespass and other claims related to the contaminated groundwater in the BPOU (collectively, the "Water Entity Cases"). The Company was named as a direct defendant by the water purveyor in two of these cases, and was added as a third party defendant in the two others by Aerojet General Corporation, which, in those cases, was the only PRP sued by the water purveyors. Each of the Water Entity Cases have been settled through the entry of the Project Agreement. According to the terms of the Project Agreement, the Water Entity Cases, which are in their initial stages have been, or will imminently be, dismissed without prejudice.

On March 12, 1998, the PUC commenced an investigation in response to the allegations in the toxic tort actions that "drinking water delivered by the water utilities caused death and personal injury to customers." The PUC's inquiry addressed two broad issues central to these allegations: 1) "whether current water quality regulation adequately protects the public health;" and 2) "whether respondent utilities are (and for the past 25 years have been) complying with existing drinking water regulation." On November 2, 2000, the PUC issued its Final Opinion and Order Resolving Substantive Water Quality Issues. Significantly, the Order finds, in pertinent part, that: 1) "existing maximum contaminant level ("MCLs") and action level ("ALs") established by the DHS are adequate to

protect the public health;" 2) "there is a significant margin of safety when MCLs are calculated so that the detection of carcinogenic contaminants above MCLs that were reported in this investigation are unlikely to pose a health risk;" 3) based upon its comprehensive review of 25 years of utility compliance records, that for all periods when MCLs and ALs for specific chemicals were in effect, the PUC regulated water companies complied with DHS testing requirements and advisories, and the water served by the water utilities was not harmful or dangerous to health; and 4) with regard to the period before the adoption by DHS of MCLs and ALs, a further limited investigation by the PUC Water Division will be conducted.

Based upon information presently available, such future costs are not expected to have a material adverse effect on the Company's financial condition, liquidity, or its ongoing results of operations. However, such costs could be material to results of operations in a future period.

In Current Reports on Form 8-K filed October 29, 2002, November 8, 2002 and November 14, 2002, Huffy Corporation reported on the status of two cases involving its former subsidiary, Washington Inventory Service ("WIS"), which was acquired from Huffy Corporation by WIS Holdings Corp. on November 3, 2000.

The two cases are Perez v. Washington Inventory Service, pending in the Los Angeles, California Superior Court, and Miranda v. Washington Inventory Service, pending in the U.S. District Court for the Central District of California. The Perez case has been certified as a class action, and the plaintiffs are seeking class action certification in the Miranda case. Huffy Corporation is not a named defendant in the Perez case but is a named defendant in the Miranda case. Huffy Corporation is potentially obligated to indemnify WIS Holdings Corp. for some portion of any liability it or WIS incurs in the Perez case and has potential liability in the Miranda case for the period it owned WIS.

In the Form 8-K filed on October 29, 2002, Huffy Corporation reported that a settlement mediation session in the Perez case had ended without resolution of that case. Huffy Corporation further reported that it could not then predict the likely outcome of either case, or the materiality of the outcome to Huffy Corporation under its indemnity obligations to WIS Holdings Corp. and WIS.

During the week of November 4, 2002 a series of communications among the interested parties' counsel, including Huffy Corporation's counsel, took place, culminating in face to face settlement negotiations. These negotiations were preliminary in nature, in anticipation of a formal mediation session scheduled to occur on November 18, 2002. Based on progress made in these preliminary negotiations, in the Form 8-K filed on November 8, 2002 Huffy Corporation reported that its obligation to indemnify WIS Holdings Corp. and/or WIS was likely to be material in amount.

The November 18, 2002 formal mediation session occurred as scheduled. Resolution of Huffy Corporation's indemnification obligations to WIS and WIS Holdings Corp. and its potential liability under the Miranda case and other asserted claims was dependent upon an acceptable outcome of the mediation. In the November 18 mediation session, the parties' tentative settlement was approved by the mediator, a former justice of the California Supreme Court. Although approved by the mediator, the tentative settlement between WIS and the plaintiffs is subject to completion of formal documentation as well as a reasonableness hearing before the court and final court approval.

Huffy Corporation currently believes that its maximum exposure for settlement of these cases, related claims, and indemnification of WIS and WIS Holdings Corp. will not exceed $7.7 million, provided that the litigation settlement occurs on the currently pending basis. However, at this time, the Company is unable to reasonably estimate the potential losses in these cases, and in accordance with accounting principles generally accepted in the United States of America, has therefore not recorded any reserve for these cases in the consolidated financial statements for the period ended September 30, 2002. Any settlement associated with these suits will be reflected in discontinued operations.

NOTE 13. ENVIRONMENTAL EXPENDITURES

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Remediation costs that relate to an existing condition caused by past operations are accrued when it is probable that these costs will be incurred and can be reasonably estimated.

The Company, along with others, has been designated as a potentially responsible party (PRP) by the U.S. Environmental Protection Agency (the "EPA") with respect to claims involving the discharge of hazardous substances into the environment in the Baldwin Park operable unit of the San Gabriel Valley Superfund site. The Company, along with other PRPs, the Main San Gabriel Basin Watermaster (Watermaster), the San Gabriel Water Quality Authority (WQA), and numerous local water districts (Water Districts), have worked with the EPA on a mutually satisfactory remedial plan, with the end result being a joint water supply/clean up Project Agreement which settles four different lawsuits filed by the WQA and the Water Districts. The Project Agreement was signed on March 28, 2002 and was approved by the court and became effective May 9, 2002. In developing its estimate of environmental remediation costs, the Company considers, among other things, currently available technological solutions, alternative cleanup methods, and risk-based assessments of the contamination and, as applicable, an estimation of its proportionate share of remediation costs. The Company may also make use of external consultants and consider, when available, estimates by other PRPs and governmental agencies and information regarding the financial viability of other PRPs. Based upon information currently available, the Company believes it is unlikely that it will incur substantial previously unanticipated costs as a result of failure by other PRPs to satisfy their responsibilities for remediation costs.

The Company has recorded environmental accruals that, based upon the information available, are adequate to satisfy known remediation requirements. The total accrual for estimated environmental remediation costs related to the Superfund site and other potential environmental liabilities was $5,010 ($8,676 before discounting at 7.25%) at September 30, 2002. Of that amount, the Company has a deposit of $3,660 that is held in escrow under the terms of the settlement agreement. Amounts in escrow will be used to fund future costs and will serve as a long-term performance assurance pending the completion of remediation. Management expects that the expenditures relating to costs currently accrued will be made over a period of fourteen years. As a result of factors, such as the continuing evolution of environmental laws and regulatory requirements, the availability and application of technology, the identification of presently unknown remediation sites, and the allocation of costs among potentially responsible parties, estimated costs for future environmental compliance and remediation are necessarily imprecise and it is not possible to fully predict the amount or timing of future environmental remediation costs which may subsequently be determined.

Based upon information presently available, such future costs are not expected to have a material adverse effect on the Company's financial condition, liquidity, or its ongoing results of operations. However, such costs could be material to results of operations in a future period.

	2002	2001	2000
Total expenditures	$2,980	$2,471	$1,031
Expenditures charged to environmental accrual	2,111	1,092	450
Environmental accrual	5,010	6,959	8,050
Escrow Account	$3,660	--	--

NOTE 14. ACCOUNTING PRONOUNCEMENTS ISSUED NOT IMPLEMENTED

In August 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 143, Accounting for Asset Retirement Obligation ("SFAS No. 143"), which will be effective for the Company beginning January 1, 2003. SFAS No. 143 addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44, 64, Amendment of FASB Statement No. 13, and Technical Corrections ("SFAS 145"), which will be effective for the Company beginning January 1, 2003. SFAS No.145 rescinds SFAS Nos. 4, 44, 64 and amends SFAS No. 13, Accounting for Leases, to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions.

In June 2002, the FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities ("SFAS No.146"), which will be effective for the Company beginning January 1, 2003. SFAS No.146 requires that a liability for a cost

associated with an exit or disposal activity be recognized at fair value when the liability is incurred unless the liability is for one-time termination benefits incurred over time. SFAS No. 146 nullifies Emerging Issues Task Force Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (Including Costs Associated with a Restructuring).

The Company has assessed the impact of SFAS Nos. 143, 145, and 146, and estimates that the impact of these standards will not be material to the Company's financial condition, results of operations or liquidity.

NOTE 15: DISCONTINUED OPERATIONS

On November 3, 2000, the Company sold the stock of its Washington Inventory Service (WIS) subsidiary to WIS Acquisition Corp., a subsidiary of WIS Holdings Corp., for $84,750 subject to certain post-closing adjustments. Earnings from discontinued operations in 2000 were $7,976 ($4,537 after tax). The gain on disposal of discontinued operations was $36,863 ($20,781 after tax). The results for Washington Inventory Service have been classified as discontinued operations in the Consolidated Statements of Operations and Cash Flows for the year ended December 31, 2000.

During the quarter ended September 30, 2002, the Company recognized expenses of $1,166 ($723 after tax), including product liability and other contractually indemnified liabilities related to WIS. These expenses are included in the Consolidated Statements of Operations and Cash Flows as Loss from Discontinued Operations for the nine months ended September 30, 2002.

NOTE 16: EXTRAORDINARY ITEM

Net extraordinary charges of $1,573 ($998 after taxes) were recorded in 2000 from the early extinguishment of debt. Unamortized financing costs of $2,189 were offset by interest forgiven on the subordinated note of $404 and early repayment debt forgiveness of $212 on an economic development grant.

NOTE 17. QUARTERLY FINANCIAL DATA (UNAUDITED)

Quarterly financial data for the nine months ended September 30, 2002, and the years ended December 31, 2001 and 2000 as follows:

	1st Quarter	2nd Quarter	3rd Quarter
2002			
Net sales	$ 70,385	$ 93,413	$ 83,028
Gross profit	12,001	17,031	15,955
Earnings from continuing operations	624	1,275	1,669
Discontinued operations	--	--	(723)
Net earnings	624	1,275	946
EARNINGS PER COMMON SHARE:			
Basic			
Earnings from continuing operations	$ 0.06	$ 0.12	$ 0.14
Discontinued operations	--	--	(0.06)
Net earnings per common share	$ 0.06	$ 0.12	$ 0.08
Diluted			
Earnings from continuing operations	$ 0.06	$ 0.12	$ 0.14
Discontinued operations	--	--	(0.06)
Net earnings per common share	$ 0.06	$ 0.12	$ 0.08

	1st Quarter	2nd Quarter	3rd Quarter	4th

2001				
Net sales	$ 81,243	$ 86,864	$ 77,945	$
Gross profit	11,635	12,077	7,677	
Net earnings (loss)	994	768	(2,801)	
EARNINGS PER COMMON SHARE:				
Basic				
Net earnings (loss)	$ 0.10	$ 0.07	$ (0.27)	$
Diluted				
Net earnings (loss)	$ 0.10	$ 0.07	$ (0.27)	$

	1st Quarter	2nd Quarter	3rd Quarter	4th
2000				
Net sales	$ 100,068	$ 122,029	$ 123,875	$
Gross profit	14,762	17,064	21,841	
Earnings (loss) from continuing operations	(1,121)	636	4,869	
Discontinued operations	829	3,875	160	
Extraordinary gain (loss)	(848)	--	213	
Net earnings (loss)	(1,140)	4,511	5,242	
EARNINGS PER COMMON SHARE:				
Basic				
Earnings (loss) from continuing operations	$ (0.11)	$ 0.06	$ 0.48	$
Discontinued operations	0.08	0.38	0.01	
Extraordinary gain (loss)	(0.08)	--	0.02	
Net earnings (loss)	$ (0.11)	$ 0.44	$ 0.51	$
Diluted				
Earnings (loss) from continuing operations	$ (0.11)	$ 0.06	$ 0.47	$
Discontinued operations	0.08	0.38	0.01	
Extraordinary gain (loss)	(0.08)	--	0.02	
Net earnings (loss)	$ (0.11)	$ 0.44	$ 0.50	$

[1] Quarterly per share amounts are computed independently for each quarter and the full year based upon the respective weighted average number of common shares outstanding and may not equal the total for the year.

SUMMARY UNAUDITED PRO FORMA CONDENSED COMBINING FINANCIAL DATA

The table below presents selected financial data from the Huffy and Gen-X unaudited pro forma condensed combining statements of operations for the nine months ended September 30, 2002. The unaudited pro forma condensed combining statements of operations are presented as if the merger had occurred on January 1, 2002. This information should be read in conjunction with the unaudited pro forma condensed combining financial statements and related notes and the historical financial statements and related notes of Huffy and Gen-X included in or incorporated by reference into this joint proxy statement/prospectus.

Huffy Corporation, Gen-X Sports Inc. and Gen-X Sports, Inc.
Summary Unaudited Pro Forma Condensed Combining Statement of Operat

(Dollar amounts in thousands, except per share data)

	Pro Forma Year En	
	Huffy Corporation	Gen-X Sports Inc.
Net Sales	$ 246,826	$ 93,644
Gross Profit	44,987	23,037
Selling, general, and administrative expenses	37,201	17,453
Operating income	7,786	5,584
Other expense	1,385	826
Interest expense, net	908	3,023
Earnings before income taxes	5,493	1,735
Income tax expense	1,925	355
Earnings from continuing operations	$ 3,568	$ 1,380
Earnings from continuing operations per common share		
Basic	$ 0.34	
Diluted	$ 0.33	
Shares used in calculation of earnings per share		
Basic	10,438,647	
Diluted	10,695,251	

See accompanying footnotes.

Notes to Unaudited Pro Forma Condensed Combining Statement of Operations

(1) To record the effect on depreciation of adjusting the value of property, plant and equipment to fair value.

(2) To record the change in interest expense from the use of Huffy's cash and borrowing lines to finance the acquisition purchase price of $19,001, to repay Gen-X and Gen-X Ontario debt, and to redeem and purchase outstanding preferred stock for $4,970. The incremental interest on the weighted average borrowing of $35,515 is recorded at Huffy's estimated weighted average borrowing rate of 5.4%.

(3) To eliminate the Gen-X interest expense.

(4) To record the income tax expense adjusting the effective tax rate for the combined entity to the expected blended tax rate of 32.5%.

(5) To amortize patents and license agreements acquired over their expected useful lives.