

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-07-14**  
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### FILER

#### ESCALADE INC

CIK: **33488** | IRS No.: **132739290** | State of Incorporation: **IN** | Fiscal Year End: **1226**  
Type: **10-Q** | Act: **34** | File No.: **000-06966** | Film No.: **1696725**  
SIC: **3949** Sporting & athletic goods, nec

Mailing Address  
*PO BOX 889*  
*EVANSVILLE IN 47706*

Business Address  
*817 MAXWELL AVE*  
*P O BOX 899*  
*EVANSVILLE IN 47717*  
*8124671200*

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the quarter ended July 14, 2001  
Commission File Number 0-6966

ESCALADE, INCORPORATED  
-----

(Exact name of registrant as specified in its charter)

Indiana 13-2739290  
-----  
(State of incorporation) (I.R.S. EIN)

817 Maxwell Avenue, Evansville, Indiana 47717  
-----  
(Address of principal executive office)

812-467-1200  
-----  
(Registrant's Telephone Number)

Securities registered pursuant to Section 12(b) of the Act  
NONE

Securities registered pursuant to section 12(g) of the Act  
Common Stock, No Par Value  
-----  
(Title of Class)

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  
--- ---

The number of shares of Registrant's common stock (no par value) outstanding as of July 27, 2001: 2,139,694

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ESCALADE, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEET (UNAUDITED)

(Dollars in Thousands)

<TABLE>

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July 14, July 8, December 30,

	2001	2000	2000
<S>	<C>	<C>	<C>
ASSETS			
Current assets:			
Cash	\$ 377	\$ 207	\$ 1,147
Receivables, less allowances of \$770, \$937 and \$611	18,148	13,985	26,406
Inventories	22,952	19,024	15,589
Prepaid expense	223	63	137
Deferred income tax benefit	824	1,248	824
TOTAL CURRENT ASSETS	42,524	34,527	44,103
Property, plant, and equipment	34,270	34,983	34,133
Accum. depr. and amortization	(25,139)	(25,520)	(25,077)
	9,131	9,463	9,056
Goodwill	10,369	11,260	10,899
Other assets	6,157	5,059	5,418
	\$ 68,181	\$ 60,309	\$ 69,476
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Notes payable - bank	\$ 7,337	\$ 6,744	\$ 13,267
Current portion of long-term debt	2,567	2,850	---
Trade accounts payable	5,514	3,829	2,093
Accrued liabilities	9,682	8,598	14,282
Federal income tax payable	612	32	1,976
TOTAL CURRENT LIABILITIES	25,712	22,053	31,618
Other Liabilities:			
Long-term debt	15,667	19,100	12,700
Deferred compensation	1,251	1,155	1,198
	16,918	20,255	13,898
Stockholders' equity:			
Preferred stock:			
Authorized 1,000,000 shares; no par value, none issued			
Common stock:			
Authorized 10,000,000 shares; no par value, Issued and outstanding - 2,139,694, 2,167,753, and 2,165,862 at 7-14-01, 7-8-00, and 12-30-00	2,140	2,168	2,166
Retained earnings	23,180	15,625	21,597
Accumulated other comprehensive income	231	208	197
	25,551	18,001	23,960
	\$ 68,181	\$ 60,309	\$ 69,476

</TABLE>

See notes to Consolidated Condensed Financial Statements.

(Dollars in Thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	July 14, 2001	July 8, 2000	July 14, 2001	July 8, 2000
<S>	<C>	<C>	<C>	<C>
Net sales	\$27,759	\$24,035	\$46,255	\$41,610
Costs, expenses and other income:				
Cost of products sold	18,799	15,846	31,509	27,424
Selling, administrative and general expenses	5,646	5,292	9,706	9,150
Interest	406	637	723	871
Amortization of goodwill	303	305	530	497
Other (income) expense	50	48	217	166
	-----	-----	-----	-----
	25,204	22,128	42,685	38,108
INCOME BEFORE INCOME TAXES	2,555	1,907	3,570	3,502
Provision for income taxes	977	734	1,358	1,410
	-----	-----	-----	-----
NET INCOME	\$ 1,578	\$ 1,173	\$ 2,212	\$ 2,092
	=====	=====	=====	=====
Per share data:				
Basic earnings per share	\$ .73	\$ .52	\$ 1.03	\$ .83
Diluted earnings per share	\$ .73	\$ .52	\$ 1.02	\$ .82
CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)				
NET INCOME	\$ 1,578	\$ 1,173	\$ 2,212	\$ 2,092
UNREALIZED GAIN ON SECURITIES, NET OF TAX	59	6	34	7
	-----	-----	-----	-----
COMPREHENSIVE INCOME	\$ 1,637	\$ 1,179	\$ 2,246	\$ 2,099
	=====	=====	=====	=====

</TABLE>

See notes to Consolidated Condensed Financial Statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

(Dollars in Thousands)

<TABLE>  
<CAPTION>

	Six Months Ended	
	July 14,2001	July 8,2000
<S>	<C>	<C>
Operating Activities:		
Net Income	\$ 2,212	\$ 2,092
Depreciation and amortization	1,936	1,891
Adjustments necessary to reconcile net income to net cash provided by operating activities	(664)	3,219
	-----	-----
Net cash provided by operating activities	3,484	7,202
	-----	-----
Investing Activities:		
Purchase of property and equipment	(1,237)	(539)
Purchase of certain assets of Lifetime Products, Inc.	---	(1,100)
Purchase of certain assets of Accudart	(1,966)	---
	-----	-----
Net cash used by investing activities	(3,203)	(1,639)
	-----	-----
Financing Activities:		
Net decrease in notes payable- bank	(5,930)	(2,826)
Net increase in long-term debt	5,534	9,250
Proceeds from exercise of stock options	150	114
Purchase of common stock	(805)	(13,650)
	-----	-----
Net cash used by financing activities	(1,051)	(7,112)
	-----	-----
Decrease in cash	(770)	(1,549)
Cash, beginning of period	1,147	1,756
	-----	-----
Cash, end of period	\$ 377	\$ 207
	=====	=====

</TABLE>

See notes to Consolidated Condensed Financial Statements.

The significant accounting policies followed by the Company and its wholly owned subsidiaries for interim financial reporting are consistent with the accounting policies followed for annual financial reporting. All adjustments which are of a normal recurring nature and are in the opinion of management necessary for a fair statement of the results for the periods reported have been included in the accompanying consolidated condensed financial statements.

Note B - Seasonal Aspects  
-----

The results of operations for the six month periods ended July 14, 2001 and July 8, 2000 are not necessarily indicative of the results to be expected for the full year.

Note C - Inventories (Dollars in Thousands)  
-----

	7-14-01	7-8-00	12-30-00
	-----	-----	-----
Raw Materials	\$ 6,723	\$ 5,247	\$ 4,871
Work In Process	4,675	3,375	3,748
Finished Goods	11,554	10,402	6,970
	-----	-----	-----
	\$22,952	\$19,024	\$15,589
	=====	=====	=====

Note D - Income Taxes  
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The provision for income taxes was computed based on financial statement income.

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ESCALADE, INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

Note E - Earnings Per Share  
-----

Earnings per share (EPS) were computed as follows:

	Three Months Ended July 14, 2001		
	Income	Weighted Average Shares	Per Share Amount
	-----	-----	-----
Net Income	\$1,578		
	-----		
Basic Earnings per Share			
Income available to common stockholders	1,578	2,149	\$.73
			=====
Effect of Dilutive Securities			
Stock options		16	
	-----	-----	
Diluted Earnings Per Share			
Income available to common			

stockholders and assumed conversions	\$1,578 =====	2,165 =====	\$.73 =====
--------------------------------------	------------------	----------------	----------------

Three Months Ended  
July 8, 2000

	Income	Weighted Average Shares	Per Share Amount
	-----	-----	----
Net Income	\$1,173 -----		
Basic Earnings per Share			
Income available to common stockholders	1,173	2,245	\$.52 =====
Effect of Dilutive Securities			
Stock options	-----	5 -----	
Diluted Earnings Per Share			
Income available to common stockholders and assumed conversions	\$1,173 =====	2,250 =====	\$.52 =====

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ESCALADE, INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

Note E - Earnings Per Share

-----  
Earnings per share (EPS) were computed as follows:

	Income	Weighted Average Shares	Per Share Amount
	-----	-----	-----
Net Income	\$2,212 -----		
Basic Earnings per Share			
Income available to common stockholders	2,212	2,156	\$ 1.03 =====
Effect of Dilutive Securities			
Stock options	-----	17 -----	
Diluted Earnings Per Share			
Income available to common stockholders and assumed conversions	\$2,212 =====	2,173 =====	\$ 1.02 =====



Six Months Ended  
July 8, 2000

	Income	Weighted Average Shares	Per Share Amount
	-----	-----	-----
Net Income	\$2,092		
-----			
Basic Earnings per Share			
Income available to common stockholders	2,092	2,534	\$ .83
			=====
Effect of Dilutive Securities			
Stock options		5	
-----		-----	
Diluted Earnings Per Share			
Income available to common stockholders and assumed conversions	\$2,092	2,539	\$ .82
	=====	=====	=====

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ESCALADE, INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

Note F - Segment Information

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As of and for the Six Months Ended  
July 14, 2001

	Sporting Goods	Office and Graphic Arts	Corporate	Total
	-----	-----	-----	-----
Revenues from external customers	\$29,422	\$16,833	\$ ---	\$46,255
Net Income	562	1,731	(81)	2,212
Assets	\$41,944	\$21,674	\$4,563	\$68,181

As of and for the Six Months Ended  
July 8, 2000

	Sporting Goods	Office and Graphic Arts	Corporate	Total
	-----	-----	-----	-----
Revenues from external customers	\$21,919	\$19,691	\$ ---	\$41,610

Net Income	160	2,414	(482)	2,092
Assets	\$32,990	\$23,070	\$4,249	\$60,309

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ESCALADE, INCORPORATED AND SUBSIDIARIES

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

SECOND QUARTER COMPARISON 2001 vs. 2000

The second quarter was a good quarter with net sales increasing \$3,724,000 or 15.5%. Net income increased \$405,000 or 34.5%. Earnings per share increased 40.4% from 52(cents) per share to 73(cents) per share due mainly to increased net sales and partly due to the reduction in average shares outstanding.

Escalade Sports had an increase in net sales of \$5,792,000 or 44.9%. Of this increase, 54% was in imported product sales, including darts and game tables, and 46% was in manufactured product sales, including archery, basketball, and pool tables. The Company expects the sale of imported products will continue to increase. Escalade Sports continues the integration of recently acquired Accudart into operations and has reached tentative agreement on two possible acquisitions that may close in the third quarter and could add up to \$5,000,000 to annual sales and is in discussion with others.

Martin Yale had a decrease in net sales of \$2,068,000 or 18.6%. The reduction in the incoming order rate continues which the Company believes is the result of the overall slowdown in the US economy. Martin Yale is exploring acquisition possibilities.

Cost of sales as a percentage of net sales was 67.7% in the second quarter of 2001 as compared to 65.9% in the second quarter of 2000. This increase in cost of sales percentage of net sales was due mainly to the increased volume in sporting goods net sales. Sporting goods has a higher cost of sales than office and graphic arts. Martin Yale is continuing the transfer of all West Coast manufacturing to Mexico.

Selling, general, and administrative expenses were \$5,646,000 in the second quarter of 2001 or 20.3% of net sales as compared to \$5,292,000 or 22.0% in the second quarter of 2000. This decrease as a percentage of net sales was mainly due to the increased volume in sporting goods net sales. Sporting goods has lower selling, general, and administrative expenses than office and graphic arts.

Interest expense in 2001 was \$406,000 as compared to \$637,000 in 2000, a decrease of 36.2%. This decrease was due to lower interest rates.

FIRST HALF COMPARISON 2001 VS. 2000

First half net sales were up \$4,645,000 over last year and net income was up \$120,000. Earnings per share increased 24.1% from 83(cents) to \$1.03. This increase was due mainly to the reduction in average shares outstanding from 2,534,000 to 2,156,000.

Escalade Sports net sales increased \$7,503,000. Sales of manufactured product, including archery, basketball and pool tables, was 39% of this increase. Sales of imported product, including darts and game tables, was 61% of the increase. Escalade Sports expects the last half of the year to continue to be strong.

Martin Yale net sales decreased \$2,858,000. This is a 14.5% decrease from last year. The company believes that the overall slowdown in the US economy may be adversely impacting orders for Martin Yale product and will continue to do so through the second half. Martin Yale will continue to shift West Coast manufacturing to Mexico in the second half. This project is about 35% complete and we have expensed about \$222,000.

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#### ESCALADE, INCORPORATED AND SUBSIDIARIES

#### RESULTS OF OPERATIONS CONTINUED

Cost of sales as a percentage of net sales was 68.1% in the first half of 2001 as compared to 65.9% in the first half of 2000. This increase in cost of sales percentage of net sales was due mainly to the increased volume in sporting goods net sales and decreased volume in office and graphic arts net sales. In the first half of 2001, sporting goods net sales were 64% of the total and in the first half of 2000, they were 53% of the total. Sporting goods cost of sales as a percentage of net sales is higher than office and graphic arts.

Selling, general, and administrative expenses as a percentage of net sales were 21.0% in 2001 as compared to 22.0% in 2000. The decrease in these expenses as a percentage of net sales was mainly due to higher sales volume in the sporting goods segment.

Interest expense was \$723,000 in the first half of 2001 as compared to \$871,000 in the first half of 2000, a decrease of \$148,000 or 17.0%. This decrease was due to lower interest rates.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's net cash provided by operating activities was \$3,484,000 in the first half of 2001 as compared to \$7,202,000 in the first half of 2000. Most of the cash provided by operating activities was from collection of the year end accounts receivable. The net accounts receivable balance at the end of the year in 2000 was \$26,406,000 and at the end of the first half of 2001, the net accounts receivable balance was \$18,148,000. The lower cash provided in 2001 was the result of a higher increase in inventory as compared to 2000. Inventories at the end of the first half of 2001 were \$22,952,000 as compared to \$19,024,000 at the end of the first half of 2000, an increase of \$3,928,000. The Company's net cash used for investing activities was \$3,203,000 in the first half of 2001 as compared to \$1,639,000 in the first half of 2000. The cash used in the first half of 2001 included \$1,966,000 for the purchase of certain assets of Accudart. The Company's net cash used by financing activities was \$1,051,000 in the first half of 2001 as compared to \$7,112,000 in the first half of 2000. In 2000, the net cash used was primarily for the purchase of company stock in a Dutch Auction.

The Company's short term working capital requirements are funded by cash flow and a revolving line of credit used to finance the purchase of trade receivables by the Company's Swiss subsidiary from the Company's manufacturing subsidiaries. The Company utilizes a Borrowing Base formula which defines and identifies eligible accounts receivables in order to calculate the maximum amount that could be borrowed under this revolving line of credit. At the end of the second quarter, the maximum amount that could be drawn under this line of credit was \$13,990,121 of which \$7,336,922 was used.

This short term revolving line of credit has been extended until May 13, 2002 with various levels of credit available. The line of credit is \$15,000,000 from June through September, \$25,000,000 in October, \$30,000,000 in November, \$25,000,000 in December, \$20,000,000 in January, and \$10,000,000 from February through May.

The Company's long term financing requirements are currently funded by a \$16,400,000 revolving term loan which expires March 31, 2005. Under the terms of the credit agreement the maximum borrowing available to the Company under this revolving term loan is reduced by \$4,100,000 on March 31 of each year until the line expires. The Company uses this revolving term loan from time to time to finance acquisitions, stock buy backs and other material obligations that may arise. The Company believes that future long term funding for acquisitions, stock buy backs or other material obligations deemed appropriate by the Company's Board of Directors is available from similar credit vehicles and/or other financial institutions.

During the second quarter, the Company purchased 36,004 shares of its common stock on the open market or in private purchases at a cost of \$804,827. The Company issued 8,747 new shares under its stock option plans and received \$134,624 for these stock options.

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## ESCALADE, INCORPORATED AND SUBSIDIARIES

### FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements relating to present or future trends or factors that are subject to risks and uncertainties. These risks, include, but are not limited to, the impact of competitive products and pricing, product demand and market acceptance, new product development, the continuation and development of key customer and supplier relationships, Escalade's ability to control costs, general economic conditions, fluctuations in operating results, changes in the securities markets and other risks detailed from time to time in Escalade's filings with the Securities and Exchange Commission. Escalade's future financial performance could differ materially from the expectations of management contained herein. Escalade undertakes no obligation to release revisions to these forward-looking statements after the date of this report.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None.

## PART II. OTHER INFORMATION

Item 1, 2, and 3. Not Required.

Item 4. Submission of Matters to a Vote of Securities Holders.

The annual meeting of the Registrant was held at the offices of the Company in Evansville, Indiana on April 28, 2001. Proxy materials had been circulated on March 16, 2001, proposing the election of seven members to the Board of Directors for a one year term, and the appointment of BKD LLP (formerly Olive LLP) to serve as independent auditors of the Company for the year 2001.

The stockholders approved the election of Directors by the following vote:

	For	Withheld
Yale A. Blanc	1,817,943	303
Robert E. Griffin	1,808,808	9,438
Blaine E. Matthews, Jr.	1,817,943	303
Robert D. Orr	1,804,483	13,763
C. W. "Bill" Reed	1,808,808	9,438
A. Graves Williams, Jr.	1,817,943	303
Keith P. Williams	1,817,943	303

The stockholders approved the appointment of BKD LLP (formerly Olive LLP) to serve as independent auditors of the Company for the year 2001 with the following vote: 1,808,513 shares for, 303 shares against, and 9,430 shares abstained.

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ESCALADE, INCORPORATED AND SUBSIDIARIES

Item 5. Not Required

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Number	Description
3.1	Articles of incorporation of Escalade, Incorporated (1)
3.2	By-Laws of Escalade, Incorporated (1)
10.1	First Amendment to Credit Agreement dated as of May 15, 2000 by and between Indian-Martin AG and Bank One, Indiana, National Association. Effective date of the Amendment was May 14, 2001.
10.2	Eleventh Amendment to that Certain Amended and Restated Credit Agreement dated as of May 31, 1996 between Escalade, Incorporated and Bank One, Indiana, National Association. Effective date of the Amendment was May 31, 2001.

(1) Incorporated by reference from the Company's Form S-2 Registration Statement, File No. 33-16279, as declared effective by the Securities and Exchange Commission on September 2, 1987

(b) Reports on Form 8-K

None.

SIGNATURE

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

ESCALADE, INCORPORATED

Date: August 3, 2001  
-----

C. W. (Bill) Reed  
-----  
C. W. (Bill) Reed  
President and Chief Executive Officer

Date: August 3, 2001

-----

John R. Wilson

-----

John R. Wilson  
Vice President and  
Chief Financial Officer

FIRST AMENDMENT TO CREDIT AGREEMENT  
-----

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment" or "First Amendment") has been executed as of the 14th day of May, 2001, (the "First Amendment Effective Date"), by INDIAN-MARTIN AG, a Swiss corporation, ("Company"), and BANK ONE, INDIANA, NATIONAL ASSOCIATION, a national banking association ("Bank").

RECITALS  
-----

1. Company and Bank (collectively, the "Parties") are parties to a Credit Agreement, dated as of May 15, 2000 (as in effect immediately prior to the execution of this Amendment, the "Existing Agreement").

2. The Parties have determined that it is in their best interests to amend the Existing Agreement, effective as of the First Amendment Effective Date, as set forth in this First Amendment, and subject to the terms and conditions of this First Amendment.

AGREEMENT  
-----

NOW THEREFORE, in consideration of the Recitals and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged by each of the Parties to this First Amendment, it is agreed as follows:

1. DEFINITIONS. Terms which are defined in the Existing Agreement shall have the same meanings in this Amendment as are ascribed to them in the Existing Agreement, as amended hereby, excepting only those terms which are expressly defined in this Amendment, which shall have the meanings ascribed to them in this Amendment.

## 2. AMENDMENTS TO EXISTING AGREEMENT.

(a) AMENDMENTS TO DEFINITIONS. The following definitions, which are set forth in Section 1.02 of the Existing Agreement, are amended and restated in their entirety as of the First Amendment Effective Date to read as follows:

"BORROWING BASE" means, at any date a determination thereof is made, an amount equal to the sum of: eighty percent (80%) of the book value of the Eligible Accounts PLUS one hundred percent (100%) of the Pledged Cash, LESS the amount of excess, if any, by which the aggregate Eligible Accounts outstanding at any time from any account debtor and its Affiliates exceeds fifteen percent (15%) of aggregate Eligible Accounts on such date of determination; provided however, that such concentration limitation shall not apply to Eligible Accounts owed by Sears Roebuck, Inc. so long as such account debtor is rated at least BBB/Baa2, or better on the senior unsecured debt ratings established from time to time by S&P and Moody's, respectively.

Further, to the extent that an Eligible Account is subject to any claimed set-off, offset, credit or other reduction right held by the account receivable debtor, then for purposes of determining the Borrowing Base the amount of such Eligible Account shall be reduced by the sum of all such claimed offsets, credits and reductions to the extent not covered by the Escalade Domestic Subsidiary, or

Subsidiaries, that sold the Eligible Accounts to the Company.

"BORROWING BASE CERTIFICATE" means a certificate (in form and substance substantially the same as EXHIBIT "B" attached to the First Amendment) which is required to be delivered to the Bank in accordance with Section 5.01(c)(6) of this Agreement.

"MAXIMUM AVAILABILITY" means as of the date any determination thereof is to be made, the lesser of: (i) the Borrowing Base as of such date, and (ii) the following amounts during the respective time periods described:

\$10,000,000.00	May 14 through May 31, 2001
15,000,000.00	June 1 through September 30, 2001
25,000,000.00	October 1 through October 31, 2001
30,000,000.00	November 1 through November 30, 2001
25,000,000.00	December 1 through December 31, 2001
20,000,000.00	January 1 through January 31, 2002
10,000,000.00	February 1, 2002 through Scheduled Maturity Date

"SCHEDULED MATURITY DATE" means May 13, 2002 and any subsequent date to which the Commitment may be extended by Bank pursuant to the terms of Section 2.01(d).

(b) NEW DEFINITIONS. Section 1.02 of the Existing Agreement is hereby amended, effective as of the First Amendment Effective Date, by adding thereto in appropriate alphabetical sequence the following new definitions:

The term "FIRST AMENDMENT" means the First Amendment to Credit Agreement, dated as of the First Amendment Effective Date, executed by and between the Parties.

The term "FIRST AMENDMENT EFFECTIVE DATE" is used as defined in the Preamble of the First Amendment.

(c) PARTIAL AMENDMENT OF SECTION 2.01(B). Section 2.01(b) of the Existing Agreement is amended in part as the First Amendment Effective Date by amending and restating the first sentence thereof to read as follows:

"(b) METHOD OF BORROWING. The Obligation of the Company to repay the Loan shall be evidenced by a promissory note (the

2

3

"NOTE") of the Company (in form and substance substantially the same as EXHIBIT "I" attached to the First Amendment)."

(d) PARTIAL AMENDMENT OF SECTION 5.01(C). Section 5.01(c) of the Existing Agreement is amended in part as of the First Amendment Effective Date by re-designating Section 5.01(c)(7) as Section 5.01(c)(8) and adding a new Section 5.01(c)(7) which reads as follows:

"(7) Summary agings as to all Purchase Accounts Receivable which are outstanding on the books and records of the Company as of the last Banking Day of each month, which agings shall be provided to the Bank by the fifth (5th) Banking Day of the next successive month."

3. REPRESENTATIONS AND WARRANTIES. Company represents and warrants to Bank that:

(a) (i) The execution, delivery and performance of this Amendment and all agreements and documents delivered pursuant hereto by Company have been duly authorized by all necessary corporate action and do not and will not violate any provision of any law, rule, regulation, order, judgment, injunction or writ presently in effect applying to Company, or its articles of incorporation, or result in a breach of or constitute a default under any material agreement, lease or instrument to which Company is a party or by which it or any of its properties may be bound or affected; (ii) no authorization, consent, approval,



license, exemption or filing of a registration with any court or governmental authority, department, agency or instrumentality is or will be necessary to the valid execution, delivery or performance by Company of this Amendment and all agreements and documents delivered pursuant hereto; and (iii) this Amendment and all agreements and documents delivered pursuant hereto by Company are the legal, valid and binding obligations of Company, as a signatory thereto, and are enforceable against Company in accordance with the terms thereof.

(b) After giving effect to the amendments contained in this Amendment, the representations and warranties contained in Article III of the Agreement are true and correct on and as of the First Amendment Effective Date with the same force and effect as if made on and as of the First Amendment Effective Date, except that the representation in Section 3.01(d) of the Agreement shall be deemed to refer to the Financial Statements of Company most recently delivered to Bank prior to the First Amendment Effective Date.

(c) No Event of Default has occurred and is continuing or will exist under the Agreement as of the First Amendment Effective Date.

4. CONDITIONS. The obligation of Bank to execute and to perform this Amendment shall be subject to full satisfaction of the following conditions precedent on or before the First Amendment Effective Date:

(a) Copies, certified as of the First Amendment Effective Date, of such corporate documents of Company, as Bank may request evidencing necessary corporate action by Company with respect to this First Amendment.

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(b) This Amendment shall have been duly executed and delivered by Company to Bank and executed by Bank.

(c) Bank shall have received such additional agreements, documents and certifications, fully executed by Company as may be reasonably requested by Bank.

5. SUPPLEMENTAL DOCUMENTS AND FURTHER ASSURANCES. Company shall at any time on or after the First Amendment Effective Date, and upon the request of Bank, execute and deliver, or cause to be executed and delivered, such additional documents, agreements and instruments as may be reasonably required by Bank or appropriate to give full force and effect to the intents and purposes of this Amendment and the Agreement. Company's failure to comply with the terms of this Section 5 within thirty (30) days after Bank's request shall at Bank's sole discretion and election be deemed an Event of Default under Section 7.01 of the Agreement.

6. BINDING ON SUCCESSORS AND ASSIGNS. All of the terms and provisions of this Amendment shall be binding upon and inure to the benefit of the Parties and each of their respective successors, assigns and legal representatives.

7. GOVERNING LAW/ENTIRE AGREEMENT/SURVIVAL. This Amendment is a contract made under, and shall be governed by and construed in accordance with, the laws of the State of Indiana applicable to contracts made and to be performed entirely within such state and without giving effect to the choice or conflicts of laws, rules or principles of any foreign or domestic jurisdiction. This Amendment constitutes and expresses the entire understanding between the Parties with respect to the subject matter hereof, and supersedes all prior agreements and understandings, commitments, inducements or conditions, whether express or implied, oral or written. All covenants, agreements, undertakings, representations and warranties made in this Amendment shall survive the execution and delivery of this Amendment, and shall not be affected by any investigation made by any Person. Except as expressly provided otherwise in this Amendment, the Existing Agreement, as amended hereby, remains in full force and effect in accordance with its terms and provisions.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be duly executed and delivered by their respective duly authorized signatories as of the First Amendment Effective Date.

INDIAN-MARTIN AG, a corporation  
organized and existing under  
the laws of Switzerland

BANK ONE, INDIANA, NATIONAL  
ASSOCIATION

By: /s/ Lars Haussmann  
-----  
Lars Haussmann (Director)  
  
("Company")

By: /s/ Steven J. Krakoski  
-----  
Steven J. Krakoski, Vice President  
  
("Bank")

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BORROWING BASE CERTIFICATE  
-----

INDIAN-MARTIN AG ("Borrower"), by its duly Authorized officer and in accordance with the requirements of that certain Credit Agreement, dated as of May 15, 2000, as amended, restated and/or supplemented from time to time and at any time (the "Agreement"), between Borrower and BANK ONE, INDIANA, NATIONAL ASSOCIATION ("Bank") hereby certifies to Bank that: (a) Borrower's Borrowing Base is \$ \_\_\_\_\_, as of \_\_\_\_\_, (the "Report Date"); and (b) attached to this Borrowing Base Certificate is a calculation of Borrower's Eligible Accounts and Pledged Cash as of the Report Date, together with supporting information and data showing Borrower's determination of the Borrowing Base. Terms which are defined in the Agreement shall have the same meanings herein.

Date: \_\_\_\_\_, 200 .  
----- --

INDIAN-MARTIN AG

By: \_\_\_\_\_  
-----  
(Printed Name and Title)

Exhibit "B"

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CALCULATION OF BORROWING BASE  
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<TABLE>			
<S>		<C>	<C>
Gross Accounts Receivable		\$	_____ (1)
Less: (a) 61 or more days Delinquent		-----	
(b) Account Debtor Bankrupt		-----	
(c) Account Not Invoiced		-----	
(d) Unshipped Goods		-----	

(e) Conditional Obligation	-----		
(f) No Security Interest	-----		
(g) Affiliate/Governmental A/R	-----		
(h) Evidenced by Instrument	-----		
(i) Charged-off Accounts	-----		
(j) 10% "Taint" Rule Accounts	-----		
(less amount included on line (a))			
Total Exclusions from Eligible Accounts (a through j)		- \$	(2)
Eligible Accounts (Line 1, minus Line 2)		\$	(3)
Eligible Accounts Component of Borrowing Base (Line 3 X 80%)		\$	(4)
Pledged Cash (Valued @ 100%)		\$	(5)
Account Exclusions from Borrowing Base			
>7 1/2%/12 1/2% Concentration Limits	-----		
Offsets, Credits and Reductions	-----		
to Eligible Accounts			
	SUBTOTAL	\$	(6)
Borrowing Base (Line 4, plus Line 5, minus Line 6)		\$	(7)
Less: Outstanding Loan Balance		- \$	(8)
Available Credit, or (repayment required)		\$	(9)
(Line 7 minus Line 8)			

</TABLE>

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REVOLVING NOTE

\$30,000,000.00

Dated: May 14, 2001

Due: May 13, 2002

FOR VALUE RECEIVED, on or before May 13, 2002, INDIAN-MARTIN AG, a corporation organized and existing under the laws of Switzerland ("COMPANY"), unconditionally promises to pay to the order of BANK ONE, INDIANA, NATIONAL ASSOCIATION, a national banking association ("BANK"), at Bank One Tower, Mail Code IN 1-0046, 111 Monument Circle, Indianapolis, IN 46277, or such other place as Bank may designate by written notice to Company, the principal sum of Thirty Million Dollars and 00/100 (\$30,000,000.00), or so much of such amount as may be disbursed by Bank as Advances made on the Loan under the terms of the Credit Agreement (as hereinafter defined), together with interest thereon at the rates and calculated as provided in the Credit Agreement. Interest accruing on the principal balance of this Note outstanding from time to time

shall be due and payable by Company on such dates and in accordance with the terms of the Credit Agreement. All amounts paid on this Note shall be applied in accordance with the terms of the Credit Agreement.

This Note is the "Note" referred to in the Credit Agreement, to which reference is made for the conditions and procedures under which Advances, payments, readvances and repayments may be made prior to the maturity of this Note, for the terms upon which Company may make prepayments from time to time and at any time prior to the maturity of this Note and the terms of any prepayment premiums, penalties and other charges which may be due and payable in connection therewith, and for the terms and conditions upon which the maturity of this Note may be accelerated and the unpaid balance of principal and accrued interest thereon declared immediately due and payable.

If any installment of principal or interest due under the terms of this Note prior to maturity is not paid in full within ten (10) days of the date when due, then Bank at its option and without prior notice to Company, may assess a late payment fee in an amount equal to the greater of Twenty Five and 00/100 Dollars (\$25.00) or Five Percent (5%) of the amount past due up to the maximum of \$1,500.00 per late charge. Each late payment fee assessed shall be due and payable on the earlier of the next regularly scheduled interest payment date or the maturity of this Note. Waiver by Bank of any late payment fee assessed, or the failure of Bank in any instance to assess a late payment fee shall not be construed as a waiver by Bank of its right to assess late payment fees thereafter.

If any installment of interest due under the terms of this Note falls due on a day which is not a Banking Day, the due date shall be extended to the next succeeding Banking Day and interest will be payable at the applicable rate for the period of such extension.

All amounts payable under this Note shall be payable without relief from valuation and appraisal laws, and with all collection costs and attorneys' fees.

Exhibit "I"

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The holder of this Note, at its option, may make extensions of time for payment of the indebtedness evidenced by this Note, or approve reductions of the payments thereon, release any Collateral securing payment of such indebtedness or accept a renewal Note or Notes therefor, all without notice to Company or any endorser(s), and Company and all endorsers hereby severally consent to any such extensions, reductions, releases and renewals, all without notice, and agree that any such action shall not release or discharge any of them from any liability hereunder. Company and endorser(s), jointly and severally, waive demand, presentment for payment, protest, notice of protest and notice of nonpayment or dishonor of this Note and each of them consents to all extensions of the time of payment thereof.

As used in this Note, the term "Credit Agreement" means that certain Credit Agreement, dated as of even date herewith, by and between Company and Bank, as the same hereafter may be amended, modified and/or restated from time to time and at any time. Terms which are defined in the Credit Agreement and which are not otherwise defined in this Note shall have the same meanings in this Note as are ascribed to them in the Credit Agreement. The principal amount of this Note outstanding from time to time shall be determined by reference to the books and records of Bank on which shall be recorded each Advance under the Loan evidenced by this Note, and all payments by Company on account of such Loan. Such books and records shall be deemed PRIMA FACIE to be correct as to such matters, absent demonstrative or manifest error.

This Note is made under and will be governed in all cases by the substantive laws of the State of Indiana without reference to the choice or conflicts of laws rules or principles of any foreign or domestic jurisdiction.

INDIAN-MARTIN AG, a corporation organized  
and existing under the laws of Switzerland

By:

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(Printed Name and Title)

## ELEVENTH AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT

ESCALADE, INCORPORATED, an Indiana corporation (the "Company"), and BANK ONE, INDIANA, National Association, a national banking association (the "Bank") being parties to that certain Amended and Restated Credit Agreement dated as of May 31, 1996, as amended from time to time through the date hereof (collectively, the "Agreement"), hereby agree to amend the Agreement by this Eleventh Amendment to Amended and Restated Credit Agreement (the "Eleventh Amendment") is made and entered into on June 4, 2001 ("Agreement Date"), to be effective as of May 31, 2001 ("Effective Date"), on the terms and subject to the conditions set forth as follows:

1. Terms used in this Eleventh Amendment with their initial letter capitalized which are not defined herein shall have the meaning ascribed to them in the Agreement.

2. The following definition set forth in Section 1 of the Agreement is hereby amended and restated in its entirety to read as FOLLOWS:

"APPLICABLE RATE" means that number of percentage points to be taken into account in determining the Applicable Spread which is used in computing the rate at which interest accrues on the Revolving Loan and the Applicable Unused Fee Rate which is used in calculating the Unused Fee. Initially, from the date of the Eleventh Amendment and until receipt by the Bank of the Company's first fiscal quarter end financial statements furnished after such date to the Bank pursuant to the requirements of Section 5.b.(ii), the Applicable Rate shall be determined using Tier 2 as determined by the financial statements dated March 24, 2001 in accordance with the following table:

<TABLE>  
<CAPTION>

TIER	LEVERAGE RATIO	PRIME-BASED RATE	LIBOR - BASED RATE	UNUSED FEE
<S>	<C>	<C>	<C>	<C>
5	Equal to 2.50 and greater	0	2.00	.375
4	Equal to 2.00 through 2.49	-.375	1.75	.25
3	Equal to 1.50 through 1.99	-.75	1.50	.25
2	Equal to 1.00 through 1.49	-1.125	1.25	.25
1	Less than 1.00	-1.5	1.00	.25

</TABLE>

Thereafter, the Applicable Rate shall be determined on the basis of the financial statements of the Company for each fiscal quarter end furnished to the Bank pursuant to the requirements of Section 5.b(ii), and shall be effective as of the first day of the month following the receipt of the financial statements. It is noted that the above table provides an Applicable Rate for a Leverage Ratio greater than that which will be permissible under the terms of Section 5.g(ii). For the avoidance of doubt, it is agreed that it is the intent of the parties that the Bank shall be free to exercise all remedies otherwise provided for in this Agreement in the event of the violation by the Company of the covenant stated in Section 5.g(ii), notwithstanding the accrual of interest upon the Loan at a rate determined in accordance with this definition.

3. The Borrower represents and warrants that (a) the representations and warranties contained in the Credit Agreement are true and correct in all material respects as of the date of this Amendment, (b) no condition, act or event which could constitute an Event of Default under the Credit Agreement exists, and (c) no condition, event, act or omission has occurred, which, with the giving of notice or passage of time, would constitute an Event of Default under the Credit Agreement.

4. The Borrower agrees to pay all fees and out-of-pocket disbursements incurred by the Bank in connection with this Amendment, including legal fees

incurred by the Bank in the preparation, consummation,

administration and enforcement of this Amendment.

5. This Amendment shall become effective only after it is fully executed by the Borrower and the Bank and the Bank shall have received from the Borrower the following documents:

Eleventh Amendment to Amended and Restated Credit Agreement

Except as amended by this Amendment, the Credit Agreement shall remain in full force and effect in accordance with its terms.

6. This Amendment is a modification only and not a novation. Except for the above-quoted modification(s), the Credit Agreement, any agreement or security document, and all the terms and conditions thereof, shall be and remain in full force and effect with the changes herein deemed to be incorporated therein. This Amendment is to be considered attached to the Credit Agreement and made a part thereof. This Amendment shall not release or affect the liability of any guarantor, surety or endorser of the Credit Agreement or release any owner of collateral securing the Credit Agreement. The validity, priority and enforceability of the Credit Agreement shall not be impaired hereby. To the extent that any provision of this Amendment conflicts with any term or condition set forth in the Credit Agreement, or any agreement or security document executed in conjunction therewith, the provisions of this Amendment shall supersede and control. Borrower acknowledges that as of the date of this Amendment it has no offsets with respect to all amounts owed by Borrower to Bank and Borrower waives and releases all claims which it may have against Bank arising under the Credit Agreement on or prior to the date of this Amendment.

7. The Borrower acknowledges and agrees that this Amendment is limited to the terms outlined above, and shall not be construed as an amendment of any other terms or provisions of the Credit Agreement; The Borrower hereby specifically ratifies and affirms the terms and provisions of the Credit Agreement. Borrower releases Bank from any and all claims which may have arisen, known or unknown, in connection with the Credit Agreement on or prior to the date hereof. This Amendment shall not establish a course of dealing or be construed as evidence of any willingness on the Bank's part to grant other or future amendments, should any be requested.

IN WITNESS WHEREOF, the parties have entered into this Amendment as of the day and year first above written.

BANK ONE, INDIANA, NA

ESCALADE, INCORPORATED

By: /s/ Steven J. Krakoski

By: /s/ John R. Wilson

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Steven J. Krakoski, First Vice President

-----  
John R. Wilson, Secretary

ACKNOWLEDGMENT AND AGREEMENT BY GUARANTOR(S) AND/OR OWNER(S)  
OF COLLATERAL SECURING THE PROMISSORY NOTE.

The undersigned, each a duly appointed officer of the Guarantors identified below, hereby i) consent to the modification of the Credit Agreement and all other matters in the foregoing Amendment and, if a guarantor (ii) reaffirm the Unconditional Limited Guarantors and any other agreements, documents and instruments securing or otherwise relating thereto ("Guarantor Documents"), (iii) acknowledge that the Guarantor Documents continue in full force and effect, remain unchanged, except as specifically modified hereby, and are valid, binding and enforceable in accordance with their respective terms, (iv) agree that all references, if any, in the Guarantor Documents to the Credit Agreement are modified to refer to that document as modified by the Amendment, and (v) agree to be bound by the release of Bank set forth in the Amendment.

Date: June 4, 2001  
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MARTIN YALE INDUSTRIES, INC.

By: /s/ John R. Wilson  
-----  
John R. Wilson, Secretary

INDIAN INDUSTRIES, INC.

By: /s/ John R. Wilson  
-----  
John R. Wilson, Secretary

HARVARD SPORTS, INC.

By: /s/ John R. Wilson  
-----  
John R. Wilson, Secretary

MASTER PRODUCTS MANUFACTURING, INC.

By: /s/ John R. Wilson  
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John R. Wilson, Secretary