SECURITIES AND EXCHANGE COMMISSION

FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

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FILER

ROCKSHOX INC

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
AMENDMENT #1

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

For the Fiscal Year Ended March 31, 2001
Commission File Number 0-28822

ROCKSHOX, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	1610 Garden of the Gods Road	77-0396555
(State or other jurisdiction	Colorado Springs, CO 80907	(I.R.S. Employer
of incorporation or organization)	(719) 278-7469	Identification Number)

(Address of principal executive offices, including zip code
and telephone number, including area code)

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

TITLE OF EACH CLASS	EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value $.01 per share	OTC Bulletin Board

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

As of July 17, 2001, the aggregate market value of the voting stock held by non-affiliates of the Registrant was $2,525,982.

As of July 17, 2001, the Registrant had 13,761,147 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the ROCKSHOX, INC. Proxy Statement to be mailed in connection with the Registrant's 2001 Annual Meeting of Stockholders to be held on August 21, 2001, are incorporated by reference in Part III hereof.

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Unless the context indicates otherwise, when we refer to "we," "us," the "Company" or "RockShox," in this Annual Report on Form 10-K, we are referring to ROCKSHOX, INC., its predecessors and their respective parents and subsidiaries on a consolidated basis. Unless the context indicates otherwise, all references to a fiscal year are to our fiscal year. This Annual Report on Form 10-K includes references to our registered trademarks and brand names, including: ROCKSHOX, JUDY, JETT, SID, PSYLO, DELUXE and DUKE.

PART I

ITEM 1. BUSINESS -

GENERAL

We are a worldwide leader in the design, manufacture and marketing of high performance bicycle suspension products. Our suspension products enhance riding performance and comfort by mitigating the impact of rough terrain and by providing better wheel contact with the riding surface. The Company, which currently manufactures front suspension forks, rear shocks and suspension seatposts for mountain bikes, has combined technical innovation with high quality products and creative marketing to establish one of the most widely recognized brand names in the bicycle industry.

For the 2001 model year, we offered seventeen front suspension forks, including four new models, four rear shocks, and two suspension seat posts.

Approximately 77% of our net sales in fiscal 2001 represented sales to original equipment manufacturers ("OEMs"), such as Trek Bicycle Corp. ("Trek"), Giant Manufacturing Company, Ltd. ("Giant") and Specialized Bicycle Components, Inc.("Specialized"), which incorporate ROCKSHOX branded components as part of new, fully-assembled mountain bikes sold worldwide. Our products are also sold as an accessory component to consumers through a network of over 10,000 independent bicycle dealers ("IBDs") worldwide.

Our principal executive office is located at 1610 Garden of the Gods Road, Colorado Springs, Colorado 80907; our telephone number is (719) 278-7469.

In March 2000, RockShox, Inc. announced that it would relocate and consolidate its corporate, assembly and distribution operations to Colorado Springs, Colorado. The Sales, Marketing, Research and Development, Information Technology, Finance, and Human Resources divisions moved from the San Jose area to a leased location in Colorado Springs in the summer of 2000. The Company's assembly and distribution operations remained in San Jose location until they were relocated to Colorado Springs in April 2001. The Company expects to complete its planned relocation by the summer of 2001, at a total operating cost of approximately $5 million. The machine shop, which employs approximately 40 employees, is expected to continue to operate in San Jose through the summer of 2002. The Company continues to evaluate options for that portion of operations beyond that date.

In fiscal year 2001, RockShox, in voluntary cooperation with the U.S. Consumer Product Safety Commission (CPSC), conducted a recall of the 2001 model year Metro, Jett and Judy TT model suspension forks. Following up on reports of failures in the field, we determined that there was a potential for failure of a structural component, the compression rod, under a unique set of conditions. To protect our customer's health and safety, RockShox immediately contacted the

CPSC and initiated a program to retrofit over 220,000 forks in 26 countries. The recall was announced on October 12, 2000 and all retrofit kits were shipped and forks reworked by November 30, 2000. The cost for this recall and retrofit program was approximately $1.9 million.

PRODUCTS

ROCKSHOX suspension products are generally designed to enhance riding performance and comfort, and include front suspension forks, rear shocks, and seatposts based on elastomer technology or hydraulically damped systems using coil or air springs. Our bicycle suspension systems incorporate two functional components: a spring and a damper. The spring function absorbs the impact of rough terrain and returns the suspension device (fork, shock, or seatpost) to its original position after compression. The damper also absorbs impact and moderates the movement of the suspension device as it returns to its original position. As a result, suspension provides better wheel contact with the riding surface, especially on off-road or nonpaved surfaces, enabling the cyclist to ride with more speed, comfort and control. The suspension seatpost provides improved comfort and control for cyclists with bikes that are not equipped with rear wheel suspension.

Each of our products uses aerospace alloys and features adjustable suspension, a progressive spring rate, structural rigidity and low weight. We believe that the key to any suspension system is the spring rate, which allows the suspension device to move easily over small bumps, but not "bottom out" over larger ones. The structural rigidity of our suspension products improves the rider's ability to control the bike, while low weight enhances overall bicycle performance. Each of our products is covered by a one-year limited warranty.

Our 2001 models represent our broadest line of product offerings to date. For the 2001 model year, we offered seventeen front suspension forks, including four new models, four rear shocks, including our SID Air model, and two suspension seat posts. For the 2001 model year, all RockShox products have received a multitude of changes and upgrades aimed at increased performance and durability.

The newest member of the Rock Shox family for 2002 is Duke. This fork takes the place of lower end SIDs, the XC and 100, and the Judy Race. The platform has been specifically developed around the evolving demands of the sport, and is designed to provide both performance and visual excitement.

The following tables summarize our 2001 product offerings of front forks and rear shocks:

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FRONT FORKS

Model	Typical Retail Bike Price Point (1)	Suggested Retail Price In Accessory Market	Use	Suspension Technology	Date of Original Shipment (2)
<S>	<C>	<C>	<C>	<C>	<C>
METRO XC	$300-$500	$ 99.00	Trekking: Commuting Comfort	Coil Spring	Jun-00
METRO SL	$400-$800	N/A AM	Trekking: Commuting Comfort	Coil Spring	Jun-00
JETT	$300-$500	$ 99.99	Cross-Country;Moderate Terrain	Coil Spring	May-98
JUDY TT	$400-$800	$149.99	Cross-Country;Moderate Terrain	Coil/MCU	Jun-00
JUDY C	$550-$900	N/A AM	Cross-Country;Moderate Terrain	HydraCoil System	Jun-00
JUDY XC	$600-$1000	$229.99	Cross-Country;Moderate Terrain	HydraCoil System	May-97
JUDY SL	$650-$1200	$289.99	Cross-Country;Moderate Terrain	HydraCoil System	Sep-94
JUDY RACE	$800-$1300	$349.99	Cross-Country Racing	HydraCoil System	Jun-99
SID XC	$1000-$2500	$429.99	Cross-Country;Racing	Hydra Air System	Jun-97
SID 100	$1000-$2000	$459.99	Cross-Country;Racing; Enduro	Hydra Air System	Jun-99
SID SL	$1300-$4000	$579.99	Cross-Country;Racing	Dual Air System	Jul-97
SID RACE	$1500-$4000	$619.99	Pro Cross-Country Racing	Dual Air System	Jul-97
SIDNEY	$1500-$4000	$699.99	Pro Cross-Country	Dual Air System	Oct-00

			Racing		
PSYLO XC	$700-$1400	$329.99	Enduro;Cross-Country; Dual Slalom	Single Sided Air Pure	Jun-00
PSYLO SL	$1000-$2500	$439.99	Enduro;Cross-Country; Dual Slalom	Single Sided Air Pure	Jun-00
PSYLO RACE	$1300-$4000	$579.99	Pro Enduro Racing; Dual Slalom Racing; Cross-Country	Single Sided Air Pure	Jun-00
BOXXER	$2500+	$1,349.99	Pro Downhill Racing	HydraCoil System	Nov-97

</TABLE>

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REAR SUSPENSION

Model	Typical Retail Bike Price Point (1)	Suggested Retail Price In Accessory Market	Use	Suspension Technology	Date of Original Shipment (2)
<S>	<C>	<C>	<C>	<C>	<C>
<S>	<C>	<C>	<C>	<C>	<C>
REAR SC	$1000-$1500	N/A AM	Cross-Country	Dual Air System	Jul-98
SID REAR SC ADJ	$1200-$2500	N/A AM	Cross-Country	Dual Air System	Jul-99
SID REAR SC LO	$1700-$3500	$259.99	Cross-Country	Dual Air System	Jun-00
SID REAR RACE	$1700-$3500	$294.99	Pro Cross-Country Racing	Dual Air System	Jun-00
DELUXE	$800-$1400	N/A AM	Downhill Racing; Enduro Racing	Coil Spring	Jun-95
DELUXE ADJ	$1000-$1500	N/A AM	Downhill Racing; Enduro Racing	Coil Spring	Jun-96
PRO DELUXE	$1500-$4000	N/A AM	Pro Downhill Racing; Enduro Racing	Coil Spring	Jul-95
MOUNTAIN POST	$1000-$2000	$119.99	Hardtail Seatposts	MCU	May-98
ROAD POST	$1200-$2500	$119.99	Road Bicycling Seatpost	MCU	Aug-99

</TABLE>

(1) The typical retail bike price point represents management's estimate of the U.S. retail range for OEM mountain bikes that include the indicated product.

(2) Models are generally upgraded and revised periodically.

(3) MCU stands for Microcellular Urethane spring.

(4)
(6) Hydracoil system is a single coil spring housed in each fork leg, and is coupled with an open oil bath damper.

(5) HydraAir system is an air spring housed in each fork leg, coupled with an open oil bath damper.

(6) Single-sided is an isolated spring medium located on one side of the fork.

(7) Dual air is our custom-tuning feature for air forks, using a positive and negative air chamber.

(8) Pure is our compression and rebound damping system and features a compression lockout.

(9) Coil spring is a positive spring medium utilizing a steel spring instead of an air spring.

RESEARCH AND DEVELOPMENT

As of March 31, 2001, our product development activities are supported by 17 professionals, including 9 project engineers. Development for each major product line (Metro, Judy, Duke, Psylo, SID, Boxxer, Deluxe, Seat Post, etc.) is conducted using an array of sophisticated design and analytical tools. A senior level project engineer heads each product platform. Design assistance is received from additional engineers and technicians. We also have an ongoing advanced technologies program, which investigates new technologies, materials and processes not utilized for current products.

We maintain a well-equipped test laboratory to collect data and test products prior to and after commercial introduction. The test laboratory is managed by a Test Lab Supervisor, and is staffed with two technicians who conduct a variety of performance tests, accelerated life tests, and analysis on products and components.

The product development process usually begins one to two years prior to the expected commercial introduction of a new product, and generally focuses on having a product ready for distribution at the start of the applicable model year. In addition, short-term projects involving upgrades of existing products and improvements to manufacturing processes occur regularly. New product ideas come from a variety of sources, including mountain bike race teams, OEMs, consumers and employees. Products are developed using design and engineering software tools that provide full parametric three-dimensional modeling and finite element analysis, allowing for computer optimization of structures and greatly reducing the time required to develop and prototype designs. At the beginning of every product development cycle, we establish an interdepartmental

team which includes representatives from our engineering, manufacturing, marketing, quality, sourcing and customer service departments. This interdepartmental approach to product development reduces time to market while significantly enhancing product quality.

Current areas of focus for product development include, among others:

- research in the area of product design, materials and manufacturing processes to reduce the cost and improve the performance of our current products;
- investigation of potential new products and technologies;
- the introduction of products appropriately priced for a broad segment of the mountain bike market; and
- the design of new products, such as a suspension systems for trekking bikes.

Our future success will depend, in part, upon our continued ability to develop and successfully introduce new and popular bicycle suspension products and other types of bicycle components. There can be no assurance that we will introduce any new products or, if introduced, that any such products will be commercially successful.

Our company-sponsored research and product development expenditures in fiscal years 2001, 2000, and 1999 were approximately $2.3 million, $3.6 million, and $4.9 million, respectively. Our reductions in research and development expenditures are primarily due to headcount reductions and consolidation of our facilities surrounding our move to Colorado.

MANUFACTURING

The manufacturing of our branded products was divided into three locations for the Model year 2001. The higher price point products, Judy, SID, Psylo, Boxxer, were assembled at the San Jose facility. For the first three quarters, all seat post and rear shock absorbers were assembled in San Jose, and then transitioned to Colorado Springs in the last quarter of fiscal year 2001. The Jett C was assembled in Taiwan pursuant to a strategic relationship that we have developed with one of our vendors, Spinner, Inc., while the Judy TT was assembled in both the U.S. and Taiwan. We have a one year contract with Spinner, Inc. This contract provides for our annual review and audit of Spinner's operations. The current Spinner contract expired in May 2001, and the contract provides for monthly renewals until a new contract is signed. The Company is currently negotiating a new contract with Spinner, which we anticipate to be signed by July 2001.

Product assembly at San Jose and Colorado Springs is carried out on multiple continuous flow lines, which incorporate Statistical Process Control (SPC) and error-proofing devices for improved product quality. The lines are designed to have a daily output which can be flexed by changing the station staffing, in response to the seasonal nature of the bicycle market. Most component parts are procured from a supply base that is being continuously developed to meet our needs for quality, timely delivery and cost. We established some in-house manufacturing of critical components, achieving a level of vertical integration especially for the telescoping upper tubes of front forks and the shafts for rear shock absorbers. We worked to assure quality for surface finish and hardening by nitriding of steel and anodizing of

aluminum, which has contributed to improve durability and functional consistency for our products.

As of March 31, 2001, we employed approximately 120 non-unionized employees, and approximately 77 temporary hires for manufacturing. Additional temporary employees are recruited as the seasonal nature of the market demand builds to its peak, typically from June through January. The San Jose factory operated two working shifts throughout the year on some product lines, and we add a second shift on others as needed. Extensive training, especially for new hires, and for critical changes for new product launch, is carried out. We have formal release of written work instructions, including detailed exploded drawings to easily show the sequence of assembly. We are also developing supplemental training with video. We believe that we have significantly strengthened SPC and error proofing during Model Year 2001. In-Process Quality Assurance routinely assesses the daily output of the manufacturing lines, and we routinely audit functional and durability using our Product Test Center. We track and reduce the "cost of quality" measurable every month, and actively document and track all quality concerns for effective Permanent Corrective Action.

We work closely with our supply base, and depend upon certain key suppliers to provide key core competencies, such as forgings and castings and molded polymers that have been optimized for weight, structural integrity, wear and cost. We have neither long term supply contracts with any vendors, nor multiple vendors for all of our component parts. While we have developed a strategic relationship with Spinner, Inc. ("Spinner") for some low price points forks assembled in Taiwan, we have also started to explore off-shore sources for parts where reduced cost can be selectively achieved without compromise to quality, performance, or timely delivery. The Spinner contract provides for our annual review and audit of Spinner's operations. We track all vendors for quality, delivery and cost reduction opportunities, and we have an active vendor improvement plan.

In January 1999 we changed to a new Oracle-based Enterprise Resource Planning (ERP) system. This system allows initial model year forecasting, continuously updated as the production year develops, to drive material planning and procurement. We intend to continue leveraging our ERP system's on-time delivery as we move into Model Year 2002. We also intend to continue to significantly reduce our overall inventory levels.

We generally require firm purchase orders from OEM customers, which represent the majority of our orders. We manage our stock levels over the model year to maximize availability during the peak season, and minimize overstocking as the model year changes. Our "backlog" of unfulfilled orders on March 31, 2001 was $3.8 million, compared to $6.0 million on March 31, 2000. We expect to be able to fill the entire backlog during the first quarter of the current fiscal year.

SALES AND DISTRIBUTION

Our products are primarily sold to OEMs, which incorporate our components as part of new, fully-assembled mountain bikes sold worldwide, and through distributors or, in some cases, directly to IBDs, each of whom serve the retail accessory market. For the fiscal year ended March 31, 2001, approximately 77% of our net sales were to OEMs and approximately 23% were to distributors and IBDs. OEM customers are important to us, since bicycle suspension has evolved from an

accessory niche component into standard equipment found on higher quality mountain bikes. The following table demonstrates the historical pattern in our customer base and product distribution:

	Years Ended March 31,					
(in thousands)	2001		2000		1999	
	Net Sales	% of Net Sales	Net Sales	% of Net Sales	Net Sales	% of Net Sales
OEMs...........	$ 57,089	77%	$ 55,495	79%	$ 73,999	85%
Distributors and IBDs......	16,956	23%	14,768	21%	12,864	15%
Total.....	$ 74,045	100%	$ 70,263	100%	$ 86,863	100%

We believe that our products play an important role in the sale of bikes by OEMs, and that OEMs are aware of the influence that our brand and name have on a consumer's selection of a mountain bike. In addition to our strong brand name, we believe that OEMs also choose our products for product innovation, reliability and quality. We have seen growth in our aftermarket channel in the last few seasons, primarily due to our release of new model year product to the aftermarket earlier in the season, and a maturing mountain biking market, who have proved more willing to upgrade their existing bicycles with new shocks.

We currently sell to over 266 OEM accounts worldwide. A substantial portion of our sales flow from the export of our products, a significant portion of which includes products shipped to Asian manufacturing subcontractors for certain U.S.-based OEMs.

The sales process for OEM customers generally runs from December through May, and during this period, we do presentations of our product line for the coming model year. Typically, we learn between April and June if our products have been specified on various OEM bike models and of OEM volume expectations per model, although such estimates are subject to significant adjustment throughout the year. Shipments are then made directly to OEMs or to their subcontractors (typically bicycle frame manufacturers mostly located in Asia) beginning in the first quarter of the fiscal year (June quarter) and peaking in the second and third quarters (July through December). OEM sales slow down in the fourth quarter of our fiscal year and are principally comprised of OEM reorders, which we believe primarily reflect the popularity and sell-through rates of various OEM mountain bikes that incorporate our components.

Sales to distributors and IBDs generally trail the OEM process, with sales to distributors at their highest during the middle of our fiscal year (August and September) and sales to dealers peaking during the following March and April. We currently have four distributors in the United States, two of whom are owned by OEM customers, and approximately 64 additional distributors worldwide. We believe that sales of our products through OEM-owned distributors are an important revenue source for OEMs and further strengthen our relationships with our major customers. Distributors generally purchase our products for resale to IBDs and generally also provide worldwide servicing and marketing support for

all of our products. In the U.S., we generally sell directly to IBDs product quantities that are too small for third-party distributors to process.

As of March 31, 2001 we had approximately 29 employees performing sales and customer service functions. Our principal sales activities are based in the United States. In addition, we have a sales representative office with 7 contract employees based in Bern, Switzerland. We also have five employees based in our Taiwan branch office. Our customer service activities include a warranty program managed by an in-house technical support department in the U.S. and a distributor network of technicians outside the U.S.

In fiscal 2001, approximately 52% of our sales represented sales to our 10 largest customers, such as Trek, Merida, and Giant, several of which purchase product as both an OEM customer and a distributor. Sales to our largest customer represented 11% of our net sales in fiscal 2001. At March 31, 2001, our OEM customer with the largest accounts receivable balances accounted for approximately 11% of our accounts receivable. As of March 31, 2001, we had no long-term contracts with any of our customers.

MARKETING

We believe that our brand image, in combination with the performance features of our products, is an important element in a consumer's decision to purchase our suspension as an accessory product and that our OEM customers recognize the strength of our brand name as a contributing factor in a consumer's choice of mountain bikes.

We promote and maintain our brand name in numerous countries through focused marketing efforts such as sponsorship of mountain bike racing teams, magazine advertising and editorial programs, IBD packaging and point of sale materials, participation in tradeshows and promotional clothing and merchandise. Our marketing department oversees all aspects of the promotion of our products and brand name.

The principal user of our products is the mountain bike enthusiast between 19 and 34 years of age. To appeal to this market, we emphasize the high performance features of our products as well as our affinity with the mountain biking culture. The goal of our marketing efforts is to communicate both technical information and an offbeat and irreverent image.

The sponsorship of mountain bike racing teams and racers is an important part of our research and product development efforts as well as our marketing strategy. We believe that the association of our products with successful racers enhances our product development efforts and increases consumer awareness of and demand for our suspension products. We currently co-sponsor approximately 20 world-class and over 70 junior and amateur race teams, many of which also have affiliations with OEMs. Our sponsorship agreements with racing teams generally are for a one-year term, and provide for a retainer plus contingent performance payments. We also provide product and technical support for sponsored racers, including access to our technical service trucks that attend many of the major races in the U.S. and Europe. There can be no assurance that such racing teams will continue to be sponsored by us and use our products on terms we deem acceptable, or that we will be able to attract new mountain bike racing teams to use our products in the future.

We advertise our products in a variety of U.S. and international consumer and trade bicycle publications, including BICYCLING, BIKE, DIRT RAG, MOUNTAIN BIKE, MOUNTAIN BIKE ACTION, MOUNTAIN BIKING, VELO NEWS and BICYCLE RETAILER, as well as on the World Wide Web. Our goal is to expand awareness of our brand name and to support product line segmentation with advertising campaigns built around the SID, PSYLO, JUDY, and other product lines. We also seek to increase our editorial exposure in bicycle print media by working closely with magazine editors in the U.S. and Europe. We believe that our focus on editorial content has helped maintain high visibility for our brand name and our products.

We currently support our brand name in the retail bike market by providing brochures that are designed to help explain the technical performance features of our products. We generally provide brochures at cost or for free to distributors and IBDs. We believe that we also maintain a strong presence at national and international tradeshows. As part of our retail marketing efforts, we market a line of mountain bike clothing. The clothing line includes T-shirts, cotton jerseys and hats. We sell our clothing line to distributors and directly to consumers at race events.

Our sales and marketing expenditures totaled approximately $5.6 million, $6.2 million, and $5.3 million in fiscal years 2001, 2000, and 1999, respectively. Future sales and marketing expenditures are expected to decrease slightly, as we settle in to our Colorado operations.

COMPETITION

The markets for bicycle components, in general, and bicycle suspension products, in particular, are highly competitive. We compete with other bicycle component companies that produce suspension products for sale to OEMs, distributors and IBDs as well as with bicycle OEMs that produce their own line of suspension products for their own use and for sale through distributors and IBDs.

We compete with several component companies that manufacture front suspension products, including, among others, Answer Products, Inc., a division of LDI, Ltd., which manufactures Manitou products, Rapid Suspension Technology USA, Inc. (RST), Marzocchi SpA, and SR Suntour USA, Inc. We also compete with several component companies that manufacture rear shocks, including, among others, Fox Factory, Inc., RST, Risse Racing Technology, Inc., Amp, Marzocchi and Girvin, Inc. We believe that we currently have the leading market share in front suspension forks, and that we are the second largest producer of rear suspension in the global bicycle industry.

Today, Cannondale Corporation is the only major OEM that has its own brand of suspension products. Cannondale also makes its suspension products available to the retail accessory market.

In order to build or retain market share, we must continue successfully to compete in areas that influence the purchasing decisions of OEMs, distributors, IBDs and consumers, including design, price, quality, technology, distribution, marketing, style, brand image and customer service. We cannot assure you that any number of bicycle component manufacturers, OEMs or other companies, including those that are larger and have greater resources than we do and who currently do not provide bicycle suspension products or do so on a limited basis, will not become direct or more significant competition for us. In addition, OEMs frequently design their bicycles to meet certain retail price

points, and, as a result, may choose not to use a suspension product or may select a lower priced product of ours or a competing product in order to incorporate other components in a bicycle's specifications that the OEM perceives as being desirable to the consumer. We could face competition from existing or new competitors that introduce and promote suspension products or other bicycle components perceived by the bicycle industry or consumers to offer price or performance advantages to, or otherwise have greater consumer appeal than, our products.

INTELLECTUAL PROPERTY

We rely on a combination of patents, trademarks, trade names, licensing arrangements, trade secrets, know-how and proprietary technology in order to secure and protect our intellectual property rights. Several patents have been issued covering aspects of many of our suspension products in the United States and abroad. These patents specifically cover internal oil damping components, structural components, adjustment methods, and numerous items specifically related to bicycle fork and shock performance. None of the patents that we are currently using to enforce our property rights have an expiration date before 2007. We cannot assure you, however, that our present or future patents will adequately protect our technologies, or that patents relating to such technologies will not be successfully challenged or circumvented by competitors.

We believe that our brand name, "ROCKSHOX," offers us a significant competitive advantage. We hold several trademark registrations in the United States and abroad for the ROCKSHOX mark and other marks in connection with many of our products. We may file additional applications for U.S. and foreign trademark protection in the future. However, we cannot assure you that third parties have not or will not adopt or register marks that are the same or substantially similar to our marks, or that such third parties will not be entitled to use such marks to our exclusion. Selecting new trademarks to resolve such situations could involve significant costs, including the loss of goodwill already gained by the marks we previously used or are using.

We cannot assure you that our patents, trademarks, trade names, licensing arrangements, trade secrets, know-how and proprietary technology will adequately protect us from potential infringement or misappropriation by third parties. We intend to enforce our intellectual property rights, and may be required to undertake litigation to do so. Any such litigation could result in substantial cost to and diversion of effort by us. In addition, due to considerations relating to, among other things, cost, delay or adverse publicity, we cannot assure you that we will elect to enforce our intellectual property rights in every instance.

We have received, and may receive in the future, claims asserting infringement by us of intellectual property rights held by third parties. We have recently been named defendant in two pending lawsuits, *Halson Designs, Inc. v. RockShox, Inc.*, Civil Action No. 00-1578-PA, in the United States District Court for the District of Oregon, and *Answer Products, Inc. v. RockShox, Inc.*, Case No. CV 01-02635 ER (RZx), in the United States District Court for the Central District of California. The Company is vigorously defending both lawsuits. Such lawsuits may result in substantial cost to and diversion of effort by us, and could have a material adverse effect on us.

ENVIRONMENTAL MATTERS

We are subject to federal, state and local laws, regulations and ordinances that (i) govern activities or operations that may have adverse environmental effects (such as emissions to air, discharges to water, and the generation, handling, storage, transportation, treatment and disposal of solid and hazardous wastes) or (ii) impose liability for cleaning up or remediating contaminated property (or the costs therefor), including damages from spills, disposals or other releases of hazardous substances or wastes, in certain circumstances without regard to fault. Our manufacturing operations routinely involve the handling of chemicals and wastes, some of which are or may be regulated as hazardous substances. We have not incurred, and do not expect to incur, any significant expenditures or liabilities for environmental matters. As a result, we believe that our environmental obligations will not have a material adverse effect on our operations or financial position.

GOVERNMENT REGULATION

Bicycle suspension products sold in the United States are within the jurisdiction of the United States Consumer Product Safety Commission (CPSC) and other federal, state and foreign regulatory bodies. Under CPSC regulations, a manufacturer of consumer goods is obligated to notify the CPSC, if, among other things, the manufacturer becomes aware that one of its products has a defect that could create a substantial risk of injury. If the manufacturer has not already undertaken to do so, the CPSC may require a manufacturer to recall a product, which may involve product repair, replacement or refund.

In 1996, the CPSC sent a letter to major manufacturers and importers of mountain bikes as well as several suspension component manufacturers, including us, expressing concern about reports of injuries and recall activity relating to failures of mountain bike suspension forks and urging manufacturers to participate in the development of voluntary safety performance standards for such suspension products through the American Society of Testing and Materials, or ASTM. These standards are expected to be implemented in the future. In anticipation of the standards implementation by the ASTM, we are currently testing our products in the manner proposed by the ASTM. These standards, if adopted, could increase the development and manufacturing costs of our products, make our products less desirable (by, for example, increasing the weight of our products) or favor a competitor's product. We cannot predict whether standards relating to our products or otherwise affecting the bicycle suspension industry will be adopted, nor can we assure you that the implementation of such standards will not have a material adverse effect on us.

Several local, state and federal authorities have considered substantial restrictions or closures of public trails to biking use, citing environmental concerns and disputes between mountain bikers and other trail users, including hikers. Such restrictions or closures, if implemented in a regional or widespread manner, could lead to a decline in the popularity of mountain biking, which could have a material adverse effect on us.

PRODUCT RECALL

Bicycles and bicycle components, including suspension products, are frequently subject to product recalls, corrective actions and manufacturers' bulletins. Prior to 2001, RockShox had conducted five voluntary corrective actions. None of these five corrective actions has been financially material to

us. In fiscal year 2001, RockShox, in voluntary cooperation with the CPSC, conducted a recall of the 2001 model year Metro, Jett and Judy TT model suspension forks. Following up on reports of failures in the field, we determined that there was a potential for failure of a structural component, the compression rod, under a unique set of conditions. To protect our customer's health and safety, RockShox immediately contacted the CPSC and initiated a program to retrofit over 220,000 forks in 26 countries. The recall was announced on October 12, 2000 and all retrofit kits were shipped and forks reworked by November 30, 2000. The cost for this recall and retrofit program was approximately $1.9 million.

The number of suspension products sold by us has dramatically increased since we were founded in 1989. New product introductions are occurring frequently, and our products may not have been used by riders for a period of time sufficient to determine all of the effects of prolonged use and the environment on such products. As a result, we cannot assure you that there will not be recalls, corrective actions or other activity voluntarily or involuntarily undertaken by us or involving the CPSC or other regulatory bodies on a more frequent basis or at a higher cost than in the past, involving past, current or future products, including those products previously subject to voluntary corrective action, any of which could have a materially adverse effect on us or our prospects.

SEASONALITY

See "Selected Quarterly Financial Data; Seasonality" under Item 7 for a discussion regarding seasonality.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

See Note 12 to the Notes to the Consolidated Financial Statements for a discussion regarding our foreign operations.

EMPLOYEES

As of March 31, 2001, a seasonal low point, we employed approximately 287 full-time employees. As we continued to close the California operations, we employed approximately 240 full-time employees on May 31, 2001. As we move to our seasonal high production demands, we plan to employ approximately 300 full-time employees by July 2001. We are not a party to any labor agreements and none of our employees are represented by a labor union. We consider our relationship with our employees to be good and have never experienced a work stoppage.

CERTAIN FACTORS THAT MAY AFFECT THE COMPANY'S BUSINESS AND FUTURE RESULTS

This report contains various forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties. Forward-looking statements may also be contained in our other reports filed under the Securities Exchange Act of 1934, in our press releases and in other documents. In addition, from time to time, we through our management may make oral forward-looking statements. Forward-looking statements

generally refer to future plans and performance, and are identified by the words "believe", "expect", "anticipate", "optimistic", "intend", "aim", "will", the negative thereof and similar expressions. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of which they are made and may be affected by numerous factors. Because of these factors, which may affect our operating results, past financial performance should not be considered as an indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. We undertake no obligation to update publicly or revise any forward-looking statements.

Important factors that could affect our ability to achieve financial and other goals and cause actual results to differ materially from our forward-looking statements include, but are not limited to, the following:

-- The loss of or substantial decline in purchases of our products by, or the financial insolvency of, any of our largest customers individually, or a number of our other customers in the aggregate, could have a material adverse effect on us.

-- Any misjudgment by us or any of our OEM customers of the demand for any of its respective products could have a material adverse effect on us.

-- We entered into a new debt agreement with our primary lender. This new agreement requires us to adhere to certain financial covenants. We are currently negotiating with the lender to lower certain covenants even further. However, these lower covenants have not been approved by the lender. If the revised covenants are approved, we expect to be in compliance with the new covenants throughout the current year. However, there is no assurance the expected results will be achieved.

-- Unexpected difficulties encountered during relocation, risk of operating in two cities, or management's inability to respond effectively to, or plan for such relocation could have a material adverse effect on us.

-- Product recalls, corrective actions or other activity voluntarily or involuntarily undertaken by us or involving the CPSC or other regulatory bodies could have a material adverse effect on us.

-- The loss of any member of our senior management team and other key personnel, including certain members of our product development team, or the inability to attract, retain and motivate key personnel, could have a material adverse effect on us.

-- Our failure to introduce sufficient technological advances or lack of timely introduction of sufficient new products, or if introduced, the lack of commercial success of such products, could have a material adverse effect on us.

-- Competition from existing or new competitors that introduce and promote suspension products or other bicycle components perceived by the bicycle industry or consumers to offer price or performance advantages to or that otherwise have greater consumer appeal than our products could have a material adverse effect on us.

-- The costs attendant to our defense of, or an adverse judgment regarding, the patent lawsuits brought by Halson or Answer Products could have a material adverse effect on us.

-- The assertion by any person of rights in, or ownership of, any of our patents, trademarks or other proprietary rights, unless successfully defended by us could have a material adverse effect on us. In addition, the laws of certain foreign countries do not protect proprietary rights to the same extent as do the laws of the United States.

-- The failure of a key supplier to meet our product needs on a timely basis, the loss of a key supplier or any significant disruption in our production or distribution activities for any other reason, including an earthquake or other catastrophic event, could have a material adverse effect on us.

-- Because the bicycle industry is, and many of our OEM customers are, highly dependent on manufacturing in and selling to overseas locations, changes in economic conditions, currency exchange rates, tariff regulations, local content laws or other trade restrictions or political instability could adversely affect the cost or availability of products sold by or to the bicycle industry as a whole and to our OEM customers in particular, any of which could have a material adverse effect on us.

-- Due to the uncertainty as to the number of product liability claims or the nature and extent of liability for personal injuries and changes in the historical or future levels of insurance coverage or the terms or cost thereof, our product liability insurance may not be adequate or available to cover product liability claims or the applicable insurer may not be at the time of any covered loss, any of which could have a material adverse effect on us.

-- Adverse publicity relating to mountain bike suspension or mountain biking generally, or publicity associated with actions by the CPSC or others expressing concerns about the safety or function of our products, other suspension products or mountain bikes, could have a material adverse effect on us.

-- Any decline in general economic conditions, uncertainties regarding economic prospects or changes in other economic factors that affect consumer spending could have a material adverse effect on our direct customers (OEMs, distributors, IBDs) and, therefore, on us.

ITEM 2. PROPERTIES

Our headquarters are located in an approximately 102,500 square foot building in Colorado Springs, Colorado, pursuant to a lease that expires in 2011. Approximately 25,000 square feet of the former headquarters building in San Jose, California has been sublet to a third party for the remainder of the master lease. We lease two other facilities of approximately 15,000 and 100,000 square feet in the San Jose area pursuant to a lease that expires in 2002. The larger facility in San Jose includes 50,000 square feet that is not currently being used by us, and we continue to attempt to sublease this unused portion. The 15,000 square-foot facility is not currently being used by us, and has been subleased in its entirety until the end of the lease term. We believe that our existing facilities are adequate to meet our existing requirements.

ITEM 3. LEGAL PROCEEDINGS

We are involved in certain legal matters in the ordinary course of business, including the alleged infringement of patents in the Halson and Answer Products cases. No provision for any liability that may result upon the resolution of these matters has been made in the accompanying financial statements nor is the amount or range of possible loss, if any, reasonably estimable. See "Certain Factors That May Affect the Company's Business and Future Results."

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

No matters were submitted to a vote of security holders during the fourth quarter of fiscal 2001.

PART II

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

From September 26, 1996 through October 30, 2000, our common stock was listed on The NASDAQ Stock Market under the symbol "RSHX." On October 30, 2000, we received notice from the NASDAQ Stock Market that our stock would be de-listed and would be automatically eligible to be traded on the OTC Bulletin Board effective October 31, 2000. Our minimum bid price per share had been below

$1.00 for over 30 consecutive days, and we were not able to evidence reasonably certain ongoing compliance with the NASDAQ National Market listing standards requirement regarding minimum bid price.

The following table sets forth, for the periods indicated, the high and low sales prices of our common stock, as reported.

	High	Low
Year ended March 31, 2000		
First quarter	$1.66	$0.94
Second quarter	$1.31	$0.88
Third quarter	$2.06	$0.44
Fourth quarter	$2.00	$0.95
Year ended March 31, 2001		
First quarter	$1.16	$0.50
Second quarter	$1.00	$0.50
Third quarter	$0.81	$0.34
Fourth quarter	$0.91	$0.41

On July 17, 2001, the closing sales price per share of our common stock as reported on the OTC Bulletin Board was $0.45. On July 17, 2001, there were 1,769 shareholders of our common stock.

During our past three fiscal years, our Board of Directors has not declared a cash dividend on our common stock. We currently intend to retain future earnings for use in our business and, therefore, do not anticipate paying any cash dividends in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data set forth below have been derived from our audited consolidated financial statements and the related notes thereto. The following selected financial data should be read in conjunction with our consolidated financial statements and the related notes thereto and Item 7,

"Management's Discussion and Analysis of Financial Condition and Results of Operations."

<TABLE>
<CAPTION>

	Years Ended March 31,				
	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA (IN THOUSANDS, EXCEPT PER SHARE DATA):					
Net sales	$74,045	$70,263	$86,863	$102,203	$106,212
Cost of sales	60,076	62,446	71,000	73,183	67,115
Gross profit	13,969	7,817	15,863	29,020	39,097
Selling, general and administrative expenses	13,351	15,850	14,163	13,363	12,137
Research, development and engineering expense	2,346	3,594	4,907	4,873	4,801
Restructuring and non-recurring charges	3,990	---	(541)	3,326	6,580

Income (loss) from operations ..	(5,718)	(11,627)	(2,666)	7,458	15,579
Interest expense (income) and other expense, net	67	45	(277)	(606)	2,205
Income (loss) before income taxes	(5,785)	(11,672)	(2,389)	8,064	13,374
Provisions for (benefit from) income taxes	308	789	(669)	2,944	5,149
Income (loss) before extraordinary loss	(6,093)	(12,461)	(1,720)	5,120	8,225
Extraordinary loss, net of tax benefit of $885,000	---	---	---	---	1,328
Net income (loss) before accretion	(6,093)	(12,461)	(1,720)	5,120	6,897
Accretion for dividends on mandatorily redeemable............	---	---	---	---	185
Net income (loss) available to common stockholders	$(6,093)	($12,461)	($1,720)	$5,120	$6,712
Income (loss) per share before extraordinary loss - basic.........	($0.44)	($0.91)	($0.13)	$0.37	$0.71
Loss per share from extraordinary item - basic......................	---	---	---	---	(0.12)
Net income (loss) per share - basic.......................	($0.44)	($0.91)	($0.13)	$0.37	$0.59
Cash dividend per share...............	--	--	--	--	--
Shares used in per share calculation - basic................	13,761	13,761	13,761	13,717	11,430
Income (loss) per share before extraordinary loss - diluted.......	($0.44)	($0.91)	($0.13)	$0.36	$0.69
Loss per share from extraordinary item - diluted....................	--	--	--	--	(0.11)
Net income (loss) per share - diluted.....................	($0.44)	($0.91)	($0.13)	$0.36	$0.58
Shares used in per share calculation - diluted.............	13,761	13,761	13,761	14,030	11,641

</TABLE>

<TABLE>
<CAPTION>

	Years Ended March 31,				
	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA (IN THOUSANDS):					
Working capital	$7,848	$10,647	$20,067	$22,372	$23,722
Total assets	29,783	35,804	48,765	52,259	45,875
Total debt	1,183	--	--	--	--

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

GENERAL

We are a worldwide leader in the design, manufacture and marketing of high performance bicycle suspension products. Substantially all of our historical revenues have been attributable to sales of mountain bike front suspension forks. Our two principal channels of distribution are: (i) sales to OEMs and (ii) sales to distributors and IBDs, which we refer to as the retail accessory market. A large portion of our sales are to a small group of OEM customers.

We have substantial export sales, a significant portion of which include products shipped to Asian manufacturing subcontractors for certain U.S.-based OEMs. We believe that a substantial portion of these products are ultimately shipped back to the U.S. and sold domestically by OEMs. We recognize revenue upon shipment of the product and transfer of title. To date, product returns have not been material.

While our gross margins are generally higher on retail accessory market sales compared to OEM sales, OEM sales generate higher unit volume, which allows us an opportunity to capitalize on manufacturing efficiencies. Research, development and engineering costs are expensed as incurred.

RESULTS OF OPERATIONS

The following table sets forth operations data as a percentage of net sales for the periods indicated.

	Years Ended March 31,		
	2001	2000	1999
Net sales....................................	100.0%	100.0%	100.0%
Cost of sales................................	81.2%	88.9%	81.7%
Gross profit.............................	18.8%	11.1%	18.3%
Selling, general and administrative expense...	18.0%	22.5%	16.3%
Research, development and engineering expense.	3.2%	5.1%	5.6%
Restructuring and non-recurring charges.......	5.4%	0.0%	(0.6%)
Income(loss)from operations...............	(7.8%)	(16.5%)	(3.1%)

FISCAL YEAR ENDED MARCH 31, 2001 (FISCAL 2001) COMPARED TO FISCAL YEAR ENDED MARCH 31, 2000 (FISCAL 2000)

NET SALES. Net sales for the year ended March 31, 2001 increased by 5.4% to approximately $74.0 million compared to approximately $70.3 million for the year ended March 31, 2000. OEM sales increased in fiscal 2001 by 2.7% to approximately $57.0 million compared to approximately $55.5 million in fiscal 2000. Aftermarket sales increased by 14.9% to approximately $17.0 million compared to approximately $14.8 million in fiscal 2000. The increase in aftermarket sales was due primarily to more timely fulfillment of orders in 2001. Also, the Psylo product was well-received by the aftermarket, filling a new niche in the marketplace.

Export sales, a significant portion of which included products shipped to Asian manufacturing subcontractors for certain U.S.-based OEMs, accounted for approximately 73.6% and approximately 70.1% of net sales in fiscal 2001 and 2000, respectively.

GROSS MARGIN. Gross margin (gross profit as a percentage of net sales) for fiscal 2001, increased to 18.9% compared to approximately 11.1% in fiscal 2000. The gross margin improvement is due to fixed overhead costs being better absorbed through higher sales volumes, manufacturing efficiencies and better management of inventories in fiscal 2001, offset by $1.9 million in cost due to the 2001 product recall. In fiscal year 2000, RockShox incurred a charge of $2,900,000 relating to inventory obsolescence reserve, compared to a net charge of $740,000 in 2001.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE. Selling, general and administrative ("SG&A") expenses before relocation charges for fiscal 2001 decreased by approximately 15.8% to approximately $13.4 million (or approximately 18.0% of net sales) from $15.9 million, or 22.5% of net sales for the prior year. The decrease in these costs is primarily a function of headcount reductions as a result of the relocation, and curtailed discretionary spending.

RESEARCH, DEVELOPMENT AND ENGINEERING EXPENSE. Research, development and engineering ("R&D") expense for fiscal 2001 decreased approximately 34.7% to approximately $2.3 million (or approximately 3.2% of net sales) from $3.6 million, or 5.1% of net sales for the prior year. This cost decrease corresponds with a 32% headcount reduction in R&D staff from 2000 to 2001.

RESTRUCTURING AND NON-RECURRING EXPENSES. In March 2000, the Company approved a plan to relocate its headquarters and domestic assembly operations to Colorado Springs, Colorado. During fiscal year 2001, the Company recorded charges totaling $4.0 million related to these one-time relocation expenses. The sales, marketing, research and development, information technology, finance, and human resources divisions moved from the San Jose area, to a leased location in Colorado Springs in the summer of 2000. The Company's assembly and distribution operations remained at its San Jose until they were relocated to Colorado Springs in April 2001. The Company expects to complete its planned relocation by the summer of 2001, at a total cost of approximately $5.0 million.

During fiscal year 1999, the Company reversed a $541,000 accrued liability primarily related to lower than expected severance costs and equipment write-downs. This reversal represents the unused portion of the $2.7 million recorded during fiscal year 1998 for the restructuring program of that year. No such charges or credits were recorded during 2000.

INTEREST INCOME/EXPENSE. For the year ended March 31, 2001, the Company had net interest expense of approximately $148,000. For the year ended March 31, 2000, the Company had interest expense of approximately $45,000. The increase of interest expense is due to higher average line of credit balances during fiscal 2001 compared to the prior year, due in part to relocation expenses and related capital expenditures totaling over $5 million.

INCOME TAX BENEFIT/EXPENSE. Our effective tax rate for fiscal 2001 was a 5.3% expense compared to a 6.8% expense for fiscal 2000. The sole income tax liability for the fiscal year 2001 was related to a tax rate of 25% of the profits of the Taiwanese branch operations, after a proportionate allocation of head office and recall expenses. RockShox Taiwan began operations in 2001, hence all Taiwan taxes were incurred for 2001 only. For fiscal 2000, the tax rate relates to an increase in the reserve for our deferred tax assets that had been recorded in previous years. During 2001, all tax net operating losses have been fully valued for financial reporting purposes.

FISCAL YEAR ENDED MARCH 31, 2000 (FISCAL 2000) COMPARED TO FISCAL YEAR ENDED MARCH 31, 1999 (FISCAL 1999)

NET SALES. Net sales for the year ended March 31, 2000 decreased by 19.1% to approximately $70.3 million compared to approximately $86.9 million for the year ended March 31, 1999. OEM sales decreased in fiscal 2000 by 25% to approximately $55.5 million compared to approximately $74.0 million in fiscal 1999. Aftermarket sales increased by 12.7% to approximately $14.8 million compared to approximately $12.9 million in fiscal 1999. We believe that the decrease in OEM sales is primarily due to increased competition in the mountain bike suspension market and delay in start up of OEM customers 2000 model year.

Export sales, a significant portion of which included products shipped to Asian manufacturing subcontractors for certain U.S.-based OEMs, accounted for approximately 70.1% and approximately 64.5% of net sales in fiscal 2000 and 1999, respectively.

GROSS MARGIN. Gross margin (gross profit as a percentage of net sales) for fiscal 2000, decreased to 11.1% compared to approximately 18.3% in fiscal 1999. We believe that the decrease in gross margin was primarily due to fixed overhead costs not being fully absorbed due to lower than anticipated sales, manufacturing inefficiencies and provisions for excess and obsolete inventory in fiscal 2000. Partially offsetting these costs was an increase in IBD sales as a percentage of total sales compared to fiscal 1999. IBD sales generally have a higher gross margin than OEM sales due to discounts given to OEM customers. Also in fiscal year 2000, RockShox incurred a charge of $2,900,000 relating to a writedown of inventory.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSE. Selling, general and administrative ("SG&A") expenses for fiscal 2000 increased by approximately 11.9% to approximately $15.9 million (or approximately 22.5% of net sales) from 14.2 million or 16.3% of net sales for the prior year. The year-to-year increase over the same period last year is primarily a result of approximately $450,000 for disposals of fixed assets, $150,000 for severance charges, and $500,000 for changes in senior management.

RESEARCH, DEVELOPMENT AND ENGINEERING EXPENSE. Research, development and engineering ("R&D") expense for fiscal 2000 decreased approximately 26.8% to approximately $3.6 million (or approximately 5.1% of net sales) from 4.9 million or 5.6% of net sales for the prior year. As a percentage of sales, R&D remained constant when compared to fiscal 1999 when R&D was approximately 5.6% of net sales. R&D remained relatively constant when compared to fiscal net sales.

INTEREST INCOME/EXPENSE. For the year ended March 31, 2000, the Company had interest expense of approximately $45,000. For the year ended March 31, 1999, the Company had interest income of approximately $277,000. The decrease of interest income and increase of interest expense is due to lower cash balances from lower revenue during fiscal 2000 compared to the prior year.

INCOME TAX BENEFIT/EXPENSE. Our effective tax rate for fiscal 2000 was a 6.8% expense compared to a 28.0% benefit for fiscal 1999. The decrease in the effective tax rate was primarily due to the change in the valuation allowance, partially offset by the reversal of previously recorded tax liability under the statute of limitations.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended March 31, 2001, net cash provided by operating activities was approximately $939,000, which was comprised of the net loss of approximately $6.1 million, decreased by non-cash charges for depreciation and amortization of approximately $4.9 million, $2.0 million in disposal of fixed assets, $1.4 million in income tax refunds received and $740,000 in provision for obsolete inventories. The loss was offset by $1.0 million increase in payables and other liabilities, $936,000 decrease in inventories, as well as other smaller adjustments to net cash provided by operating activities. Accounts receivable at March 31, 2001 decreased to approximately $12.4 million net of allowance for doubtful accounts, compared to approximately $12.6 million at March 31, 2000. Inventories at March 31, 2001 increased to approximately $5.8 million net of inventory reserves, compared to approximately $5.6 million at March 31, 2000.

Net cash used in investing activities was approximately $3.4 million, which principally consisted of acquisitions of property and equipment. Net financing proceeds from borrowings against our line of credit in 2001 were $1.2 million.

Capital expenditures totaled approximately $3.7 million for fiscal 2001 and approximately $2.4 million for fiscal 2000. The increase in capital expenditures was principally due to capital expenditures related to the relocation. As of March 31, 2001, we had purchase commitments of approximately $618,000, primarily for tooling, direct parts and machinery to be used in manufacturing beginning in fiscal 2002, which commitments are expected to be funded by cash flow from operations or available cash balances.

On June 29, 2000 we amended our security agreement with Wells Fargo, which provides for borrowings up to $5.0 million at a base interest rate (as defined therein) plus 1.375%, and which expires in December 2001. All outstanding amounts under the facility are collateralized by our accounts receivable, inventory, equipment and intangibles. We had borrowings against the credit facility of $1.2 million at March 31, 2001, and there were no outstanding borrowings against the credit facility as of March 31, 2000.

At March 31, 2001, we had cash and cash equivalents of $1.1 million, and outstanding debt of $1.2 million. We recently entered into an amended, expanded credit facility in the amount of $10 million with our existing lender, Wells Fargo Business Credit and their affiliate, Wells Fargo Bank (the New Facility). The New Facility and the previous credit agreement are asset-based facilities, that is, the borrowings on the related facility are limited to a percentage of our accounts receivable balances, and the borrowings are also secured by those same receivables, in addition to our inventory, equipment and intangibles. Our borrowing availability is reduced by a $1 million letter of credit pledged as security through the term of our Colorado Springs facilities lease.

At March 31, 2001, we were in default of certain financial covenants under our previous credit agreement, due primarily to expenses associated with the 2001 recall that were not anticipated at the time the original covenants were set. We received a waiver of such default as of that date. Our New Facility set new financial covenants, and we are continuing to negotiate with Wells Fargo to lower certain financial covenants, subject to their approval. If the revised financial covenants are enacted, we expect to be in compliance with the new covenants throughout the current year. However, there is no assurance that our expected results will be achieved.

Management estimates that based upon our current forecasts, including anticipated funds received from the New Facility, we will require no additional funding through the end of fiscal year 2002 for the execution of our current business plan, including the financing of our anticipated capital expenditures and short-term operating losses. Should we require additional funding, we believe we have the ability to obtain this funding from one or more of the following sources:

1. Additional asset based lending facility,
2. Subordinated debt facility,
3. Sale of assets

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 133, or FAS No. 133, "Accounting for

Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. FAS 133 requires that all derivatives be recognized at fair value in the balance sheet, and that the corresponding gains or losses be reported as a component of comprehensive income. We adopted FAS 133, as amended, in the fiscal year ended March 31, 2001, and that adoption of FAS 133 did not have a material impact on our financial position or results of operations.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin, or SAB 101, "Revenue Recognition in Financial Statements". The adoption of SAB 101 did not have a material impact on our financial position or results of operations.

In March 2000, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock

Compensation - an interpretation of APB Opinion No. 25." This interpretation has provisions that are effective on staggered dates, some of which began after December 15, 1998 and others that become effective after June 30, 2000. The adoption of this interpretation did not have a material impact on our financial position or results of operations.

SELECTED QUARTERLY FINANCIAL DATA; SEASONALITY

The following table presents selected quarterly financial information (expressed in thousands, except per share data) for the last eight fiscal quarters. We have prepared this information on a basis consistent with our audited financial statements and it includes all adjustments, consisting of normal recurring adjustments, that we consider necessary for a fair presentation of the results of such quarters. The operating results for any quarter are not necessarily indicative of the results for any entire year.

	Quarter Ended			
	March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000
	(in thousands, except per share amounts)			
Net sales	$18,082	$20,332	$23,429	$ 12,202
Gross profit.............	2,534	4,986	5,146	1,303
Operating income (loss)..	(3,639)	484	724	(3,287)
Net income (loss)	$(3,391)	$387	$178	$ (3,267)
Net income (loss) per share - basic and diluted	($0.24)	$0.03	$0.01	($0.24)
Shares used in per share calculations - basic and diluted	13,761	13,761	13,761	13,761

	Quarter Ended			
	March 31, 2000	December 31, 1999	September 30, 1999	June 30, 1999
	(in thousands, except per share amounts)			
Net sales	$19,278	$25,500	$15,961	$ 9,524
Gross profit (loss)......	397	5,510	2,887	(977)
Operating income (loss)..	(4,686)	1,115	(1,167)	(6,889)
Net income (loss)	$(4,757)	$(1,628)	$(1,123)	$(4,953)
Net income (loss) per share - basic and diluted	($0.35)	($0.12)	($0.08)	($0.36)
Shares used in per share calculations - basic and diluted	13,761	13,761	13,761	13,761

Because of our fluctuation in sales, historical quarterly operating results do not necessarily reflect management's expectations of future quarterly operating results. Management believes that future operating results will fluctuate on a quarterly basis due to a variety of factors, including:

- Seasonal cycles associated with the bicycle industry,
- the effects of weather conditions on consumer purchases,
- the timing of orders from OEMs, distributors, and IBDs,
- the number and timing of new product introductions,
- changes in the mix of products ordered and re-ordered by OEMs, distributors, and IBDs.

Management anticipates that our sales will normally be lowest in our first and fourth fiscal quarters, which end on June 30 and March 31, respectively.

INFLATION

We do not believe inflation has had a material impact on the Company in the past, although there can be no assurance that this will be the case in the future.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We considered the provision of Financial Reporting Release No. 48, "Disclosure of Accounting Policies for Derivative Financial Instruments and Derivative Commodity Instruments, and Disclosure of Quantitative and Qualitative Information about Market Risk Inherent in Derivative Financial Instruments, Other Financial Instruments and Derivative Commodity Instruments". We had no holdings of derivative financial or commodity instruments at March 31, 2001. We are exposed to financial market risks, including changes in interest rates and foreign currency exchange rates. We believe that an increase in interest rates would not significantly affect our net loss. The majority of our revenue and capital spending is transacted in U.S. dollars, the exception being domestic Taiwan sales from our Taiwanese subsidiary.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See "Index to Consolidated Financial Statements" on page 29 for a listing of the consolidated financial statements submitted as part of this report.

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item will be contained in our Proxy Statement for our Annual Meeting of Stockholders to be held on August 21, 2001 to be filed with the Securities and Exchange Commission within 120 days after March 31, 2001, and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item will be contained in our Proxy Statement for our Annual Meeting of Stockholders to be held on August 21, 2001 to be filed with the Securities and Exchange Commission within 120 days after March 31, 2001, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item will be contained in our Proxy

Statement for our Annual Meeting of Stockholders to be held on August 21, 2001 to be filed with the Securities and Exchange Commission within 120 days after March 31, 2001, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item will be contained in our Proxy Statement for our Annual Meeting of Stockholders to be held on August 21, 2001 to be filed with the Securities and Exchange Commission within 120 days after March 31, 2001 and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) See page 28 for a listing of financial statements submitted as part of this report.

(a)(2) The financial statements listed on the accompanying Index to Consolidated Financial Statements and Financial Statement Schedule are filed as part of this report.

(a)(3) The following exhibits are included in this report:

2 Form of Agreement and Plan of Merger between RSx Holdings, Inc. and RockShox, Inc. (1)

3.1 Form of Amended and Restated Certificate of Incorporation of RockShox, Inc. (1)

3.2 Form of Amended and Restated Bylaws of RockShox, Inc. (1)

4 Form of Common Stock Certificate of RockShox, Inc. (1)

10.1 Management Consulting Agreement, dated as of March 24, 1995, between TJC Management Corporation and RSx Holdings, Inc. (1)

10.2 Form of Registration Rights Agreement among RockShox, Inc., Stephen Simons, Debra Simons, Paul Turner and other stockholders named therein. (1)

10.3 Noncompetition Agreement, dated March 24, 1995, between RSx Holdings, Inc. and Stephen Simons. (1)

10.4 Noncompetition Agreement, dated March 24, 1995, between RSx Holdings, Inc. and Debra Simons. (1)

10.5 Noncompetition Agreement, dated March 24, 1995, between RSx Holdings, Inc. and Paul Turner. (1)

10.6 Form of Indemnity Agreement. (1)

10.7 Form of Lease, dated as of March 7, 1997, between S. Stephen Nakashima and RockShox, Inc. (2)

10.8 Amended and Restated RSx Holdings, Inc. 1996 Stock Plan. (1)

10.9 Form of First Amendment to Standard Industrial/Commercial Multi-Tenant Lease-modified net, dated November 4, 1997, between S. Stephen Nakashima and Sally S. Nakashima and RockShox, Inc. (3)

10.10 Standard Industrial Sublease, dated December 8, 1997, between RockShox, Inc. and First American Records Management, Inc.(4)

10.11 RockShox, Inc. 1998 Stock Option Plan.(4)

10.12 Credit agreement, dated December 10, 1999, between RockShox, Inc. and the Wells Fargo Business Credit. (5)

10.13 Employment agreement, dated December 23, 1999, between RockShox, Inc. and Bryan Kelln. (5)

10.14 Revised Credit Agreement with Wells Fargo, dated June 29, 2000. (6)

10.15 Lease for Colorado Springs facility, dated July 1, 2000. (6)

10.16 Subfacility Agreement with Wells Fargo, dated June 15, 2001. (7)

10.17 Lease Termination Agreement for San Jose facility, dated April 30, 2001. (7)

10.18 Second Amended and Restated Credit and Security Agreement with Wells Fargo, dated June 28, 2001. (7)

10.19 Export-Import Bank of the United States working Capital Guarantee Program Borrower Agreement with Wells Fargo dated June 28, 2001. (7)

10.20 Credit and Security Agreement with Wells Fargo Dated June 28, 2001. (7)

21 List of Subsidiaries of RockShox, Inc. (1)

23 Consent of Ernst & Young LLP.

23.1 Report of PricewaterhouseCoopers LLP on Financial Statement Schedule.

23.2 Consent of PricewaterhouseCoopers LLP.

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(1) Previously filed with the Registration Statement on Form S-1 of ROCKSHOX, INC. (Registration No. 333-8069).

(2) Previously filed with Form 10-K of RockShox, Inc. for the year ended March 31, 1997.

(3) Previously filed with Form 10-Q of RockShox, Inc. for the quarter ended December 31, 1997.

(4) Previously filed with Form 10-K of RockShox, Inc. for the year ended March 31, 1998.

(5) Previously filed with Form 10-Q of RockShox, Inc. for the quarter ended December 31, 2000.

(6) Previously filed with Form 10-Q of RockShox, Inc. for the quarter ended June 30, 2000.

(7) Previously filed with Form 10-K of RockShox, Inc. for the year ended March 31, 2001.

(a) Reports on Form 8-K

(b) No reports on Form 8-K were filed by the Company during the fourth quarter of the Company's fiscal year ended March 31, 2001.

(c) See (a)(3) above for a listing of exhibits included as a part of this report.

ROCKSHOX, INC.

FORM 10-K/A

ITEMS 8, 14 (a) AND 14 (d)

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Stockholders and Board of Directors
RockShox, Inc.

We have audited the accompanying consolidated balance sheets of RockShox, Inc. and subsidiary ("the Company") as of March 31, 2001 and 2000, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. Our audits included the financial statement schedule II. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of RockShox, Inc. at

March 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

The accompanying financial statements have been prepared assuming that RockShox, Inc. will continue as a going concern. As more fully described in Note 1 under "Management's Plans", the Company has incurred recurring operating losses. In addition, the Company's credit facility has certain financial covenants that must be met during the term of the facility. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

/s/ Ernst & Young LLP

Denver, Colorado
May 10, 2001, except for footnote 13 as to which the date is June 28, 2001

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of
RockShox, Inc.:

In our opinion, the accompanying consolidated statements of operations, of stockholders' equity and of cash flows for the year ended March 31, 1999 present fairly, in all material respects, the results of operations and cash flows of RockShox, Inc. and subsidiaries for the year ended March 31, 1999 in conformity with accounting principles generally accepted in the United States of America. 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 of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. We have not audited the consolidated financial statements of RockShox, Inc. for any period subsequent to March 31, 1999.

As more fully discussed in Note 1 under "Management Plans," the Company has incurred recurring operating losses. In addition, the Company's credit facility has certain financial covenants that must be met during the term of the facility.

/s/PricewaterhouseCoopers LLP

San Jose, California
April 27, 1999, except as to "Management's Plans" in Note 1 which is as of July 17, 2001.

<TABLE>
<CAPTION>

ROCKSHOX, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

<S>	March 31, 2001 <C>	March 31, 2000 <C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,148	$2,832
Accounts receivable, net of allowance for doubtful accounts $955 in 2001 and $1,132 in 2000	12,444	12,623
Inventories	5,810	5,614
Prepaid expenses and other current assets	801	380
Deferred income taxes	--	1,400
Total current assets	20,203	22,849
Property and equipment, net	9,309	12,567
Loan to related party	15	200
Other assets	256	188
Total assets	$29,783	$35,804
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$5,658	$6,207
Accrued liabilities	5,514	5,995
Line of credit	1,183	--
Total current liabilities	12,355	12,202
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Preferred stock, $0.01 par value:		
Authorized: 10,000,000 shares		
Issued and outstanding: none	--	--
Common stock, $0.01 par value:		
Authorized: 50,000,000 shares		
Issued and outstanding: 13,761,147 shares	138	138
Additional paid-in capital	65,928	65,928
Distributions in excess of net book value	(45,422)	(45,422)
Retained earnings (accumulated deficit)	(3,135)	2,958
Accumulated other comprehensive loss	(81)	--
Total stockholders' equity	17,428	23,602
Total liabilities and stockholders' equity	$29,783	$35,804

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

<TABLE>
<CAPTION>

ROCKSHOX, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<S> <C> <C> <C>

	Years Ended March 31, 2001	2000	1999
Net sales	$74,045	$70,263	$ 86,863
Cost of sales	60,076	62,446	71,000
Gross profit	13,969	7,817	15,863
Selling, general and administrative expense	13,351	15,850	14,163
Research, development and engineering expense	2,346	3,594	4,907
Restructuring and non-recurring	3,990	--	(541)
Operating expenses	19,687	19,444	18,529
Loss from operations	(5,718)	(11,627)	(2,666)
Interest income	50	--	277
Interest expense	(198)	(45)	--
Foreign currency gain	81	--	--
Loss before income taxes	(5,785)	(11,672)	(2,389)
Provision for (benefit from)income taxes	308	789	(669)
Net loss	($6,093)	($12,461)	($1,720)
Net loss per share - basic and diluted	($0.44)	($0.91)	($0.13)
Shares used in per share calculations - basic and diluted	13,761	13,761	13,761

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

<TABLE>
<CAPTION>

ROCKSHOX, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

<S> <C> <C> <C> <C> <C> <C> <C>

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Distributions in Excess of Net Book Value	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total
Balances, March 31, 1998	13,757	$ 138	$65,910	$(45,422)	$17,139	$ --	$37,765
Proceeds from exercise of stock options	4	--	17	--	--	--	17
Tax benefits from disqualifying dispositions of common stock	--	--	1	--	--	--	1

Net loss and comprehensive loss.......................	--	--	--	--	(1,720)	--	(1,720)
Balances, March 31, 1999.......	13,761	138	65,928	(45,422)	15,419	--	36,063
Net loss and comprehensive loss......................	--	--	--	--	(12,461)	--	(12,461)
Balances, March 31, 2000.......	13,761	138	65,928	(45,422)	2,958	--	23,602
Net loss.......................					(6,093)		(6,093)
Currency translation adjustment						(81)	(81)
Comprehensive loss.............							(6,174)
Balances, March 31, 2001	13,761	$138	$ 65,928	($45,422)	($3,135)	($81)	$17,428

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

ROCKSHOX, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Years Ended March 31,		
	2001	2000	1999
Cash flows from operating activities:			
Net loss....................................	($6,093)	($12,461)	($1,720)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Reversal of restructuring and non-recurring charges................................	--	--	(541)
Depreciation	4,937	4,951	5,783
Loss on disposal of fixed assets..........	1,963	531	--
Provision for doubtful accounts...........	23	500	226
Provision for excess and obsolete inventories..............................	740	2,200	3,041
Non-cash compensation......................	200	--	--
Valuation allowance established against and changes in deferred income tax assets...	--	2,662	477
Changes in operating assets and liabilities:			
Income tax refunds received...............	1,400		
Accounts receivable........................	156	1,989	(6,108)
Inventories................................	(936)	1,360	(634)
Prepaid expenses and other current assets..	(421)	287	296
Accounts payable and accrued liabilities...	(1,030)	(500)	(958)
Net cash provided by (used in) operating activities.....................	939	1,519	(138)
Cash flows from investing activities:			
Purchase of property and equipment.........	(3,655)	(2,442)	(6,643)
Other long-term assets.....................	(83)	--	--
Proceeds from disposal of fixed assets.....	13	200	(36)
Loan to related party......................	--	(200)	--
Net cash used in investing activities.....	(3,725)	(2,442)	(6,679)
Cash flows from financing activities:			
Proceeds from exercise of stock options ...	--	--	17
Tax benefits from disqualifying dispositions of common stock.............	--	--	1

Proceeds from short-term borrowings	3,782	4,000	2,000
Repayment of short-term borrowings and bank debt	(2,599)	(4,000)	(2,000)
Net cash provided by financing activities.	1,183	--	18
Effects of exchange rate on cash	(81)	--	--
Net decrease in cash and cash equivalents	(1,684)	(923)	(6,799)
Cash and cash equivalents, beginning of period	2,832	3,755	10,554
Cash and cash equivalents, end of period	$1,148	$2,832	$ 3,755

Supplemental disclosure of cash flow information:			
Income taxes paid	$243	$--	$--
Interest paid	$198	$45	$21

The accompanying notes are an integral part of these consolidated financial statements.

ROCKSHOX, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS:

ROCKSHOX, INC. ("the Company") designs, manufactures and markets high performance bicycle suspension products. The Company's products are primarily sold to bicycle manufacturers ("OEMs"), who incorporate ROCKSHOX branded components as part of new, fully assembled mountain bikes sold worldwide, and directly to independent bicycle dealers ("IBDs") and through distributors (together with IBDs, "the retail accessory market"). For the years ended March 31, 2001, 2000, and 1999 approximately 77%, 79% and 85% respectively, of the Company's total net sales were to OEMs and the balance of the Company's total net sales were to the retail accessory market.

MANAGEMENT'S PLANS

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has incurred a net loss of approximately $6.1 million for the year ended March 31, 2001. Continuation of the Company as a going concern is dependent upon its ability to generate sufficient cash flow to fund working capital and to ultimately sustain profitability. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

The Company is positioning itself to be able to generate sufficient cash flow to fund working capital by the end of fiscal year 2002 primarily through continuing cost reduction plans and borrowings under its secured credit agreement. Should the Company require additional funding, management believes it could obtain this funding from one or more of the following: a) additional asset based lending facility; b) subordinated debt facility; c) sale of assets.

Management believes these resources will be adequate to fund its operating and capital requirements through the end of fiscal 2002. There can be no assurance financing will be available in amounts or on terms acceptable to the Company, if at all. Should the Company be unsuccessful in its efforts to raise capital, management may be required to modify or curtail its plans.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and amounts have been eliminated.

USE OF ESTIMATES:

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

RISKS AND UNCERTAINTIES:

Substantially all of the Company's historical revenues have been attributable to sales of mountain bike suspension products and, therefore, any material decline or prolonged lack of growth in the popularity of, or market demand for, mountain bike suspension forks or rear shocks, in general, or the Company's products, in particular, could have a material adverse effect on the Company or its prospects. The markets for bicycle components, in general, and bicycle suspension products, in particular, are highly competitive. In order to build or retain its market share, the Company must continue to successfully compete in the areas that influence the purchasing decisions of OEMs, distributors, IBDs and consumers, including design, price, quality, technology, distribution, marketing, style, brand image and customer service.

The Company does not currently have long-term contracts with any of its vendors, nor does the Company currently have multiple vendors for all parts, tooling, supplies or services critical to the Company's manufacturing processes. Failure of a key supplier to meet the Company's product needs on a timely basis, loss of a key supplier or significant disruption in the Company's production or distribution activities for any other reason, including an earthquake or other catastrophic event, could have a material adverse effect on the Company or its prospects.

The company manufactures product in the United States, in addition the Company subcontracts to have certain of its low-end products manufactured in Taiwan. The bicycle industry is, and many of the Company's OEM customers are, highly dependent on manufacturing in overseas locations. Changes in economic conditions, currency exchange rates, tariff regulations, local content laws or other trade restrictions or political instability ("International Conditions") could adversely affect the cost or availability of products sold by or to the bicycle industry as a whole and the Company's OEM customers in particular, any of which could have a material adverse effect on the Company or its prospects. In addition, insufficient international consumer demand for mountain bikes and related products, including the Company's products, whether due to changes in International Conditions, consumer preferences or other factors, could have a material adverse effect on the Company or its prospects.

CONCENTRATIONS OF CREDIT RISK AND CARRYING VALUE OF FINANCIAL INSTRUMENTS:

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of trade accounts receivable and cash and cash equivalents. The carrying amounts for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their estimated fair values.

The Company, which performs ongoing credit evaluations of its customers, generally does not require collateral, and maintains allowances for potential credit losses. At March 31, 2001 and 2000, one OEM customer accounted for 11% and 23%, respectively, of accounts receivable. At March 31, 2001 and 2000, one OEM customer accounted for 11% and 15%, respectively, of revenues. For the year ended March 31, 1999 two customers accounted for 17% and 16% of the Company's revenue.

CASH AND CASH EQUIVALENTS:

The Company considers all investments purchased with original or remaining maturities of three months or less at the date of purchase to be cash equivalents. Substantially all cash balances are held in either a financial institution domiciled in the United States, or an affiliated financial institution in Taiwan.

The financial statements of the Company's subsidiary located outside the United States are measured using the local currency as the functional currency. Assets and liabilities of this subsidiary are translated at the rates of exchange at the balance sheet date. The resultant translation adjustments are included in equity adjustment from translation, a separate component of stockholders' equity. Income and expense items are translated at average rates of exchange. Gains and losses on foreign currency transactions of this subsidiary are included in net earnings (loss).

INVENTORIES:

Inventories are stated at the lower of cost, determined on a first-in, first-out basis, or at market.

PROPERTY AND EQUIPMENT:

Property and equipment are recorded at cost and are depreciated over their estimated useful lives using the straight line method. Major additions and betterments are capitalized, while replacements, maintenance and repairs that do

not improve or extend the life of the assets are charged to expense as incurred. Leasehold improvements are amortized over the length of the lease or their estimated useful life, whichever is less. In the period assets are retired or otherwise disposed of, the costs and related accumulated depreciation and amortization are removed from the accounts, and any gain or loss on disposal is included in results of operations.

	Depreciable life
Computer equipment, furniture and fixtures	3-7 years
Machinery and equipment.	3-10 years
Tooling	1-2 years
Leasehold improvements	up to 7 years

LONG-LIVED ASSETS:

The Company periodically evaluates the recoverability of long-lived assets. The Company recognizes an impairment charge when the future undiscounted cash flows from each asset is estimated to be insufficient to recover its related carrying value.

REVENUE RECOGNITION:

The Company recognizes revenue, net of allowances for estimated returns, when title transfers, upon shipment of product, and when collectibility is reasonably assured.

RESEARCH, DEVELOPMENT AND ENGINEERING:

Research, development and engineering expenses are charged to operations as incurred.

WARRANTY:

All of the Company's suspension products are covered by a one-year limited warranty. Estimated future costs of repair, replacement or customer accommodation are accrued and charged to cost of sales based upon estimates of future product returns and repair costs derived from historical product sales information and analyses of historical data. In estimating the level of accrual, the Company's management makes assumptions relating to the level of product returns and costs of repair. Management performs quarterly reviews of the adequacy of these assumptions based on historical experience, adjusting warranty reserves for any warranty matters whose warranty period have lapsed, or matters that have become inactive, as well as repair trends indicating that new warranty accruals are required.

On October 5, 2000, the Company issued a stop sell notice for 2001 Judy TT, Judy TT Special, Jett and Metro front suspension forks. Working with the Consumer Product Safety Commission, the Company subsequently implemented a recall for these forks. The accrued recall costs of $2.0 million, recorded within cost of sales for the second quarter of fiscal 2001, were subsequently adjusted to a cumulative total of $1.9 million in the fourth quarter.

ADVERTISING COSTS:

Advertising costs are charged to operations as incurred. Advertising costs were $1,475,000, $1,871,000, and $1,701,000 for the years ended March 31, 2001, 2000, and 1999, respectively.

INCOME TAXES:

The Company accounts for income taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"), which requires the use of the liability method in accounting for income taxes. Under this method, deferred tax assets and liabilities are measured based upon differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted tax rates and laws that will be in effect when the differences are expected to reverse.

COMPREHENSIVE INCOME:

Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income" establishes standards for reporting and display of comprehensive income and its components (revenue, expenses and gains and losses) in a full set of financial statements. There was no impact on the Company's financial position, results of operations or cash flows for the years ended March 31, 2000 and 1999; comprehensive and net loss were the same. For the year ended March 31, 2001, comprehensive loss included the net loss of $6,093,000 and a foreign currency translation adjustment of $81,000.

RECENT ACCOUNTING PRONOUNCEMENTS:

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 133, or FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. FAS 133 requires that all derivatives be recognized at fair value in the balance sheet, and that the corresponding gains or losses be reported as a component of comprehensive income. The Company adopted FAS 133, as amended, in the fiscal year ended March 31, 2001; that adoption of FAS 133 did not have a material impact on our financial position or results of operations.

In December 1999, the Securities and Exchange Commission issued Staff

Accounting Bulletin, or SAB 101, "Revenue Recognition in Financial Statements". The Company adopted SAB 101 in the fiscal year ended March 31, 2001. This adoption of SAB 101 did not have a material impact on the Company's financial position or results of operations.

In March 2000, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation - an interpretation of APB Opinion No. 25." The adoption of this interpretation did not have a material impact on the Company's financial position or results of operations.

EARNINGS PER SHARE:

Basic and diluted earnings per share ("EPS") are computed in accordance with SFAS 128, "Earnings Per Share". Basic EPS is computed by dividing income (loss) available to common stockholders by the weighted average number of common shares outstanding for that period. Diluted EPS is computed giving effect to all

dilutive potential common shares that were outstanding during the period. Dilutive potential common shares, of which there were none in the years ended March 31, 2001, 2000 and 1999, consist of incremental common shares issuable upon exercise of stock options and warrants for all periods. As of March 31, 2001, 2000, and 1999 options to purchase 1,939,380, 918,686, and 1,200,069 shares, respectively, were not included in the earnings per share calculation as the effect was anti-dilutive.

STOCK-BASED COMPENSATION

The Company accounts for employee stock options under APB Opinion No. 25, "Accounting for Stock Issued to Employees," and provides pro forma disclosure in Note 9 to the financial statements as if the measurement provisions of SFAS No. 123 ("SFAS 123") "Accounting for Stock-Based Compensation," had been adopted.

3. RESTRUCTURING AND NON-RECURRING:

Restructuring and non-recurring expenses (income) comprise the following (IN THOUSANDS):

	Years Ended March 31,		
	2001	2000	1999
Relocation expenses	$ 3,014	$ --	$ --
Reversal of restructuring plan charges	--	--	(541)
Write down of equipment related to relocation.........................	976	--	--
	$ 3,990	--	($541)

During fiscal year 2001, the Company recorded charges totaling $4.0 million related to the one-time relocation expenses incurred for moving the Company's operations to Colorado Springs, Colorado. The sales, marketing, research and development, information technology, finance, and human resources divisions moved from the San Jose area, to a leased location in Colorado Springs in the summer of 2000. The Company's assembly and distribution operations remained at its San Jose until they were relocated to Colorado Springs in April 2001. The Company expects to complete its planned relocation by the summer of 2001, at a total cost of approximately $5.0 million.

During fiscal year 1999, the Company reversed a $541,000 accrued liability primarily related to lower than expected severance costs and equipment write-downs. This reversal represents the unused portion of the $2.7 million recorded during fiscal year 1998 for the restructuring program of that year. No such charges or credits were recorded during 2000.

4. INVENTORIES, NET OF ALLOWANCE FOR EXCESS AND OBSOLESCENCE (IN THOUSANDS):

	March 31, 2001	March 31, 2000
Raw materials	$ 4,678	$ 3,779
Finished goods	1,132	1,835
	$ 5,810	$ 5,614

Any misjudgment by the Company or any of its OEM customers of the demand for any of its respective products may cause the Company's excess and obsolete inventory to exceed estimated allowances for such inventory. The reserve for excess inventory and obsolescence at March 31, 2001 and March 31, 2000 was $2.6 million and $3.9 million, respectively.

5. PROPERTY AND EQUIPMENT, NET (IN THOUSANDS):

	March 31, 2001	March 31, 2000
Computer equipment, furniture and fixtures............	$5,769	$6,045
Machinery and equipment............	12,097	12,685
Tooling............................	10,689	9,610
Leasehold improvements.............	675	1,460
	29,230	29,800
Less: accumulated depreciation and amortization.................	(20,736)	(18,035)
Construction in progress...........	815	802
	$ 9,309	$12,567

Depreciation and amortization expense on property and equipment for the years ended March 31, 2001, 2000 and 1999 was $4,937,000, $4,951,000, and $5,783,000, respectively.

6. ACCRUED LIABILITIES (IN THOUSANDS):

	March 31, 2001	March 31, 2000
Accrued payroll and benefits......	$1,629	$1,525
Accrued warranty..................	1,676	1,861
Accrued expenses..................	670	832
Legal and professional accruals...	365	266
Product liability insurance.......	348	278
Foreign taxes payable.............	300	--
Accrued royalties.................	296	244
Deposits owed to sublessees.......	221	221
Accrued rebates...................	9	768

$5,514	$5,995

The Company had $1,676,000 and $1,861,000 in accrued warranty costs at March 31, 2001 and 2000, respectively. There can be no assurance that such accrued liabilities may not change in the future or that future warranty costs for sales made through such dates will not be greater than the amounts accrued by the Company on its consolidated financial statements, either of which could have a material adverse effect on the Company or its prospects. No provision for these possible excess warranty costs has been recorded in the accompanying financial statements.

7. RELATED PARTY TRANSACTIONS:

LOAN TO RELATED PARTY:

Pursuant to his employment contract, on January 24, 2000 the Company granted President and Chief Executive Officer, Bryan Kelln, a $200,000 interest-free loan for a three-year period. Forgiveness of the loan from fiscal year to fiscal year was at the discretion of the Board of Directors based on performance. On February 10, 2001, the Board approved forgiveness of the entire principal balance and the taxes associated with the loan, totaling $361,000 in compensation. The forgiveness was in recognition of Mr. Kelln's overall leadership. Specifically, the immediate recognition of the need to restructure the business, the planning and execution of the business relocation, restructuring and downsizing from California to Colorado, the planning and execution of the global product recall, and for the bottom line, year-over-year improvement of nearly $12 million (before the recall and restructuring charges) during his first year of leadership

The remaining loan to related party is a $15,000 interest-bearing loan to a Vice President in association with his move to Colorado Springs, which the Company anticipates to be repaid within the following year.

CONSULTING AND EMPLOYMENT AGREEMENTS:

Prior to its initial public offering, the Company had entered into annual employment agreements (the "Employment Agreements") with the Company's former President and its former Vice President of Advanced Research, and a management consulting agreement (the "Consulting Agreement") with The Jordan Company ("Jordan"), whose principals are stockholders of the Company. Pursuant to his respective Employment Agreement, each of the former President and the former Vice President of Advanced Research received an annual salary of $250,000 through March 31, 2000, the final termination date of each agreement.

The Consulting Agreement expired April 1, 2000. Under the terms of the Consulting Agreement, an affiliate of Jordan was entitled to a quarterly consulting fee of $62,500, potential fees relating to certain future transactions and reimbursement for any reasonable expenses.

The Company has no further obligations related to either the Employment Agreement or the Consulting Agreement.

INVENTORY PURCHASES:

For the years ended March 31, 2001, 2000 and 1999, the Company paid $851,000, $1,622,000, and $1,796,000, respectively, to a supplier of raw materials. Prior to March 18, 1994, the former President of the Company owned 50% of the common stock of this supplier. The former President sold such stock on March 18, 1994. The former President provides consulting services to this supplier, in consideration of which the former President is entitled to receive certain payments through 2002.

8. COMMITMENTS AND CONTINGENCIES:

COMMITMENTS:

The Company leases its manufacturing and sales facilities and certain of its equipment under noncancelable operating leases that expire at various times through 2011. Certain of these leases require escalating monthly payments and, therefore, periodic rent expense is being recognized on a straight-line basis. Under these leases, the Company is responsible for maintenance costs, including real property taxes, utilities and other costs. Also, certain of these leases contain renewal options. The Company had subleased their former headquarters facility starting in August 2000, as the company relocated to Colorado Springs. The lease and respective sublease for that facility expired in April 2001.

Total rent expense for these leases for the years ended March 31, 2001, 2000 and 1999 was $1,762,000, $1,490,000 and $1,555,000, respectively. Additionally, the Company has a $1.0 million letter of credit outstanding as collateral for the Colorado Springs facility lease. This letter of credit reduces the Company's borrowing availability on its existing line of credit by the full amount outstanding.

Following is a summary, by fiscal year, of future minimum lease payments under operating leases at March 31, 2001 (in THOUSANDS):

Fiscal Year	Operating Lease Payments
2002	$1,012
2003	1,189
2004	712
2005	714
2006	748
Thereafter	3,978
Total minimum lease payments	$8,353

As of March 31, 2001, the Company had purchase commitments of approximately $600,000, primarily for tooling and machinery to be used in manufacturing beginning in fiscal 2002.

LEGAL PROCEEDINGS:

The Company is involved in certain legal matters in the ordinary course of business including the alleged infringement of a competitor's patent. No provision for any liability that may result upon the resolution of these matters has been made in the accompanying financial statements nor is the amount or range of possible loss, if any, reasonably estimable. Accordingly, the ultimate resolution of these matters may have a material adverse effect on the Company's financial position, results of operations and cash flows.

9. STOCKHOLDERS' EQUITY:

STOCK OPTION PLAN:

In May 1996, the Company adopted the Amended and Restated RSx Holdings, Inc. 1996 Stock Plan (such plan, as amended, the "1996 Stock Plan"). The 1996 Stock Plan provides for the issuance of up to a maximum of 1,279,020 shares of common stock pursuant to awards under the 1996 Stock Plan. Under the 1996 Stock Plan, incentive stock options may be granted only to employees of the Company or any parent or subsidiary thereof, and non-statutory stock options and stock purchase rights may be granted to employees and directors of, and consultants to, the Company or any parent or subsidiary thereof.

In February 1998, the Company's Board of Directors adopted the ROCKSHOX, INC. 1998 Stock Option Plan (the "1998 Stock Plan," and, together with the 1996 Stock Plan, the "Plans"), which was subsequently approved by the Company's stockholders in August 1998. The 1998 Stock Plan provides for the issuance of up to a maximum of 300,000 shares of common stock pursuant to awards under the 1998 Stock Plan. Under the 1998 Stock Plan, incentive stock options may be granted only to employees of the Company or any parent or subsidiary thereof, and non-statutory stock options and stock purchase rights may be granted to employees and directors of, and consultants to, the Company or any parent or subsidiary thereof.

Under the Company's stock option plans, options become exercisable at dates and in amounts as specified by the Board of Directors and generally expire ten years from the date of grant. Options are generally granted to employees at prices not less than fair market value on the date of grant and become exercisable over a period of between three to five years.

The following is a summary of activity of the Plans:

Outstanding Options	Shares Available for Grant	Number of Shares	Exercise Price	Weighted Average Price
Balances, March 31, 1998..	290,171	1,151,613	$4.39 - $15.00	$7.87
Options granted...........	(623,524)	623,524	$1.88 - $ 7.13	$3.87
Options exercised.........	--	(3,916)	$4.39	$4.39
Options cancelled.........	571,152	(571,152)	$1.88 - $15.14	$8.98
Balances, March 31, 1999..	237,799	1,200,069	$1.88 - $15.14	$5.28
Options granted...........	(625,001)	625,001	$1.02 - $ 1.78	$1.71
Options exercised.........	--	--	--	--
Options cancelled.........	906,384	(906,384)	$1.02 - $15.00	$5.39
Balances, March 31, 2000	519,182	918,686	$1.02 - $15.14	$2.74
Options reserved	998,000			
Options granted...........	(1,263,633)	1,263,633	$0.47 - $0.84	$0.79
Options exercised.........	--	--	--	--
Options cancelled.........	242,939	(242,939)	$0.47 - $15.14	$3.17
Balances, March 31, 2001	496,488	1,939,380	$0.47 - $15.00	$1.38

During the quarter ended June 30, 1998, the Board of Directors of the Company approved the cancellation of the majority of outstanding stock options held by mid- and lower-level employees with an exercise price ranging from $13.06 to $15.14 per share and the re-grant of options to purchase an equivalent number of shares at $4.75 per share. A total of 252,975 options were canceled and re-granted.

At March 31, 2001, 2000, and 1999, 278,716, 99,596, and 350,014, outstanding options were exercisable under the Plans, at weighted average exercise prices of $2.59, $4.89, and $5.57, respectively.

As discussed in Note 2, the Company continues to account for the Plans in accordance with APB 25. Consistent with the provisions of SFAS No. 123, the Company's net loss and net loss per share would have been adjusted to the pro forma amounts indicated below (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS):

Years Ended March 31,

	2001	2000	1999
Net (loss)available to common stockholders - as reported....................................	($6,093)	($12,461)	($1,720)
Net (loss)available to common stockholders - pro forma.....................................	($7,161)	($13,317)	($3,428)
Net (loss) per share - basic as reported.........	($0.44)	($0.91)	($0.13)
Net (loss) per share - diluted as reported.......	($0.44)	($0.91)	($0.13)
Net (loss) per share - basic pro forma...........	($0.52)	($0.97)	($0.25)
Net (loss) per share - diluted pro forma.........	($0.52)	($0.97)	($0.25)

The above pro-forma disclosures are not necessarily representative of the effects on reported net income (loss) for future years. The aggregate fair value and weighted average fair value per share of options granted in the years ended March 31, 2001, 2000, and 1999 were $1.1 million, $424,000, and $1.7 million and $.84, $1.44, and $3.69, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes model with the following weighted average assumptions:

	Years Ended March 31,		
	2001	2000	1999
Risk-free interest rate...................	4.5%	6.0%	4.34%-5.58%
Expected life.............................	3.5	3.5	3.5
Dividend rate.............................	--	--	--
Expected volatility.......................	187%	109%	125%

The options outstanding and currently exercisable by exercise price at March 31, 2001 were as follows:

	Options Outstanding			Options Currently Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.47 - $0.84	1,196,118	9.16	$0.80	--	$ --
$1.02 - $1.88	567,001	8.61	1.76	187,417	1.77
$2.28 - $3.84	72,500	7.65	2.80	36,250	2.80
$4.75 - $4.75	91,586	7.18	4.75	45,859	4.75
$7.13 - $15.00	12,175	6.83	7.92	9,190	7.96
	1,939,380	8.88	$1.38	278,716	$2.59

10. INCOME TAXES:

The components of the provision for (benefit from) income taxes, which arise from domestic and Taiwanese income, are summarized as follows (IN THOUSANDS):

Years Ended March 31,

	2001	2000	1999
Current:			
State........................	$ --	$ --	$ --
Federal......................	--	(1,873)	(1,146)
Foreign......................	308	--	--
	308	(1,873)	(1,146)
Deferred:			
State........................	(260)	(346)	153
Federal......................	(1,003)	(3,967)	324
	(1,263)	(4,313)	477
Change in valuation allowance	1,263	6,975	--
	--	2,662	477
	$ 308	$ 789	($669)

The principal items accounting for the difference between income taxes computed at the U.S. statutory rate and the provision for (benefit from) income taxes reflected in the statements of operations are as follows:

	Years Ended March 31,		
	2001	2000	1999
United States statutory rate...........	(34.0%)	(34.0%)	(34.0%)
States taxes, net of federal benefit	0.3%	(2.0%)	4.9%
Foreign tax rate, Taiwan................	5.3%	--	--
Reversal of tax liability under statute of limitations.....................	--	(14.4%)	--
Change in valuation allowance..........	33.3%	59.8%	--
Other	0.4%	(2.6%)	1.1%
	5.3%	6.8%	(28.0%)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows (IN THOUSANDS):

	March 31,	
	2001	2000
Deferred tax assets:		
Allowance for doubtful accounts..................	$ 312	$ 396
Allowance for excess and obsolete inventory.......	931	1,461
Accrued warranty................................	704	671
Accrued liabilities.............................	107	1,000
Net operating loss carryovers and tax credits.....	6,418	4,928
Total deferred tax asset.........................	8,472	8,456
Valuation allowance..............................	(8,238)	(6,975)
Deferred tax liabilities.........................	(234)	(81)

Net deferred tax asset............................	$ --	$ 1,400

Deferred tax assets have been offset by a valuation allowance due to risks and uncertainties surrounding the Company's ability to generate future taxable income. The valuation allowance has been established to the extent net deferred tax assets, which consist primarily of net operating losses, cannot be carried back and utilized against prior year taxable income, and increased by $1,263,000 for the year ended March 31, 2001 to $8,238,000.

At March 31, 2001, the Company has net operating loss carryovers for federal and state income tax purposes of approximately $18.5 million and $7.5 million, respectively, which expire in 2004 through 2006 for state purposes, and 2020 through 2021, for federal purposes.

Because of the "change in ownership" provisions of the Internal Revenue Code of 1986, a portion of the Company's net operating loss carryforwards may be subject to an annual limitation regarding their utilization against taxable income in future periods. As a result of the annual limitation, a portion of these carryforwards may expire before ultimately becoming available to reduce future income tax liabilities.

Undistributed earnings of the Company's foreign subsidiary amounted to approximately $2.0 million at March 31, 2001. Because those earnings are considered to be permanently invested, no provision for U.S. federal and state income taxes on those earnings has been provided. Upon distribution of those

earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculation. However, unrecognized foreign tax credit carryforwards would be available to reduce some portion of the U.S. liability.

11. EMPLOYEE BENEFIT PLAN:

The Company has established a defined contribution retirement plan that is intended to qualify under Section 401 of the Internal Revenue Code ("the Plan"). The Plan covers substantially all officers and employees of the Company. Company contributions to the Plan are determined at the discretion of the Board of Directors. For the years ended March 31, 2001, 2000, and 1999, Company contributions amounted to approximately $75,000, $94,000, and $87,000, respectively.

12. BUSINESS SEGMENT AND GEOGRAPHICAL INFORMATION:

The Company currently operates in one industry segment, the bicycle industry, for financial reporting purposes, and uses one measure of profitability for its business. The Company markets its products to customers in the United States, Europe and Asia. Substantially all long-lived assets are maintained in the United States. Revenue information by geographic area, all of which are denominated in U.S. dollars, are as follows (IN THOUSANDS):

	Years Ended March 31,		
	2001	2000	1999
Asia	$29,041	$26,881	$32,176
Europe	21,754	23,475	25,165
United States..........................	19,556	17,364	27,604
Other	3,694	2,543	1,918

$74,045	$70,263	$86,863

13. LINE OF CREDIT:

On June 29, 2000, the Company entered into a revised credit agreement providing for borrowings up to $5.0 million. Any outstanding amounts are collateralized primarily by the Company's accounts receivables, inventory, equipment and intangibles, and bearing interest at a base interest rate plus 1.375% annually (9.375% at March 31, 2001). The terms of the credit line also restricts the payment of cash dividends. The outstanding borrowings against the credit facility as of March 31, 2001 were $1.2 million, and there were no outstanding borrowings as of March 31, 2000. Additionally, the Company has a $1.0 million letter of credit outstanding as collateral for the Colorado Springs facility lease. This letter of credit reduces the Company's borrowing availability by the full amount outstanding. The existing line of credit terminates on December 10, 2001.

The Company obtained a waiver from the lender for being out of compliance on its quarterly debt covenants at December 31, 2000 and March 31, 2001, due

primarily to expenses associated with the 2001 recall that were not anticipated at the time the original covenants were set. The waiver was for each of those periods on a stand-alone basis, and no waiver exists for future periods.

Effective June 28, 2001, the Company entered into an amended, expanded credit facility in the amount of $10 million with the existing lender (the New Facility) under terms substantially similar to the previous facility. Any outstanding amounts bear interest at a base interest rate plus .725% annually. The New Facility terminates on December 10, 2003.

14. QUARTERLY FINANCIAL DATA - UNAUDITED (in thousands, except per share data):

Quarter Ended	March 31, 2001	December 31, 2000	September 30, 2000	June 30, 2000
	(in thousands, except per share amounts)			
Net sales	$ 18,082	$ 20,332	$ 23,429	$ 12,202
Gross profit.............	2,534	4,986	5,146	1,303
Operating income (loss)..	(3,639)	484	724	(3,287)
Net income (loss)	$ (3,391)	$ 387	$ 178	$ (3,267)
Net income (loss) per share - basic and diluted	($0.24)	$ 0.03	$ 0.01	($0.24)
Shares used in per share calculations - basic and diluted	13,761	13,761	13,761	13,761

Quarter Ended	March 31, 2000	December 31, 1999	September 30, 1999	June 30, 1999
	(in thousands, except per share amounts)			
Net sales	$ 19,278	$ 25,500	$ 15,961	$ 9,524
Gross profit (loss)......	397	5,510	2,887	(977)
Operating income (loss)..	(4,686)	1,115	(1,167)	(6,889)

Net (loss)...............	$ (4,757)	$ (1,628)	$ (1,123)	$ (4,953)
Net (loss) per share - basic and diluted......	($0.35)	($0.12)	($0.08)	($0.36)
Shares used in per share calculations - basic and diluted.................	13,761	13,761	13,761	13,761

During the fourth quarter of fiscal year 2001, the Company recorded two significant adjustments. One adjustment related to underburdened standard labor rates and related overhead. This adjustment reduced fourth quarter results by approximately $317,000. The other adjustment related to the overaccrual of anticipated bonus payouts that were recorded throughout the fiscal year at a higher rate than the actual payout amount. As a result, the accrued bonuses were reduced in the fourth quarter of fiscal year 2001, which increased fourth quarter results by approximately $407,000.

SCHEDULE II

ROCKSHOX, INC.

VALUATION AND QUALIFYING ACCOUNTS

YEARS ENDED MARCH 31, 1999, 2000 AND 2001
(IN THOUSANDS)

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions and Write Offs	Balance at End of Period
As of March 31, 1999:				
Allowance for excess and obsolete inventory	$ 2,989	$ 3,041	$(2,721)	$ 3,309
Allowance for doubtful accounts	1,037	226	(563)	700
As of March 31, 2000:				
Allowance for excess and obsolete inventory	$3,309	$ 2,835	$(2,207)	$ 3,937
Allowance for doubtful accounts	700	500	(68)	1,132
As of March 31, 2001:				
Allowance for excess and obsolete inventory	$3,937	$ 740	$(2,060)	$ 2,617
Allowance for doubtful accounts	1,132	23	(200)	955

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ROCKSHOX, INC.

Date: June 28, 2001 By: /s/ Chris Birkett

Chris Birkett
Vice President,
Chief Financial Officer and
Secretary

Pursuant to the requirements of the Securities Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
By: /s/ Bryan Kelln Bryan Kelln	Chief Executive Officer, President and Director (Principal Executive Officer)	June 28, 2001
By: /s/ STEPHEN W. SIMONS Stephen W. Simons	Chairman of the Board and Director	June 28, 2001
By: /s/ Chris Birkett Chris Birkett	Vice President, Chief Financial Officer and Secretary	June 28, 2001
By: /s/ JOHN W. JORDAN II John W. Jordan II	Director	June 28, 2001
By: /s/ ADAM E. MAX Adam E. Max	Director	June 28, 2001
By: /s/ MICHAEL R. GAULKE Michael R. Gaulke	Director	June 28, 2001
By: /S/ EDWARD POST Edward Post	Director	June 28, 2001

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-12945) pertaining to the RockShox, Inc. 1996 Stock Plan and Registration Statement (Form S-8 No. 333-47253) pertaining to the RockShox, Inc. 1998 Stock Option Plan of our report dated May 10, 2001, except for footnote 13, as to which the date is June 28, 2001, with respect to the consolidated financial statements and schedule of RockShox, Inc. included in the Annual Report (Form 10-K) for the year ended March 31, 2001.

/s/ Ernst & Young LLP

Denver, Colorado
July 19, 2001

REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Stockholders and Board of Directors of
RockShox, Inc.:

Our audit of the consolidated financial statements of RockShox, Inc. referred to in our report dated April 27, 1999, except as to "Management's Plans" in Note 1 which is as of July 17, 2001 appearing in this Annual Report on Form 10-K also included an audit of the financial statement schedule listed in Item 14(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/PricewaterhouseCoopers LLP

San Jose, California
April 27, 1999

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-12945 and 333-47253) of RockShox, Inc. of our report dated April 27, 1999, except as to "Management's Plans" in Note 1 which is as of July 17, 2001 relating to the financial statements, which appears in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated April 27, 1999 relating to the financial statement schedule, which appears in this Form 10-K.

/s/PricewaterhouseCoopers LLP

San Jose, California
July 19, 2001