FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-05-31**
SEC Accession No. 0000950147-01-501348

(HTML Version on secdatabase.com)

FILER

ROYAL PRECISION INC

CIK:**1016395**| IRS No.: **061453896** | State of Incorp.:**DE** | Fiscal Year End: **0531**
Type: **10-K** | Act: **34** | File No.: **000-22889** | Film No.: **1697647**
SIC: **3949** Sporting & athletic goods, nec

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)
[X] Annual Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended: May 31, 2001

[ ] Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from __________ to __________

Commission file number: 0-22889

ROYAL PRECISION, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	06-1453896
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
15170 North Hayden Road, Suite 1, Scottsdale, Arizona	85260
(Address of Principal Executive Offices)	(Zip Code)

(480) 627-0200
(Registrant's Telephone Number, Including Area Code)

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

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

Common Stock, par value $0.001 per share
(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 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. [ ]

The aggregate market value of shares of Common Stock held by non-affiliates of the Registrant on August 1, 2001 was $3.7 million.

The number of shares of Common Stock outstanding on August 1, 2001 was 5,681,711.

Documents incorporated by reference:

Portions of the Registrant's Proxy Statement relating to the 2001 Annual Meeting of Stockholders have been incorporated by reference into Part III, Items 10, 11, 12 and 13.

PART I

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Management believes that this Form 10-K includes forward-looking statements which reflect the views of the Company with respect to future events and financial performance. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other factors include, but are not limited to, statements concerning the Company's future results from operations; the adequacy of existing capital resources and credit lines; anticipated future customer orders; anticipated future capital expenditures; anticipated costs of environmental matters at our manufacturing facilities and expectations regarding future environmental reports; and our ability to generate sufficient cash flow from operations to repay indebtedness and fund operations. Statements in this Form 10-K, including the Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations, describe factors, among others, that could contribute to or cause such differences. Additional factors that could cause actual results to differ materially from those expressed in such forward-looking statements are included in Exhibit 99.1. The words "believe," "expect," "anticipate," "project," and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

ITEM 1. BUSINESS.

Royal Precision, Inc. ("RP") is a holding company that conducts its business operations through its three wholly-owned subsidiaries (collectively the "Company"), which are FM Precision Golf Manufacturing Corp. ("FMP"), FM Precision Golf Sales Corp. ("FMP Sales") and Royal Grip, Inc. ("RG"). In addition, RG has a wholly-owned subsidiary, Royal Grip Headwear Company (formerly known as Roxxi, Inc., "Roxxi"). RP, FMP and FMP Sales were incorporated in Delaware on May 3, 1996 by a group of investors who acquired, through such companies, substantially all of the assets of the golf club shaft manufacturing business of Brunswick Corporation. RP acquired RG, a Nevada corporation, on August 29, 1997 (the "RG Acquisition"). As discussed in Note 1 to the consolidated financial statements, the Company disposed of the operating assets of Roxxi, a Nevada corporation, in March 1999. Results of operations for Roxxi in all periods through May 31, 1999 are reflected as discontinued operations.

PRINCIPAL PRODUCTS; MARKETS

The Company sells two main types of products, golf club shafts and golf club grips.

GOLF CLUB SHAFTS. The Company designs, manufactures and distributes steel golf club shafts, sales of which represented 86%, 84% and 82% of total revenues during the fiscal years ended May 31, 2001, 2000, and 1999, respectively. The Company developed and patented the "Rifle", the first modern stepless steel golf club shaft in the industry. Management believes that these shafts are the premier steel shafts available in the market today due to their patented internal and external design characteristics which result in superior performance, consistency and strength compared to other steel golf club shafts. The Company also pioneered, patented, and now licenses the technology of Frequency Coefficient Matching ("FCM") golf club shafts using an electronic analyzer. Management believes that FCM is more accurate than any other sorting method, in that it ensures identical shaft flex from club-to-club throughout a set, allowing the golfer to maintain a consistent, natural swing tempo regardless of the club chosen.

The Company also designs and distributes graphite golf club shafts, sales of which represented 1% of total revenues during both of the fiscal years ended May 31, 2001 and 2000. The Company first introduced a filament wound "Rifle" Graphite shaft in February 2000. During the fiscal year ended May 31, 2001, the Company expanded its line of "Rifle" Graphite shafts to include sheet wrapped products. Management believes that these products have superior consistency properties based on the proprietary filament winding and finishing processes utilized in their manufacture that give the shafts uniform wall thickness and oscillation characteristics.

GOLF CLUB GRIPS. The Company designs and distributes golf club grips, sales of which represented 13%, 15% and 18% of total revenues during the fiscal years ended May 31, 2001, 2000 and 1999, respectively. In 1989, RG introduced a rubber wrap golf grip that gained widespread acceptance in the golf industry and enabled RG to achieve brand name recognition. The Company currently offers a wide variety of standard and custom models, all of which management believes feature durability and a distinctive feel and appearance. These grips are sold principally into the replacement market which serves those golfers seeking to replace grips that have become worn and slick due to prolonged use.

Additional information about the Company's reportable business segments is included in Note 14 to the consolidated financial statements.

Sales to original equipment manufacturers ("OEMs") account for the vast majority of the Company's sales, with the remainder of the sales being made to distributors, custom club assemblers, pro shops and repair shops. The Company's products are sold by OEMs as a component of the complete golf club through a variety of channels including sporting goods stores, discount stores, mail order catalogs, pro shops and mass merchandisers.

Of the Company's top ten customers during the fiscal year ended May 31, 2001, one is international. The Company's exclusive Japanese distributor is its second largest customer (see "Principal Suppliers and Customers"). The Company also has a presence in Europe, Australia, and Canada through other distributor relationships. Additional information about the Company's foreign sales is included in Note 12 to the consolidated financial statements.

BACKLOG

As of May 31, 2001, the Company had open orders from customers totaling $4.0 million for shipment during the fiscal year ending May 31, 2002. Open orders as of May 31, 2000 for shipment during the fiscal year ended May 31, 2001 were $4.2 million.

COMPETITION

The golf equipment industry is highly competitive. There are numerous companies competing in various segments of the golf equipment markets including those which manufacture and sell the golf club component parts which are shafts, grips and heads. Some of the Company's competitors have greater name recognition, more extensive engineering, manufacturing and marketing capabilities, and greater financial, technological and personnel resources than the Company. The Company competes primarily on the basis of product quality, product specifications and design, on-time deliveries, customer relationships and price.

The Company competes primarily with three companies which manufacture and distribute steel golf club shafts to OEMs. The Company believes that it is the second largest producer of steel shafts, after True Temper Sports, Inc. Management believes that its worldwide market share in steel shafts is approximately 22% while True Temper's market share in steel shafts is believed to be approximately 65%. Other competitors which manufacture steel golf club shafts include Nippon Shaft Co., Ltd. and Far East Machinery Co., Ltd., both of which are located in Asia.

The Company's principal competitors in the golf club grip market include Eaton/Golf Pride and Lamkin Corp. Management believes that its worldwide market share in golf club grips is approximately 3% while Eaton/Golf Pride's and Lamkin's market shares are believed to be approximately 56% and 20%, respectively.

The Company competes with several companies which manufacture and distribute graphite golf club shafts. Management believes that the largest competitors in this fragmented industry segment are Aldila, HST, and True Temper/Grafalloy with 18%, 13%, and 12% of worldwide market share, respectively.

PRINCIPAL SUPPLIERS AND CUSTOMERS

From January 1997 to February 2000, the Company utilized Acushnet Rubber Company ("Acushnet") as its primary supplier of golf club grips under an exclusive manufacturing and supply agreement. In May 1999, the Company and Acushnet terminated their relationship. The Company has identified several alternative manufacturers and currently purchases its grip inventory from five different suppliers. Although the Company does not have long-term supply contracts with any of these companies, management believes it has an adequate source of supply to meet its current and anticipated future customer needs. However, there can be no assurance that a disruption of supply from any of these companies will not result in the loss of sales and key customers, which would have a material adverse effect on the Company's financial condition and results of operations.

The Company currently utilizes two manufacturers to supply its inventory of graphite golf club shafts. Management believes that there are other acceptable supply sources at comparable prices and quality. Sales of these products to date have been insignificant to the Company's financial condition and results of operations. However, there can be no assurance that a disruption of supply from either of these companies will not result in the loss of sales and key customers or hinder the Company's efforts to expand its business into this new product segment.

The Company uses Worthington Industries, Inc. ("Worthington") as its primary supplier for strip steel, but has no supply contract with Worthington. Should Worthington fail to deliver steel, there may be a disruption of operations at the Company's manufacturing facility until an alternate supplier is procured. Worthington provides steel from two separate plant locations. If one Worthington plant becomes unable to fill the necessary requirements, orders could be filled from the alternate location. Although the Company has elected to use Worthington as its primary supplier of strip steel, management believes that there are other acceptable supply sources at comparable prices and quality and that the loss of Worthington as a supplier would not have a material adverse effect on the Company's financial condition and results of operations.

The Company has a ten-year agreement with Precision FM Japan, Ltd. ("Precision FM") which grants exclusive distribution rights for sale of the Company's golf club grips in Japan and certain other Asian countries. The Company also has a five-year agreement with Marubeni Corporation ("Marubeni") and Precision Japan, Ltd. ("Precision") which grants exclusive distribution rights for sale of the Company's golf club shafts in Japan and certain other Asian countries. Precision FM and Precision are subsidiaries of Marubeni (collectively "Precision Japan"). The grip and shaft agreements with Precision Japan expire in January 2002 and July 2002, respectively. Precision Japan may renew the grip agreement for successive two-year terms. The grip agreement is terminable by either party for cause or if they fail to agree upon pricing terms, or by Precision Japan at any time upon six months prior notice to the Company. Precision Japan may renew the shaft agreement for successive two-year terms. The shaft agreement is terminable by either party for cause or by the Company if Precision Japan fails to meet certain minimum purchase requirements.

The Company is significantly dependent on sales to Precision Japan, TaylorMade - adidas Golf ("TaylorMade") and Callaway Golf Company ("Callaway") which, in the aggregate, represented 60%, 50% and 49% of the Company's total net sales for the fiscal years ended May 31, 2001, 2000 and 1999, respectively. Precision Japan accounted for 20%, 27% and 25% of total net sales during fiscal 2001, 2000 and 1999, respectively. TaylorMade accounted for 21%, 18% and 15% of total net sales during the fiscal years ended May 31, 2001, 2000 and 1999, respectively. Callaway accounted for 19%, 5% and 9% of total net sales during fiscal 2001, 2000 and 1999, respectively. The outstanding receivable balances from TaylorMade, Precision Japan and Callaway as of May 31, 2001 were $0.8 million, $0.6 million and $1.6 million, respectively. To reduce its credit risk, the Company requires letter of credit agreements from Precision Japan. The Company does not have supply agreements with TaylorMade or Callaway. The loss of sales to any of these companies could have a significant adverse impact on the Company's financial condition and results of operations.

Sales of golf equipment historically have been dependent on discretionary spending by consumers, which may be adversely affected by general economic conditions and the popularity of golf in general. A decrease in consumer spending on golf equipment could have an adverse effect on the Company's business and operating results. Sales in the golf equipment industry have historically been seasonal in nature with consumer demand for product being the strongest during the spring and summer months.

PATENTS, TRADEMARKS

The Company has obtained a trademark and a utility patent on the manufacture and design of its "Rifle" steel golf club shafts. Management believes that its "Rifle" products are superior to other steel shafts in performance, consistency and strength, which provides the Company a competitive advantage in the golf equipment industry. Management believes that some of the shaft patents material to its future success are:

* its patent which enables a club maker to take frequency sorted steel shafts and calculate what new frequency shafts are needed to produce a set of Frequency Matched products,
* its patent which relates to the same frequency sorting, but for graphite golf club shafts, and
* its patent which relates to the manipulation of flex distribution within a shaft or set of shafts.

These patents expire on May 9, 2006, October 19, 2008, and January 12, 2016, respectively.

The Company also relies upon trademarks to establish and protect its proprietary rights in its golf club grip products and technologies. The RG logo and the name "Royal Grip" have been registered as trademarks in the United States, Japan and in other foreign countries. In addition, the Company has filed trademark applications relating to the names and configurations of several of its grip products in the United States and in foreign countries, including Japan. The Company has also obtained design patents on some of its grips and applied for others, which are pending. The Company protects its proprietary rubber compound and related technologies as trade secrets. Despite such safeguards, there can be no assurance that competitors will not be able to produce golf club grips that successfully imitate the Company's designs and materials without infringing the Company's proprietary rights.

REGULATIONS

The design of new golf clubs is greatly influenced by rules and interpretations of the United States Golf Association ("USGA"). Although the golf equipment standards established by the USGA generally apply only to competitive events sanctioned by that organization, for marketing reasons it has become critical for designers of new products to assure compliance with USGA standards. Although the Company believes that all of its golf club shafts and grips comply with current USGA standards, no assurance can be given that any new products will receive USGA approval or that existing USGA standards will not be altered in ways that adversely affect the sales of the Company's products.

RESEARCH AND DEVELOPMENT

The Company's engineering, sales and other staff, together with independent consultants engaged by the Company, work to conceive new product opportunities by creating prototypes and masters and by working with suppliers and customers to design and produce finished products. New golf club shaft and golf club grip products are tested through the Company's sales force with customers and various tour players. The Company continues to investigate new manufacturing techniques and component materials used in the manufacture of its products. During the fiscal years ended May 31, 2001, 2000 and 1999, the Company spent approximately $0.8 million, $0.7 million and $0.6 million on research and development, respectively.

EMPLOYEES

As of May 31, 2001, the Company had 310 employees. Approximately 70% of the Company's work force is covered by a collective bargaining agreement which expires in November 2002. The Company believes its relationship with its employees is good.

ITEM 2. PROPERTIES.

The Company's golf club shaft manufacturing facility is located at 535 Migeon Avenue, Torrington, Connecticut and is approximately 230,000 square feet. The manufacturing facility is owned by the Company subject to a mortgage granted to Wells Fargo Business Credit, Inc. See Note 7 to the consolidated financial statements.

The Company's principal executive and administrative offices are located at 15170 North Hayden Road, Suite 1, Scottsdale, Arizona and are approximately 8,000 square feet. The offices are leased with a monthly payment of approximately $23,000 under a lease term expiring in May 2004.

The Company also leases approximately 9,000 square feet of warehouse space located at 7861 East Gray Road, Suites 107-111, Scottsdale, Arizona. This facility serves as a distribution point from which product is shipped to the Company's West Coast customers. The monthly payment under the lease is approximately $9,000 and the term of the lease expires in November 2001. The Company does not anticipate renewing the lease of this facility and will consolidate all warehousing and distribution functions in its Torrington, Connecticut facility.

In the opinion of management, these facilities are suitable and adequate for the Company's intended use and are adequately covered by insurance.

ITEM 3. LEGAL PROCEEDINGS.

LITIGATION

The Company is from time to time a party to various routine legal proceedings, incidental to the Company's business. Management believes that, other than the environmental matters discussed below, none of the current routine proceedings will have a material adverse effect on the Company's financial condition or future operating results.

ENVIRONMENTAL MATTERS

In May 1996, the Company acquired substantially all the assets of the golf club shaft manufacturing business of Brunswick Corporation (NYSE: BC) (the "Brunswick Acquisition"). Included in the acquired assets were land, buildings

and equipment at the Company's Torrington, Connecticut manufacturing facility (the "FMP plant"). In conjunction with the Brunswick Acquisition, Brunswick Corporation ("Brunswick") agreed to indemnify the Company from potential liability arising from certain environmental matters and to remediate certain environmental conditions which existed at the FMP plant on the date of acquisition. Brunswick has engaged an environmental consulting firm to perform testing at the FMP plant and is in the process of developing a plan of remediation. The Company has engaged an environmental consulting firm to assist in the development of the plan of remediation. Failure of Brunswick to fulfill its obligations under the asset purchase contract could have a material adverse effect on the Company's financial condition and results of operations.

Prior to the Brunswick Acquisition, the FMP plant was listed in the U.S. Environmental Protection Agency's ("EPA") Comprehensive Environmental Response, Compensation and Liability Information System ("CERCLIS"). A contractor for the EPA performed an assessment of the FMP plant in January 1992 and, in June 1992, the site was deferred from the CERCLIS inventory to the EPA's Resource Conservation and Recovery Act ("RCRA") program. During calendar 2000, the EPA reviewed the status of the property, concluded that the FMP plant is not subject to corrective action under RCRA and returned the site to its active CERCLIS inventory. In November 2000 and April 2001, a contractor for the EPA performed another site assessment and took samples from the property of the FMP plant. The Company anticipates that a report from the EPA with the results of this work will be received prior to April 2002. The Company believes that, pursuant to the Brunswick Acquisition agreement, Brunswick has an obligation under the Connecticut Transfer Act (the "Act") to remediate any environmental issues that fall within the scope of the Act. The Company expects that, if the EPA identifies any environmental issues, they would be issues that fall within the scope of the Act. There is not sufficient information at this time to determine what action, if any, the EPA may pursue and what effect, if any, it may have on the Company's financial condition and results of operations.

In April 2000, the Company submitted information regarding the disposal and treatment of waste materials from the FMP plant during the period from 1982 to 1997 to assist the EPA in its investigation of the former National Oil Services, Inc. Superfund site in West Haven, Connecticut. National Oil Services, Inc. was, prior to its bankruptcy, a contractor used by Brunswick, and to a limited degree by the Company, to treat and dispose of non-hazardous waste oils from the FMP plant. In June 2001, the Company executed a consent decree with the EPA and agreed to pay approximately $5,000 in full satisfaction of its liability under this matter. The Company is currently negotiating with Brunswick to determine the portion of the payment for which each party is responsible.

In October 2000, the Company received a notice of violation ("NOV") from the State of Connecticut Department of Environmental Protection ("DEP") alleging that various effluent discharge samples during the period from January 2000 to September 2000 were in violation of authorized limits under an existing permit for the discharge of treated wastewater from the FMP plant. The Company submitted its response to the NOV in December 2000 and, in April 2001, the Company received a draft consent order from the DEP related to this matter. The Company is currently negotiating with the DEP prior to entering into a final consent order. The Company does not anticipate, however, that the conditions of the draft consent order will be significantly modified. Terms of the draft consent order include, among other things, that the Company pay a civil penalty of $0.2 million, submit to various compliance audits, and complete a feasibility study to determine if the discharge of treated wastewater from the FMP plant can be reduced, diverted to another source or eliminated entirely. The Company is currently evaluating its options to reach compliance with the terms of the draft consent order. Management believes it is possible that the proposed civil penalty will be slightly reduced when the final consent order is executed. A provision has been recorded in the amount of $0.15 million for the proposed civil penalty and is reflected as a component of Environmental Costs in the accompanying consolidated statement of operations for the fiscal year ended May 31, 2001. Management believes that significant future capital expenditures in excess of $0.3 million may be made at the FMP plant during the fiscal year ending May 31, 2002 to comply with the terms of the consent order.

In February 2001, the Company received a reimbursement from Brunswick totaling $0.2 million for costs incurred to resolve a prior NOV from the DEP which the Company settled in June 2000. Of the funds received, $0.1 million was recorded as a reimbursement of environmental related expenses and is reflected as a reduction of Environmental Costs in the accompanying statement of operations for the fiscal year ended May 31, 2001. The remaining balance received was recorded as a partial reimbursement of the capital expenditures incurred at the FMP plant to complete the remedial measures specified in the NOV settlement.

Environmental Costs related to the various matters discussed above totaled $0.4 million and $0.1 million, net of recoveries, during the fiscal years ended May 31, 2001 and 2000, respectively.

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

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

PART II

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

The common stock is traded on The Nasdaq National Market under the trading symbol "RIFL". The prices set forth below reflect the high and low sales prices for shares of common stock for each quarter during the past two fiscal years as reported by The Nasdaq National Market.

	HIGH	LOW
FISCAL YEAR ENDED MAY 31, 2001		
First Quarter	$ 3.25	$ 1.88
Second Quarter	3.25	1.81
Third Quarter	3.09	1.63

Fourth Quarter	2.35	1.90
FISCAL YEAR ENDED MAY 31, 2000		
First Quarter	$ 4.00	$ 1.75
Second Quarter	2.88	2.00
Third Quarter	3.50	2.31
Fourth Quarter	3.50	2.50

As of August 1, 2001, the Company had approximately 80 holders of record of common stock.

The Company has not paid any dividends on its common stock and does not anticipate paying cash dividends in the foreseeable future. The Company currently intends to retain any earnings to finance the growth of its business. Any determination as to the payment of dividends will depend upon the future results of operations, capital requirements and financial condition of the Company and such other facts as the Board of Directors of the Company may consider, including any contractual or statutory restrictions on the Company's ability to pay dividends. The Company's two credit facilities each limit the Company's ability to pay dividends on its common stock.

ITEM 6. SELECTED FINANCIAL DATA.

The selected consolidated financial data presented below is derived from the Company's consolidated financial statements. This data should be read in conjunction with the consolidated financial statements and notes thereto included in Item 8 of this Form 10-K.

ROYAL PRECISION, INC. AND SUBSIDIARIES
SELECTED CONSOLIDATED FINANCIAL DATA
YEARS ENDED MAY 31, 2001, 2000, 1999 AND 1998
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

<S>	2001 <C>	2000 <C>	1999 <C>	1998 <C>
Net sales	$ 29,997	$ 30,099	$ 23,395	$ 24,973
Income (loss) from continuing operations	(584)	870	276	268
Income (loss) from continuing operations per share	(0.10)	0.15	0.05	0.05
Total assets	25,207	24,942	24,610	25,886
Long-term debt	7,705	6,027	6,191	3,171
Total liabilities	11,366	10,530	11,158	11,559

</TABLE>

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

OVERVIEW --

The Company manufactures and distributes steel golf club shafts and designs and distributes golf club grips and graphite golf club shafts for sale to original equipment manufacturers ("OEMs") and to distributors and retailers for use in the replacement market. The Company's products are sold throughout the United States as well as internationally, primarily in Japan, Europe, Australia and Canada.

FISCAL YEAR ENDED MAY 31, 2001 COMPARED TO THE FISCAL YEAR ENDED MAY 31, 2000 --

NET SALES. Net sales for the fiscal year ended May 31, 2001 were $30.0 million, a decrease of $0.1 million or 0.3% from net sales of $30.1 million in 2000. Net sales of golf club shafts increased by $0.5 million or 2% and net sales of golf club grips decreased by $0.6 million or 14%. The increased golf club shaft sales reflect continued strong demand for the Company's proprietary "Rifle" shafts. Net sales of the Company's higher priced, pro grade golf club shafts including the "Rifle" increased by $0.9 million or 4%. Net sales of the Company's lower priced, commercial grade golf club shafts decreased by $0.4 million or 13% due primarily to declines in orders from one international distributor that is now focusing more heavily on sales of pro-grade shafts. The decreased golf club grip sales is primarily attributable to declines in orders from the Company's exclusive Japanese distributor due to slow general economic conditions in Asia.

COST OF SALES. Cost of sales for the fiscal year ended May 31, 2001 was $22.0 million, an increase of $1.3 million or 6% over cost of sales of $20.7 million in 2000. As discussed in Note 3 to the consolidated financial statements, the Company recorded write-downs totaling $0.5 million and $0.3 million to reduce the carrying value of finished goods inventories to estimated net realizable value during the fiscal years ended May 31, 2001 and 2000, respectively. Excluding the write-downs of $0.4 million and $0.3 million related to shaft inventories in fiscal 2001 and 2000, respectively, the cost of golf club shaft sales increased by $1.2 million or 7% primarily as a result of higher total net sales, an increased cost of natural gas fuel and higher health and worker's compensation insurance premiums. Excluding the write-down of $0.1 million related to grip inventories, the cost of golf club grips sales decreased by $0.1 million or 5% as a result of lower total net sales.

GROSS PROFIT. Gross profit for the fiscal year ended May 31, 2001 was $8.0 million, a decrease of $1.4 million or 15% from gross profit of $9.4 million in 2000. Gross profit from sales of golf club shafts decreased by $0.9 million or 11% to $7.1 million. Excluding the inventory write-downs of $0.4 million and $0.3 million in fiscal 2001 and 2000, respectively, gross profit from sales of golf club shafts decreased by $0.7 million to 29% of sales from 32% of sales last year. This decline in margin is partially attributable to a $0.3 million increase in the cost of natural gas fuel used at the FMP plant which resulted from significantly higher rates charged by the utility provider. Additionally, health and workers' compensation insurance premiums increased by $0.3 million due to general increases in medical provider costs and more employees at the FMP plant.

Gross profit from sales of golf club grips decreased by $0.5 million or 38% to $0.9 million. Excluding the inventory write-down of $0.1 million, gross profit from sales of golf club grips decreased by $0.4 million to 24% of sales from 31% of sales last year. This decline in margin is attributable to fixed costs being spread over lower unit sales volume and $0.2 million of operating costs at the Company's West Coast distribution center.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses for the fiscal year ended May 31, 2001 were $6.6 million, a decrease of $0.3 million, or 5%, from selling, general and administrative expenses of $6.9 million in 2000. This decrease is primarily attributable to a reduction in management bonuses paid under an incentive compensation plan based on the profitability of the Company and reduced spending on print advertising in the current year. Expressed as a percentage of sales, selling, general and administrative expenses declined from 23% during the fiscal year ended May 31, 2000 to 22% in 2001.

AMORTIZATION OF GOODWILL. Goodwill was reduced in the fourth quarter of the fiscal year ended May 31, 2000 as a result of the utilization of net operating loss carryforwards established prior to the RG Acquisition ("Pre-Acquisition NOLs") and partial reversal of the valuation allowance on pre-acquisition deferred tax assets. Therefore, amortization expense was reduced from $0.5 million during the fiscal year ended May 31, 2000 to $0.4 million in 2001.

ENVIRONMENTAL COSTS. As discussed in Note 16 to the consolidated financial statements, costs totaling $0.4 million and $0.1 million were incurred related to various environmental matters during the fiscal years ended May 31, 2001 and

2000, respectively. The amount for fiscal 2001 includes a provision of $0.15 million for a proposed civil penalty that was stipulated in a draft consent order from the State of Connecticut Department of Environmental Protection which the Company is negotiating to resolve.

NONRECURRING EXPENSES. As discussed in Note 5 to the consolidated financial statements, expenses totaling $0.5 million were recorded during the fiscal year ended May 31, 2001 to reduce the carrying value of equipment held for sale to estimated net realizable value and to write-off the accumulated costs related to various product development projects.

INTEREST EXPENSE. Interest expense increased from $0.6 million during the fiscal year ended May 31, 2000 to $0.9 million in 2001. The $0.3 million increase is primarily the result of an increase in the Company's annual interest rate on its bank credit facilities. Beginning November 1, 2000, following an event of default of a financial loan covenant, the Company's annual interest rate was increased 2% on these facilities. Additionally, during the period from December 2000 to May 2001, the Company had outstanding borrowings under a revolving subordinated promissory note with an annual interest rate of 13% for which interest expense of $0.1 million was recorded.

TERMINATED MERGER EXPENSES. Legal and other professional fees associated with a proposed acquisition of PH Group Inc. totaling $0.1 million were expensed during the fiscal year ended May 31, 2001.

OTHER INCOME. Other income of $0.3 million during each of the fiscal years ended May 31, 2001 and 2000 is principally comprised of royalties earned on sales of Roxxi headwear products as well as royalty fees from other contracts which license certain Company technology and products.

PROVISION FOR INCOME TAXES. Income tax provisions of $33,000 and $0.6 million were recorded during the fiscal years ended May 31, 2001 and 2000, respectively. Taxes are provided based on the estimated effective tax rate for the year, which considers the effect of nondeductible goodwill amortization and, during fiscal 2001, the effect of a nondeductible civil penalty for environmental matters. During the fiscal year ended May 31, 2000, the Company utilized approximately $0.5 million of Pre-Acquisition NOLs and also determined that approximately $1.9 million of Pre-Acquisition NOLs were realizable. As such, the Company reduced the valuation allowance on its deferred income tax assets by approximately $0.7 million (see Notes 2 and 10 to the consolidated financial statements). During fiscal 2000, the Company also reduced the valuation allowance on other deferred income tax assets, not related to the RG Acquisition, by approximately $0.2 million. No adjustments to the valuation allowance on deferred tax assets were recorded during the fiscal year ended May 31, 2001.

FISCAL YEAR ENDED MAY 31, 2000 COMPARED TO THE FISCAL YEAR ENDED MAY 31, 1999 --

NET SALES. Net sales from continuing operations for the fiscal year ended May 31, 2000 were $30.1 million, an increase of $6.7 million or 29% over net sales from continuing operations of $23.4 million in 1999. Net sales of golf club shafts increased by $6.4 million or 33% and net sales of golf club grips increased by $0.3 million or 8%. The increased golf club shaft sales reflect continued strong demand for the Company's proprietary "Rifle" shafts. Net sales of the Company's higher priced, pro grade golf club shafts including the "Rifle" increased by $6.7 million or 42%.

COST OF SALES. Cost of sales from continuing operations for the fiscal year ended May 31, 2000 was $20.7 million, an increase of $5.5 million or 36% over cost of sales sold from continuing operations of $15.2 million in 1999. The cost of golf club shafts sales increased by $4.7 million or 37% primarily as a result of higher total net sales. The cost of golf club grips sales increased by $0.8 million or 32% due to higher total net sales and additional costs associated with the opening of a new West Coast distribution center in December 1999. Acushnet Rubber Company ("Acushnet") had previously warehoused and distributed the Company's grips under an exclusive manufacturing and supply agreement. The Company assumed responsibility for these functions following the termination of the Acushnet contracts. (See Note 4 to the consolidated financial statements.) Approximately $0.1 million in additional costs was incurred related to the new distribution facility during the fiscal year ended May 31, 2000. Also, depreciation expense of $0.2 million was recorded on the grip manufacturing equipment while in use by Acushnet during the fiscal year ended May 31, 2000 whereas no depreciation expense was recorded in 1999 when the Acushnet capital lease contract was in effect.

GROSS PROFIT. Gross profit from continuing operations for the fiscal year ended May 31, 2000 was $9.4 million, an increase of $1.2 million or 15% over gross profit from continuing operations of $8.2 million in 1999. Gross profit from sales of golf club shafts increased by $1.6 million or 26% to $8.0 million due to higher total net sales. Expressed as a percentage of sales, the gross profit on sales of golf club shafts decreased from 33% to 31% due principally to a change in the mix of products sold. Sales of a particular pro grade shaft that is not subject to the Company's Frequency Coefficient Matching ("FCM") technology and is sold at a lower price and a lower profit margin than the Company's other pro grade products totaled approximately $4.3 million, or 17% of total shaft sales during the fiscal year ended May 31, 2000, whereas sales of

this product in 1999 were approximately $1.8 million, or 9% of total shaft sales. Additionally, inventory write-downs of $0.3 million were recorded during the fiscal year ended May 31, 2000 to reduce to estimated net realizable value certain graphite shafts purchased for resale prior to the introduction of the "Rifle" Graphite. Overtime pay and workers' compensation insurance premiums also increased significantly during fiscal 2000 as production was increased to meet the higher sales demand.

Gross profit from sales of golf club grips decreased by $0.4 million or 23% to $1.4 million despite an increase in net sales. Expressed as a percentage of sales, the gross profit on sales of golf club grips decreased from 44% to 31%. This decreased margin reflects the additional warehouse costs and depreciation expense discussed above as well as a different mix of products sold during the two periods. Beginning in November 1998, the Company introduced a new buffed product for the Japanese market which is being manufactured at a higher cost and is being sold at a lower profit margin than other grip products. Sales of this product represented 38% of sales during the fiscal year ended May 31, 2000 compared to only 14% in 1999.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses for the fiscal year ended May 31, 2000 were $6.9 million, an increase of 17% over selling, general and administrative expenses of $5.9 million in 1999. This $1.0 million increase consists primarily of additional marketing and advertising costs including a television commercial campaign which first aired in January 2000 and management bonuses earned under an incentive compensation plan based on the profitability of the Company. As a percentage of sales, selling, general and administrative expenses declined from

25% during the fiscal year ended May 31, 1999 to 23% in 2000.

AMORTIZATION OF GOODWILL. Goodwill was reduced in the fourth quarter of the fiscal year ended May 31, 1999 as a result of the utilization of net operating loss carryforwards established prior to the RG Acquisition and partial reversal of the valuation allowance on pre-acquisition deferred tax assets. Therefore, amortization expense was reduced from $521,000 during the fiscal year ended May 31, 1999, to $486,000 in 2000.

ENVIRONMENTAL COSTS. As discussed in Note 16 to the consolidated financial statements, costs totaling $0.1 were incurred related to various environmental matters during the fiscal year ended May 31, 2000. No such expenses were incurred in 1999.

GAIN ON TERMINATION OF MANUFACTURING SUPPLY CONTRACT. As discussed in Note 4 to the consolidated financial statements, the Company and Acushnet executed a mutual release agreement terminating the manufacturing and supply agreement and capital lease agreement in May 1999. The Company recognized a one-time aggregate gain of $0.9 million during the fiscal year ended May 31, 1999 as a result of this Termination Agreement.

INTEREST EXPENSE. In October 1998, FMP entered into a new credit facility with RG's lender and paid off all existing loans to FMP's previous lender. A prepayment penalty of $0.1 million was incurred related to this transaction and is reflected as a component of the $0.8 million interest expense during the fiscal year ended May 31, 1999. Interest expense in 2000 was $0.6 million.

TERMINATED MERGER EXPENSES. The Company incurred professional fees of $1.0 million during the fiscal year ended May 31, 1999 related to a proposed merger agreement with Coyote Sports, Inc. (the "RP-Coyote Merger"). These expenses represent costs incurred for due diligence, negotiation of agreements and preparation of a registration statement for the contemplated merger.

OTHER INCOME. Other income of $0.3 million for the fiscal year ended May 31, 2000 is principally comprised of royalties earned on sales of Roxxi headwear products as well as royalty fees from other contracts which license certain Company technology and products. Other income of $0.2 million for the fiscal year ended May 31, 1999 primarily represents interest income on the Acushnet capital lease receivable.

PROVISION FOR INCOME TAXES. Provisions of $0.6 million and $0.8 million for taxes on income from continuing operations were recorded during the fiscal years ended May 31, 2000 and 1999, respectively. During fiscal 2000, the Company utilized approximately $0.5 million of Pre-Acquisition NOLs and also determined that approximately $1.9 million of Pre-Acquisition NOLs were realizable. As such, the Company reduced the valuation allowance on its deferred income tax assets by approximately $0.7 million (see Notes 2 and 10 to the consolidated financial statements). During fiscal 2000, the Company also reduced the valuation allowance on other deferred income tax assets, not related to the RG Acquisition, by approximately $0.2 million. During fiscal 1999, the Company utilized approximately $0.9 million of Pre-Acquisition NOLs and also determined that approximately $1.0 million of Pre-Acquisition NOLs were realizable and, therefore, reduced the valuation allowance on its deferred income tax assets by an aggregate of $0.7 million. Taxes are provided based on the estimated effective tax rate for the year, which considers the effect of nondeductible goodwill amortization.

DISCONTINUED OPERATIONS. As discussed in Note 1 to the consolidated financial statements, the Company disposed of the operating assets of Roxxi in March 1999. A loss of $0.8 million was recorded on this sale, net of a tax benefit of $0.4 million, reflecting a write-down of the excess book value of assets sold over the cash received. Losses from the operations of Roxxi for the fiscal year ended May 31, 1999 were $0.4 million, net of an income tax benefit of $0.2 million.

INFLATION --

The Company believes that inflation has not had a material impact on its financial condition and results of operations to date.

LIQUIDITY AND CAPITAL RESOURCES --

At May 31, 2001, the Company had working capital of $7.7 million and a current ratio of 3.1 to 1 as compared to working capital of $6.0 million and a current ratio of 2.3 to 1 at May 31, 2000.

The Company's primary borrowing arrangement consists of two bank credit facilities. Borrowings under the FMP and RG bank credit facilities are secured by substantially all of the Company's assets and contain certain financial and other covenants which, among other things, limit annual capital expenditures and dividends and require the maintenance of minimum monthly and quarterly earnings and quarterly debt service coverage ratios, as defined. The Company believes it is in compliance with all financial loan covenants as of May 31, 2001. Most recently in November 2000, the Company did not achieve the operating results necessary for compliance with certain financial loan covenants, but was successful in obtaining the necessary waivers and amendments to remedy such default. There can be no assurance, however, that the Company would be able to obtain the necessary waivers or amendments upon the occurrence of any future events of default of financial loan covenants which could have a material adverse effect on the Company's financial condition and results of operations.

FMP's bank credit facility consists of two term loans and a revolving line-of-credit. The outstanding principal balance of the first FMP term loan ("FMP Term 1") of $2.7 million at May 31, 2001 is due in monthly principal installments of $46,850 plus interest until its maturity in September 2004. The outstanding principal balance of the second FMP term loan ("FMP Term 2") of $0.4 million at May 31, 2001 is due in monthly principal installments of $6,667 plus interest beginning June 2001 until its maturity in September 2004.

The amount available for borrowings under the FMP revolving line-of-credit is based upon the levels of eligible FMP accounts receivable and inventories, as defined, subject to a maximum borrowing base of $6.5 million. Beginning on November 1 of each year, a seasonal over-advance of $0.5 million is available until May 31 of the following year. As of May 31, 2001, FMP had $4.5 million outstanding under its revolving line-of-credit and $1.5 million available for additional borrowings. The FMP line-of-credit expires in September 2004.

RG's bank credit facility consists of a term loan and a revolving line-of-credit. The RG term loan of $0.3 million at May 31, 2001 is due in monthly principal installments of $10,500 plus interest until it is paid off in July 2003. The amount available for borrowings under the RG revolving line-of-credit is based upon the levels of eligible RG accounts receivable and inventories, as defined, subject to a maximum borrowing base of $1.5 million. As of May 31, 2001, RG had $0.6 million outstanding under its revolving line-of-credit and $0.2 million available for additional borrowings. The RG line-of-credit expires in September 2004.

Borrowings under both lines-of-credit and FMP Term 2 bear interest at a rate per annum equal to the prime rate (7.0% at May 31, 2001) plus 2.25%. Borrowings under the RG term loan and FMP Term 1 bear interest at a rate per annum equal to the prime rate plus 2.75%. Borrowings under the FMP seasonal over-advance bear interest at a rate per annum equal to the prime rate plus 4.25%.

In December 2000, the Company borrowed $1.0 million under a revolving subordinated promissory note ("Subordinated Note") with the Johnston Family Charitable Remainder Unitrust #3 ("Johnston Trust"), of which Richard P. Johnston, a director, and the CEO and Chairman of the Board of the Company, is a Trustee. Partial repayments of the Subordinated Note were made in March and April 2001 and the balance was repaid in full during May 2001. While it was outstanding, the Subordinated Note accrued interest at a fixed annual rate of 13% and was subordinate to both the FMP and RG bank credit facilities. The Johnston Trust had an option to convert the indebtedness into RP common stock at

an exchange ratio of one share for every $1.00 of outstanding principal and accrued interest that was not repaid in full on or before May 31, 2001. The Johnston Trust conversion rights were limited to 25,000 shares prior to stockholder approval.

The Company believes that its existing capital resources and credit lines available are sufficient to fund its operations and capital requirements for its business as presently planned over the next twelve months. The Company anticipates a seasonal decline in operating results and liquidity during the upcoming fall and winter months similar to that which has occurred in prior years. Therefore, it is likely that the Company will draw funds from the over-advance provision of the FMP bank credit facility during the period from November 2001 to May 2002 when the over-advance is available.

During the fiscal year ended May 31, 2001, net cash used in operating activities was $0.4 million which primarily resulted from a net loss of $0.6 million, an increase in inventories of $1.3 million, and a decrease in accounts payable and accrued liabilities of $0.7 million. Net cash used in operating activities was reduced by depreciation and amortization of $1.1 million, write-downs of equipment and inventories of $1.0 million, and an increase in accounts receivable of $0.1 million.

Net cash used in investing activities of $1.1 million for the fiscal year ended May 31, 2001 was primarily for the purchase of property, plant and equipment. The Company estimates that capital expenditures for the fiscal year ending May 31, 2002 will be approximately $0.9 million. The Company is assessing its steel golf club shaft manufacturing capacities compared to the current and anticipated future volume of customer orders. Based on this assessment and the success of ongoing projects to increase production volumes, significant future capital expenditures may be made at the FMP manufacturing facility to increase production capacity for pro grade steel golf club shafts. Additionally, the Company is currently evaluating its options to reach compliance with the terms of a draft consent order to resolve an outstanding NOV with the DEP. Management believes that capital expenditures in excess of $0.3 million may be required at the FMP plant during the fiscal year ended May 31, 2002 related to this issue.

Net cash provided by financing activities for the fiscal year ended May 31, 2001, was $1.5 million resulting from net borrowings under lines-of-credit of $1.2 million and proceeds from issuance of long term debt and subordinated debt of $1.2 million and $1.0 million, respectively, offset by repayments of long term debt and subordinated debt of $0.9 million and $1.0 million, respectively. The Company is investigating certain potential acquisitions. Any potential acquisitions may require the use of existing capital resources, assumption of debt or issuance of new debt instruments, any of which could adversely impact the Company's liquidity and capital resources.

ENVIRONMENTAL MATTERS --

Environmental Costs related to various matters totaled $0.4 million and $0.1 million, net of recoveries, during the fiscal years ended May 31, 2001 and 2000, respectively. Management believes that significant future capital expenditures in excess of $0.3 million may be made at the FMP plant during the fiscal year ending May 31, 2002 (see Item 3 - Legal Proceedings).

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

QUANTITATIVE INFORMATION REGARDING MARKET RISK --

At May 31, 2001, the Company did not participate in any market risk sensitive financial instruments or other financial and commodity instruments for which fair value disclosure would be required under Statement of Financial Accounting Standards No. 107. The Company holds no investment securities that would require disclosure of market risk.

QUALITATIVE INFORMATION REGARDING MARKET RISK --

The Company's primary market risk exposure relates to its variable rate debt obligations which are described in Note 7 to the consolidated financial statements. A one percent change in the prime lending rate would have an effect of $0.1 million on interest expense for each of the fiscal years ended May 31, 2001 and 2000.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Royal Precision, Inc.:

We have audited the accompanying consolidated balance sheets of Royal Precision, Inc. (a Delaware corporation) and subsidiaries as of May 31, 2001 and 2000 and the related consolidated statements of operations, stockholders' equity, comprehensive income (loss) and cash flows for the three years in the period ended May 31, 2001. 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 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 audits 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 financial position of Royal Precision, Inc. and subsidiaries as of May 31, 2001 and 2000, and the results of their operations and their cash flows for the three years in the period ended May 31, 2001 in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of valuation and qualifying accounts and reserves on page S-1 is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP

Phoenix, Arizona
July 30, 2001

ROYAL PRECISION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF MAY 31, 2001 AND 2000
(DOLLARS IN THOUSANDS)

	2001	2000
ASSETS		
CURRENT ASSETS:		
Cash	$ 33	$ 36
Accounts receivable, net of allowance for doubtful accounts of $187 and $274 at May 31, 2001 and 2000, respectively	4,988	5,100
Inventories	5,920	5,124
Other current assets	215	155
Deferred income taxes	224	106
Total current assets	11,380	10,521
PROPERTY, PLANT AND EQUIPMENT:		
Land	123	123
Furniture, fixtures and office equipment	614	455
Buildings and improvements	955	840
Machinery and equipment	5,733	4,278
Equipment held for sale	120	500
Construction in progress	371	1,081
	7,916	7,277
Less - Accumulated depreciation	(1,912)	(1,264)
	6,004	6,013
GOODWILL, net	7,187	7,629
DEFERRED INCOME TAXES	582	701
OTHER ASSETS	54	78
Total assets	$ 25,207	$ 24,942
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 768	$ 906
Accounts payable	1,534	1,714
Accrued salaries and benefits	529	1,290
Accrued pension liability	198	176
Accrued environmental costs	272	--
Other accrued expenses	360	417
Total current liabilities	3,661	4,503
LONG-TERM DEBT, net of current portion	7,705	6,027
Total liabilities	11,366	10,530
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.001 par value; 1,000,000 shares authorized; no shares issued	--	--
Common stock, $0.001 par value; 10,000,000 shares authorized; 5,681,711 and 5,678,956 shares issued and outstanding at May 31, 2001		

and 2000, respectively	6	6
Additional paid-in capital	13,977	13,940
Retained earnings (accumulated deficit)	(118)	466
Accumulated other comprehensive loss	(24)	--
Total stockholders' equity	13,841	14,412
Total liabilities and stockholders' equity	$ 25,207	$ 24,942

The accompanying notes are an integral part of these consolidated balance sheets.

ROYAL PRECISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MAY 31, 2001, 2000 AND 1999
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

<S>	2001 <C>	2000 <C>	1999 <C>
NET SALES:			
Golf club shafts	$ 26,070	$ 25,559	$ 19,185
Golf club grips	3,927	4,540	4,210
	29,997	30,099	23,395
COST OF SALES:			
Golf club shafts	18,927	17,562	12,820
Golf club grips	3,056	3,137	2,384
	21,983	20,699	15,204
Gross profit	8,014	9,400	8,191
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	6,589	6,946	5,929
AMORTIZATION OF GOODWILL	442	486	521
ENVIRONMENTAL COSTS	409	105	--
GAIN ON TERMINATION OF MANUFACTURING SUPPLY CONTRACT	--	--	(865)
NONRECURRING EXPENSES	477	--	--
Operating income	97	1,863	2,606
INTEREST EXPENSE	888	644	794
TERMINATED MERGER EXPENSES	79	--	975
OTHER INCOME	(319)	(267)	(243)
Income (loss) from continuing operations before provision for income taxes	(551)	1,486	1,080
PROVISION FOR INCOME TAXES	33	616	804
Income (loss) from continuing operations	(584)	870	276
DISCONTINUED OPERATIONS:			
Loss from operations of Roxxi, Inc., net of tax benefit of $164	--	--	352
Loss on disposal of assets of Roxxi, Inc., net of tax benefit of $386	--	--	828
Loss from discontinued operations	--	--	1,180
Net income (loss)	$ (584)	$ 870	$ (904)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE:			
Income (loss) from continuing operations	$ (0.10)	$ 0.15	$ 0.05
Loss from discontinued operations	--	--	(0.21)
Net income (loss)	$ (0.10)	$ 0.15	$ (0.16)

WEIGHTED AVERAGE NUMBER OF COMMON SHARES USED TO COMPUTE PER SHARE INFORMATION:			
BASIC	5,679,077	5,672,580	5,649,756
	===========	===========	===========
DILUTED	5,679,077	5,814,862	5,649,756
	===========	===========	===========

</TABLE>

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

ROYAL PRECISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED MAY 31, 2001, 2000 AND 1999
(IN THOUSANDS)

<TABLE>
<CAPTION>

	COMMON STOCK		ADDITIONAL PAID-IN	RETAINED EARNINGS (ACCUMULATED	ACCUMULATED OTHER COMPREHENSIVE		COMPREHENSIVE
	SHARES	AMOUNT	CAPITAL	DEFICIT)	INCOME (LOSS)	TOTAL	INCOME (LOSS)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, May 31, 1998	5,602	$ 6	$ 13,821	$ 500	$ --	$ 14,327	
Exercise of common stock options	65	--	16	--	--	16	
Tax benefit from exercise of common stock options	--	--	45	--	--	45	
Stock based compensation	--	--	15	--	--	15	
Minimum pension liability adjustment, net of tax benefit of $31	--	--	--	--	(47)	(47)	$ (47)
Net loss	--	--	--	(904)	--	(904)	(904)

Comprehensive loss	--	--	--	--	--	--	(951)
	--------	--------	--------	--------	--------	--------	========
Balance, May 31, 1999	5,667	6	13,897	(404)	(47)	13,452	
Exercise of common stock options	12	--	4	--	--	4	
Tax benefit from exercise of common stock options	--	--	11	--	--	11	
Stock based compensation	--	--	28	--	--	28	
Minimum pension liability adjustment, net of tax expense of $31	--	--	--	--	47	47	47
Net income	--	--	--	870	--	870	870

Comprehensive income	--	--	--	--	--	--	917
	--------	--------	--------	--------	--------	--------	========
Balance, May 31, 2000	5,679	6	13,940	466	--	14,412	
Exercise of common stock options	3	--	1	--	--	1	
Tax benefit from exercise of common stock options	--	--	1	--	--	1	
Stock based compensation	--	--	35	--	--	35	
Minimum pension liability adjustment, net of tax benefit of $16	--	--	--	--	(24)	(24)	(24)
Net loss	--	--	--	(584)	--	(584)	(584)

Comprehensive loss	--	--	--	--	--	--	$ (608)
	--------	--------	--------	--------	--------	--------	========
Balance, May 31, 2001	5,682	$ 6	$ 13,977	$ (118)	$ (24)	$ 13,841	
	========	========	========	========	========	========	

</TABLE>

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

ROYAL PRECISION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2001, 2000 AND 1999
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

<S>	2001 <C>	2000 <C>	1999 <C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ (584)	$ 870	$ (904)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities of continuing operations:			
Depreciation and amortization	1,106	1,158	939
Deferred income taxes	17	592	719
Loss (gain) on retirement or sale of fixed assets	(3)	14	--
Stock based compensation	35	28	15
Tax benefit from exercise of common stock options	1	11	45
Write-down of equipment and inventories	962	--	--
Increase (decrease) in cash resulting from a change in operating assets and liabilities -			
Accounts receivable, net	112	(293)	(575)
Inventories	(1,273)	(110)	(970)
Other assets	(36)	79	(19)
Accounts payable and accrued expenses	(744)	110	102
Loss from discontinued operations	--	--	352
Loss on sale of discontinued operations	--	--	828
Gain on termination of manufacturing supply contract	--	--	(865)
Terminated merger expenses	--	--	975
Net cash provided by (used in) operating activities of continuing operations	(407)	2,459	642
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of machinery and equipment, net	(1,187)	(2,165)	(940)
Terminated merger costs	--	--	(975)
Payments from net investment in capital lease	--	--	198
Payments from termination of manufacturing supply contract	--	--	1,500
Proceeds from sale of assets of discontinued operations	--	--	300
Proceeds from sale of fixed assets	50	15	--
Net cash provided by (used in) investing activities of continuing operations	(1,137)	(2,150)	83
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from exercise of common stock options and warrants	1	4	16
Proceeds from issuance of long-term debt	1,204	--	5,140
Proceeds from issuance of subordinated debt	1,000	--	--
Borrowings (repayments) under lines-of-credit, net	1,243	742	(359)
Repayments of subordinated debt	(1,000)	--	--
Repayments of long-term debt	(907)	(1,203)	(5,067)
Net cash provided by (used in) financing activities of continuing operations	1,541	(457)	(270)
NET CASH USED IN DISCONTINUED OPERATIONS	--	--	(299)
INCREASE (DECREASE) IN CASH	(3)	(148)	156
CASH, beginning of year	36	184	28
CASH, end of year	$ 33	$ 36	$ 184
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest	$ 819	$ 633	$ 870
Income taxes	$ 5	$ 48	$ 40
Non-cash investing and financing transactions:			
Reduction in goodwill due to utilization of pre-acquisition net operating loss carryforwards and reversal of valuation allowance on pre-acquisition deferred income tax assets	$ --	$ 742	$ 650

</TABLE>

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

ROYAL PRECISION, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS:

ORGANIZATION -

The accompanying consolidated financial statements include Royal Precision, Inc. ("RP") and its three wholly-owned subsidiaries (collectively the "Company"), which are FM Precision Golf Manufacturing Corp. ("FMP"), FM Precision Golf Sales Corp. ("FMP Sales") and Royal Grip, Inc. ("RG"). In addition, RG, has a wholly-owned subsidiary, Royal Grip Headwear Company (formerly known as Roxxi, Inc., "Roxxi"). RP acquired RG on August 29, 1997 (the "RG Acquisition").

BUSINESS -

RP is a holding company that conducts its business operations through its subsidiaries. The Company designs, manufactures and distributes steel golf club shafts and designs and distributes golf club grips and graphite golf club shafts for sale to original equipment manufacturers ("OEMs") and to distributors and retailers for use in the replacement market. The Company's products are sold throughout the United States as well as internationally, primarily in Japan, Australia, Europe and Canada.

DISCONTINUED OPERATIONS -

In March 1999, the operating assets of Roxxi were disposed of through two separate transactions. The Company sold the Roxxi trade name, customer list, design database and related computer software and hardware for a royalty of 16% of the buyer's net sales of Roxxi-licensed products for the two-year period beginning May 1, 1999. The Company also sold Roxxi's manufacturing equipment, finished goods inventory and raw materials to another buyer for $0.3 million and a royalty of 2% of the buyer's net sales until the buyer has paid an additional $0.2 million. Subsequently, Roxxi's name was changed to Royal Grip Headwear Company.

During the fiscal year ended May 31, 1999, the Company recorded a loss on disposal of assets of Roxxi of $0.8 million, net of a tax benefit of $0.4 million. This expense represents a $1.1 million write-down of the excess of the carrying value of inventory and fixed assets over the cash received and $0.1 million for estimated transaction costs and estimated operating expenses to be incurred during the phase-out period of this business segment. For the fiscal years ended May 31, 2001, 2000 and 1999, royalties related to Roxxi of $115,000, $151,000 and $20,000, respectively, were recorded and are reflected as other income in the accompanying consolidated statements of operations.

Selected financial data for the discontinued operations is as follows for the fiscal year ended May 31, 1999 (in thousands):

Net sales	$ 2,381
Loss from operations before income taxes	$ (516)
Income tax benefit	164
Loss from operations	$ (352)
Net cash flow	$ (299)

DEPENDENCE ON "RIFLE" SHAFT SALES -

The Company is substantially dependent on sales of "Rifle" golf club shafts which constituted 67%, 62% and 56% of the Company's total net sales during the fiscal years ended May 31, 2001, 2000 and 1999, respectively. While management believes that demand for the "Rifle" shaft should remain high for the next several years, there can be no assurance that sales of the "Rifle" shaft will continue to grow or that the product will retain its profitability. If sales or profitability of the "Rifle" shaft decrease without the Company's introduction of new profitable products, the Company's overall financial performance would be materially adversely affected.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRINCIPLES OF CONSOLIDATION -

All significant intercompany balances and transactions have been eliminated in consolidation.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS -

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 disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

INVENTORIES --

Inventories are valued at the lower of cost or market. Cost is determined on the first-in, first-out method.

PROPERTY, PLANT AND EQUIPMENT -

Property, plant and equipment are carried at acquired cost. Major additions and betterments are capitalized, while replacements, maintenance and repairs that do not extend the useful lives of the assets are charged to operations as incurred. Upon the disposition of property, plant and equipment, any resulting gain or loss is recognized in income.

Depreciation of plant and equipment is provided for, commencing when such assets are placed in service, using the straight-line basis over the following estimated useful lives:

	USEFUL LIVES
Buildings and improvements	27.5-40 years
Machinery and equipment	3-12 years
Furniture, fixtures and office equipment	3-12 years

Depreciation expense was $0.7 million, $0.7 million and $0.4 million during the fiscal years ended May 31, 2001, 2000 and 1999, respectively.

GOODWILL -

Goodwill of $10.4 million was recorded in conjunction with the RG acquisition. This balance was subsequently reduced by $1.4 million due to utilization of pre-acquisition net operating loss ("NOL") carryforwards. Goodwill is being amortized over 20 years and, at May 31, 2001 and 2000, accumulated amortization was $1.8 million and $1.4 million, respectively.

LONG-LIVED ASSETS -

The Company reviews long-lived assets and certain identifiable intangible assets to be held and used or disposed of for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses are recognized when the undiscounted future cash flows, excluding interest costs, exceed the carrying value of the related assets.

The Company evaluates the goodwill asset for impairment by reviewing the estimated future cash flows of the acquired operations on a quarterly basis. As of May 31, 2001, the Company believes no impairment exists.

INCOME TAXES -

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." This statement requires the Company to recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and tax bases of assets and liabilities and tax NOL carryforwards available for tax reporting purposes, using applicable tax rates for the years in which the differences are

expected to reverse. A valuation allowance is recorded on deferred tax assets unless realization is more likely than not.

STOCK-BASED COMPENSATION -

The Company accounts for stock-based compensation for employees and directors under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and Financial Accounting Standards Board Interpretation No. 44, "Accounting for Certain Transactions Involving Stock

Compensation (an Interpretation of APB Opinion No. 25)," and has elected the disclosure-only alternative under SFAS No. 123, "Accounting for Stock Based Compensation." The Company accounts for stock options granted to those other than employees and directors in accordance with SFAS No. 123.

REVENUE RECOGNITION -

The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable. All of these conditions are met at the time the Company ships products to its customers.

RESEARCH AND DEVELOPMENT -

The Company expenses costs of research and development as incurred. Research and development expense was approximately $0.8 million, $0.7 million and $0.6 million for the fiscal years ended May 31, 2001, 2000 and 1999, respectively.

ADVERTISING -

The Company expenses production costs of advertising the first date the advertisements take place. Advertising and marketing costs were approximately $2.1 million, $2.3 million and $1.6 million for the fiscal years ended May 31, 2001, 2000 and 1999, respectively.

NET EARNINGS (LOSS) PER SHARE -

The Company accounts for earnings (loss) per share in accordance with SFAS No. 128, "Earnings Per Share." Basic earnings (loss) per share are based on the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share considers, in addition to the above, the dilutive effect of common share equivalents during the year. Common share equivalents represent dilutive stock options using the treasury stock method.

Loss per share for the fiscal years ended May 31, 2001 and 1999 were not affected by approximately 732,000 and 147,000 outstanding stock options, respectively, because their effect was anti-dilutive. For the fiscal year ended May 31, 2000, options to purchase approximately 620,000 shares of common stock were excluded from the computation of diluted earnings per share because the exercise prices of those options were greater than the average market price of the Company's common stock.

COMPREHENSIVE INCOME (LOSS) -

Under SFAS No. 130, "Reporting Comprehensive Income," the Company is required to report comprehensive income (loss) and its components in its consolidated financial statements in addition to net income (loss). Comprehensive income (loss) is included in the accompanying consolidated statements of stockholders' equity and comprehensive income (loss).

RECLASSIFICATIONS -

Certain prior year balances have been reclassified to conform with the current year presentation.

NEW ACCOUNTING PRONOUNCEMENTS -

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements." SAB No. 101 summarizes certain of the SEC's views in applying accounting principles generally accepted in the United States to revenue recognition in financial statements. The Company adopted SAB No. 101 on March 1, 2001. The adoption of SAB No. 101 did not have a material impact on the Company's results of operation or its financial position.

In July 2000, the Emerging Issues Task Force ("EITF") reached a final consensus on Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs" ("EITF No. 00-10"). When adopted, EITF No. 00-10 requires that all amounts billed to customers in sale transactions related to shipping and handling be classified as revenue. In addition, EITF No. 00-10 requires that shipping and handling fees and costs in financial statements for prior periods presented for comparative purposes be reclassified. EITF No. 00-10 must be adopted prior to, or concurrent with, the adoption of SAB No. 101. The Company elected to early adopt EITF No. 00-10 during the first quarter of the fiscal year ended May 31, 2001. As such, the consolidated statements of operations for the fiscal years ended May 31, 2000 and 1999 have been reclassified to reflect the adoption of EITF No. 00-10. Shipping and handling expenses are classified as part of cost of sales.

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS

No. 133 (as amended by SFAS Nos.137 and 138), "Accounting for Derivative Instruments and Hedging Activities," which requires that an entity recognize all derivatives as either assets or liabilities and measure those instruments at fair value. The Company adopted SFAS No. 133 on June 1, 2001. The adoption of SFAS No. 133 did not have a material impact on the Company's results of operations or its financial position.

In June 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires companies to apply the purchase method of accounting for all business combinations initiated after June 30, 2001 and prohibits the use of the pooling-of-interest method. SFAS No. 142 changes the method by which companies may recognize intangible assets in purchase business combinations and generally requires identifiable intangible assets to be recognized separately from goodwill. In addition it eliminates the amortization of all existing and newly acquired goodwill on a prospective basis and requires companies to assess goodwill for impairment, at least annually, based on the fair value of the reporting unit. The Company will be required to adopt SFAS Nos. 141 and 142 on June 1, 2002, however, early adoption as of June 1, 2001 is permitted. Management has not determined the impact the adoption of SFAS Nos. 141 and 142 will have on the Company's financial statements or when the Company will elect to adopt these statements.

3. INVENTORIES:

Inventories as of May 31, 2001 and 2000 consisted of the following (in thousands):

	2001	2000
Raw materials	$ 814	$ 525
Work-in-process	1,215	1,655
Finished goods	3,891	2,944
	$5,920	$5,124

During the fiscal year ended May 31, 2001, the Company recorded write-downs totaling $0.5 million to reduce the carrying value of certain steel golf club shafts and golf club grips finished goods inventories to estimated net realizable value. During the fiscal year ended May 31, 2000, the Company recorded write-downs totaling $0.3 million to reduce the carrying value of certain graphite shafts purchased for resale prior to the introduction of the "Rifle" Graphite, to estimated net realizable value. These write-downs are reflected as a component of cost of sales in the consolidated statements of operations.

4. MANUFACTURING SUPPLY CONTRACTS:

In December 1996, the Company and Acushnet Rubber Company ("Acushnet") entered into a manufacturing and supply agreement whereby the Company outsourced the manufacture of its golf club grips to Acushnet. Additionally, the two parties entered into an agreement resulting in the transfer of the Company's grip manufacturing equipment to Acushnet under a capital lease. In May 1999, the Company and Acushnet executed a mutual release agreement terminating their manufacturing and supply agreement and capital lease agreement (the "Termination Agreement"). Pursuant to the Termination Agreement, the Company received $1.5 million in cash and $1.0 million in purchase credits from Acushnet. Additionally, Acushnet's obligation to make payments to the Company under the capital lease was terminated, but Acushnet was required to continue producing grips through February 2000 at which time the equipment was returned to the

Company. The Company recognized an aggregate gain of $0.9 million during the fiscal year ended May 31, 1999 as a result of the Termination Agreement. The grip manufacturing equipment returned to the Company from Acushnet is classified as equipment held for sale in the consolidated balance sheets as of May 31, 2001 and 2000.

From January 1997 to February 2000, the Company utilized Acushnet as its primary supplier of golf club grips. The Company has identified several alternative manufacturers and currently purchases its grip inventory from five different suppliers. Although the Company does not have long-term supply contracts with any of these companies, management believes it has an adequate source of supply to meet its current and anticipated future customer needs. However, there can be no assurance that a disruption of supply from any of these companies will not result in the loss of sales and key customers, which would have a material adverse effect on the Company's financial condition and results of operations.

The Company currently utilizes two manufacturers to supply its inventory of graphite golf club shafts. Management believes that there are other acceptable supply sources at comparable prices and quality. Sales of these products to date have been insignificant to the Company's financial condition and results of operations. However, there can be no assurance that a disruption of supply from either of these companies will not result in the loss of sales and key customers or hinder the Company's efforts to expand its business into this new product segment.

The Company uses Worthington Industries, Inc. ("Worthington") as its primary supplier for strip steel, but has no supply contract with Worthington. Should Worthington fail to deliver steel, there may be a disruption of operations at the Company's manufacturing facility until an alternate supplier is procured. Worthington provides steel from two separate plant locations. If one Worthington plant becomes unable to fill the necessary requirements, orders could be filled from the alternate location. Although the Company has elected to use Worthington as its primary supplier of strip steel, management believes that there are other acceptable supply sources at comparable prices and quality and that the loss of Worthington as a supplier would not have a material adverse effect on the Company's financial condition and results of operations.

5. EQUIPMENT WRITE-DOWNS:

During the fiscal year ended May 31, 2001, the Company recorded an impairment write-down of $0.4 million on equipment held for sale, which represents rubber injection presses previously used to manufacture the Company's golf club grips. Also during the fiscal year ended May 31, 2001, the Company recorded an expense of $0.1 million to write-off the accumulated cost of various projects under development to design and construct tooling for the manufacture of golf club grips. These write-downs are reflected as nonrecurring expenses in the consolidated statement of operations for the fiscal year ended May 31, 2001.

6. TERMINATED MERGER AGREEMENTS:

In February 1999, the Company and Coyote Sports, Inc. ("Coyote") entered into a merger agreement pursuant to which RP would become a wholly-owned subsidiary of Coyote (the "RP-Coyote Merger"). In June 1999, the RP-Coyote Merger agreement was terminated at the request of the Company due to a material change in the business of Coyote that resulted in an inability to obtain suitable long-term financing. The Company incurred professional fees of $1.0 million related to the RP-Coyote Merger, which are reflected as terminated merger expenses in the accompanying consolidated statement of operations for the fiscal year ended May 31, 1999.

In September 2000, the Company signed a letter of intent to acquire PH Group Inc. ("PHG"), a manufacturer of hydraulic presses and injection molding machines. The Company terminated the letter of intent and ceased negotiations to acquire PHG in November 2000. Legal and other professional fees associated with the due diligence efforts of the proposed acquisition totaled $0.1 million and are reflected as terminated merger expenses in the consolidated statement of operations for the fiscal year ended May 31, 2001.

7. LONG-TERM DEBT:

The Company's primary borrowing arrangement consists of two bank credit facilities. Borrowings under the FMP and RG bank credit facilities are secured by substantially all of the Company's assets and contain certain financial and other covenants which, among other things, limit annual capital expenditures and dividends and require the maintenance of minimum monthly and quarterly earnings and quarterly debt service coverage ratios, as defined. The Company believes it

is in compliance with all financial loan covenants as of May 31, 2001. Most recently in November 2000, the Company did not achieve the operating results necessary for compliance with certain financial loan covenants, but was successful in obtaining the necessary waivers and amendments to remedy such default. There can be no assurance, however, that the Company would be able to obtain the necessary waivers or amendments upon the occurrence of any future events of default of financial loan covenants which could have a material adverse effect on the Company's financial condition and results of operations.

FMP's bank credit facility consists of two term loans and a revolving line-of-credit. The outstanding principal balance of the first FMP term loan ("FMP Term 1") of $2.7 million at May 31, 2001 is due in monthly principal installments of $46,850 plus interest until its maturity in September 2004. The outstanding principal balance of the second FMP term loan ("FMP Term 2") of $0.4 million at May 31, 2001 is due in monthly principal installments of $6,667 plus interest beginning June 2001 until its maturity in September 2004.

The amount available for borrowings under the FMP revolving line-of-credit is based upon the levels of eligible FMP accounts receivable and inventories, as defined, subject to a maximum borrowing base of $6.5 million. Beginning on November 1 of each year, a seasonal over-advance of $0.5 million is available until May 31 of the following year. As of May 31, 2001, FMP had $4.5 million outstanding under its revolving line-of-credit and $1.5 million available for additional borrowings. The FMP line-of-credit expires in September 2004.

RG's bank credit facility consists of a term loan and a revolving line-of-credit. The RG term loan of $0.3 million at May 31, 2001 is due in monthly principal installments of $10,500 plus interest until it is paid off in July 2003. The amount available for borrowings under the RG revolving line-of-credit is based upon the levels of eligible RG accounts receivable and inventories, as defined, subject to a maximum borrowing base of $1.5 million. As of May 31, 2001, RG had $0.6 million outstanding under its revolving line-of-credit and $0.2 million available for additional borrowings. The RG line-of-credit expires in September 2004.

Borrowings under both lines-of-credit and FMP Term 2 bear interest at a rate per annum equal to the prime rate (7.0% at May 31, 2001) plus 2.25%. Borrowings under the RG term loan and FMP Term 1 bear interest at a rate per annum equal to the prime rate plus 2.75%. Borrowings under the FMP seasonal over-advance bear interest at a rate per annum equal to the prime rate plus 4.25%.

Total indebtedness of the Company as of May 31, 2001 and 2000 consisted of the following (in thousands):

	2001	2000
FMP:		
Line-of-credit	$ 4,520	$ 3,740
FMP Term 1	2,717	2,657
FMP Term 2	400	--
RG:		
Line-of-credit	568	105
Term loan	268	431
	8,473	6,933
Less - Current portion	(768)	(906)
Total long-term debt	$ 7,705	$ 6,027

Scheduled maturities of the Company's indebtedness at May 31, 2001 are as follows (in thousands):

YEARS ENDING MAY 31,	
2002	$ 768
2003	768
2004	658
2005	6,279
	$8,473

As of May 31, 2001 and 2000, the carrying value of the line-of-credit and term loans approximated their fair market value since the obligations bear interest at a variable rate of interest.

8. OPERATING LEASES:

The Company leases its corporate offices, its West Coast distribution center and various office equipment under operating lease agreements. Minimum annual rental commitments under noncancellable leases are as follows (in thousands):

YEARS ENDING MAY 31,	
2002	$ 328
2003	275
2004	275
2005	1
	$ 879

Rental expense under operating leases totaled approximately $0.3 million, $0.2 million and $0.3 million for the fiscal years ended May 31, 2001, 2000 and 1999, respectively.

9. STOCK OPTION PLANS:

In connection with the RG Acquisition, options to purchase 41 shares of FM Precision Golf Corp. common stock outstanding as of the RG Acquisition date were converted into options to purchase 169,761 shares of RP common stock. As of May 31, 2001, 87,553 shares of common stock are reserved for issuance upon the exercise of the remaining options outstanding, which expire through May 2005.

In connection with the RG Acquisition, options and warrants to purchase 982,250 shares of RG common stock outstanding as of the RG Acquisition date were converted into options and warrants to purchase 491,124 shares of RP common stock. As of May 31, 2001, 266,124 shares of common stock are reserved for issuance upon the exercise of the remaining options outstanding, which expire through March 2007.

In October 1997, the Company adopted the Royal Precision, Inc. Stock Option Plan (the "RP Plan"). The RP Plan is administered by the Board of Directors and provides for the granting of nonqualified or incentive stock options to purchase shares of the Company's common stock to certain employees, consultants and directors. In October 2000, the Company's stockholders authorized an increase in the number of shares of the Company's common stock available for issuance pursuant to the RP Plan from 750,000 to 1.5 million. As of May 31, 2001, 945,773 shares of common stock are reserved for issuance upon the exercise of options outstanding under the RP Plan. As of May 31, 2001, an additional 553,666 shares of common stock are reserved for options not yet granted under the RP Plan.

In December 1999, warrants to purchase 25,000 shares were granted to a firm which provided consulting services to the Company. None of the warrants, which expire in December 2004, had been exercised as of May 31, 2001.

Stock option and warrant activity for the three fiscal years ended May 31, 2001 is as follows:

<TABLE>
<CAPTION>

	FM PRECISION GOLF CORP. CONVERTED OPTIONS	RG CONVERTED OPTIONS	RP PLAN OPTIONS	WARRANTS	TOTAL OPTIONS AND WARRANTS	WEIGHTED-AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Outstanding at May 31, 1998	167,006	436,749	--	--	603,755	$ 6.13
Granted	--	178,083	104,980	--	283,063	3.25
Exercised	(65,678)	--	--	--	(65,678)	0.24
Cancelled	--	(323,833)	(1,000)	--	(324,833)	7.47
Expired	--	(21,125)	--	--	(21,125)	19.15
Outstanding at May 31, 1999	101,328	269,874	103,980	--	475,182	3.73
Granted	--	--	615,933	25,000	640,933	2.53
Exercised	(11,020)	--	(561)	--	(11,581)	0.32
Cancelled	--	--	(24,179)	--	(24,179)	2.03
Outstanding at May 31, 2000	90,308	269,874	695,173	25,000	1,080,355	3.10
Granted	--	--	275,600	--	275,600	2.26
Exercised	(2,755)	--	--	--	(2,755)	0.24
Cancelled	--	--	(25,000)	--	(25,000)	2.40
Expired	--	(3,750)	--	--	(3,750)	10.85
Outstanding at May 31, 2001	87,553	266,124	945,773	25,000	1,324,450	2.92

</TABLE>

A summary of information about stock options outstanding at May 31, 2001 is as follows:

<TABLE>
<CAPTION>

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT MAY 31, 2001	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT MAY 31, 2001	WEIGHTED-AVERAGE EXERCISE PRICE
<S>	<C>	<C>	<C>	<C>	<C>
$ 0.24	87,553	5.8 years	$ 0.24	87,553	$ 0.24
1.81 - 1.88	66,740	6.6 years	1.83	52,799	1.84
2.01 - 2.13	149,600	8.3 years	2.06	44,822	2.06
2.25	200,600	9.2 years	2.25	--	--
2.38	87,500	7.2 years	2.38	25,833	2.38
2.63	125,000	6.7 years	2.63	54,965	2.63

2.75	215,000	8.7 years	2.75	71,595	2.75
3.00 - 3.19	249,416	7.8 years	3.15	199,070	3.18
4.50 - 24.50	143,041	2.9 years	7.35	123,841	7.76
	1,324,450			660,478	

</TABLE>

The Company has computed the pro forma disclosures required under SFAS No. 123 for all of the options granted to employees and directors using the Black Scholes option pricing model as prescribed by SFAS No. 123. The weighted average assumptions used are as follows for the fiscal years ended May 31, 2001 and 2000:

	2001	2000
Risk free interest rate	5.4%	6.5%
Expected dividend yield	None	None
Expected life	10 years	10 years
Expected volatility	61%	55%

Had compensation cost for the Company's stock plan been recorded in accordance with SFAS No. 123, the Company's net income (loss) and basic and diluted net income (loss) per share would have been the following pro forma amounts for the fiscal years ended May 31, 2001, 2000 and 1999 (in thousands, except per share data):

	2001	2000	1999
Net income (loss):			
As reported	$ (584)	$ 870	$ (904)
Pro forma	(1,130)	555	(1,383)
Basic and diluted net income (loss) per share:			
As reported	(0.10)	0.15	(0.16)
Pro forma	(0.20)	0.10	(0.24)

The resulting pro forma compensation cost may not be representative of that to be expected in future years because the pro forma amounts do not consider options granted prior to fiscal 1997 or in future years.

As of May 31, 2001 and 2000, there were outstanding options to purchase 170,583 shares of the Company's common stock at an exercise price of $3.19 per share which are subject to variable plan accounting until they are exercised or expire in January 2004. No compensation costs have been recognized to date related to these options.

10. INCOME TAXES:

The components of the provision for income taxes from continuing operations are as follows for the three fiscal years ended May 31, 2001 (in thousands):

	2001	2000	1999
Current	$ 16	$ 13	$ 25
Deferred	17	603	779
	$ 33	$616	$804

The Company's effective income tax rate, as a percent of pretax income from continuing operations, differs from the statutory federal rate as follows for the three fiscal years ended May 31, 2001:

	2001	2000	1999
Statutory federal income tax rate	(34)%	34%	34%
State taxes, net of federal benefit	(6)	6	--
Nondeductible goodwill amortization	29	11	16
Nondeductible environmental civil penalty	14	--	--
Change in valuation allowance	--	(11)	28
Other	3	1	(4)
Effective income tax rate	6%	41%	74%

The components of deferred income tax assets (liabilities) as of May 31, 2001 and 2000 are as follows (in thousands):

	2001	2000

Current asset (liability) -		
Financial reserves and accruals not currently deductible	$ 523	$ 582
Other	--	(72)
Valuation allowance	(299)	(404)
	224	106
Long-term asset (liability) -		
Tax effect of net operating loss carryforwards	2,309	2,230
Book basis in excess of tax basis for property, plant and equipment	(585)	(441)
Compensation expense related to grant of stock options	94	94
Other	210	159
Valuation allowance	(1,446)	(1,341)
	582	701
	$ 806	$ 807

As of May 31, 2001, the Company has federal and state NOL carryforwards of approximately $5.8 million of which $4.9 million relate to RG for periods prior to the RG Acquisition ("Pre-Acquisition NOLs"). The use of such Pre-Acquisition NOLs is limited to $0.8 million per annum under Section 382 of the Internal Revenue Code. As of May 31, 2001, approximately $1.9 million of Pre-Acquisition NOLs are available under Section 382. The NOLs, if unused, expire beginning in 2009 through 2020.

As of May 31, 1998, a valuation allowance of $2.8 million was recorded to fully offset NOL carryforwards and other net deferred tax assets as of such date, due to uncertainty of their realization. During the fiscal year ended May 31, 1999, the Company utilized approximately $0.9 million of Pre-Acquisition NOLs and also determined that approximately $1.0 million of Pre-Acquisition NOLs

were realizable. As such, the Company reduced the valuation allowance by $0.7 million and recorded a corresponding reduction of goodwill. During fiscal 1999, the Company also increased the valuation allowance on certain other deferred tax assets, not related to the RG Acquisition, by approximately $0.5 million, resulting in a valuation allowance of $2.6 million as of May 31, 1999.

During the fiscal year ended May 31, 2000, the Company utilized approximately $0.4 million of Pre-Acquisition NOLs and also determined that approximately $1.9 million of Pre-Acquisition NOLs were realizable. As such, the Company reduced the valuation allowance by $0.7 million and recorded a corresponding reduction of goodwill. During fiscal 2000, the Company also reduced the valuation allowance on certain other deferred tax assets, not related to the RG Acquisition, by approximately $0.2 million, resulting in a valuation allowance of $1.7 million as of May 31, 2000.

No adjustments to the valuation allowance on deferred tax assets were recorded during the fiscal year ended May 31, 2001. Future recognition of additional amounts of Pre-Acquisition NOLs would result in further reductions of goodwill of up to $1.4 million and reductions in the provision for income taxes of $0.3 million.

11. RELATED PARTY TRANSACTIONS:

Professional and advisory fees and expense reimbursements of approximately $0.4 million, $0.3 million and $0.3 million were paid to certain stockholders or their affiliates during the fiscal years ended May 31, 2001, 2000 and 1999, respectively.

In December 2000, the Company borrowed $1.0 million under a revolving subordinated promissory note ("Subordinated Note") with the Johnston Family Charitable Remainder Unitrust #3 ("Johnston Trust"), of which Richard P. Johnston, a director, and the CEO and Chairman of the Board of the Company, is a Trustee. Partial repayments of the Subordinated Note were made in March and April 2001 and the balance was repaid in full during May 2001. While it was outstanding, the Subordinated Note accrued interest at a fixed annual rate of 13% and was subordinate to both the FMP and RG bank credit facilities. The Johnston Trust had an option to convert the indebtedness into RP common stock at an exchange ratio of one share for every $1.00 of outstanding principal and accrued interest that was not repaid in full on or before May 31, 2001. The Johnston Trust conversion rights were limited to 25,000 shares prior to stockholder approval.

12. FOREIGN SALES:

The Company has export sales to customers located primarily throughout

Japan, Australia, the United Kingdom and Canada. Foreign sales were approximately 23%, 32% and 29% of the Company's sales for the fiscal years ended May 31, 2001, 2000 and 1999, respectively. The following table summarizes the Company's sales by major worldwide regions for the three fiscal years ended May 31, 2001 (in thousands):

	2001	2000	1999
United States	$23,144	$20,334	$16,607
Japan	5,869	8,210	5,797
Other	984	1,555	991
Total	$29,997	$30,099	$23,395

13. BENEFIT PLANS:

401(K) PLAN -

The Company sponsors a defined contribution benefit plan under Section 401(k) of the Internal Revenue Code. Each year, eligible participants may elect to make salary reduction contributions up to the lesser of 15% of compensation or the annual maximum contribution established by the Internal Revenue Service. Participants may also make voluntary after-tax contributions to the defined contribution benefit plan. Employer contributions are discretionary and, to date, the Company has not contributed to the defined contribution benefit plan.

PENSION PLAN -

Approximately 70% of the Company's work force is covered by a collective bargaining agreement. The Company sponsors the FM Precision Golf Manufacturing Corp. Pension Plan for Represented Hourly Wage Employees (the "Union Plan") for the benefit of its union employees. The Company funds the Union Plan based on actuarial determined amounts sufficient to meet the benefits to be paid to participants under the Union Plan. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

For the years ended May 31, 2001 and 2000, the reconciliation of the projected benefit obligation was (in thousands):

	2001	2000
Beginning of year projected benefit obligation	$ 368	$ 382
Service cost	92	98
Interest cost	29	22
Actuarial (gain) loss	60	(134)
End of year projected benefit obligation	$ 549	$ 368

The reconciliation of the funded status of the Union Plan as of May 31, 2001 and 2000 was (in thousands):

	2001	2000
Projected benefit obligation	$(549)	$(368)
Plan assets at fair value	351	265
Funded status (accrued benefit cost)	(198)	(103)
Minimum pension liability adjustment	--	(73)
Net amount recognized	$(198)	$(176)

The reconciliation of fair value of assets of the Union Plan as of May 31, 2001 and 2000 was (in thousands):

	2001	2000
Beginning of year fair value of assets	$ 265	$ 131
Employer contributions	114	119
Actual return on plan assets	(28)	15
End of year fair value of assets	$ 351	$ 265

The components of net pension cost for the three fiscal years ended May 31, 2001 were (in thousands):

	2001	2000	1999

Service cost	$ 92	$ 98	$ 88
Interest cost	29	22	13
Expected return on assets	(17)	(4)	(3)
Prior year (gain) loss	(2)	--	--
Net periodic pension cost	$ 102	$ 116	$ 98

A summary of the Company's key actuarial assumptions as of May 31, 2001, 2000 and 1999 were as follows:

	2001	2000	1999
Discount rate	7.16%	7.75%	6.75%
Expected long-term rate of return on assets	9.00%	9.00%	9.00%

14. INFORMATION ON SEGMENTS:

The Company has two reportable segments in continuing operations: golf club shafts and golf club grips. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates the performance of these segments based on segment operating income or loss and cash flows. The Company allocates certain administrative

expenses to segments. The amounts in this illustration are the amounts in reports used by the chief operating officer (in thousands):

	YEAR ENDED MAY 31, 2001		
	GOLF CLUB SHAFTS	GOLF CLUB GRIPS	TOTAL
Net sales	$ 26,070	$ 3,927	$ 29,997
Depreciation and amortization	564	542	1,106
Nonrecurring expenses	--	477	477
Operating income (loss)	1,042	(945)	97
Interest expense	799	89	888
Assets	14,560	16,563	31,123
Capital expenditures	691	496	1,187
Total assets for reportable segments			$ 31,123
Assets of discontinued operations			19
Elimination of investment in subsidiary			(5,935)
Consolidated total assets			$ 25,207

	YEAR ENDED MAY 31, 2000		
	GOLF CLUB SHAFTS	GOLF CLUB GRIPS	TOTAL
Net sales	$ 25,559	$ 4,540	$ 30,099
Depreciation and amortization	384	774	1,158
Operating income (loss)	2,004	(141)	1,863
Interest expense	575	69	644
Assets	13,488	17,475	30,963
Capital expenditures	1,838	327	2,165
Total assets for reportable segments			$ 30,963
Assets of discontinued operations			43
Elimination of investment in subsidiary			(6,064)
Consolidated total assets			$ 24,942

	YEAR ENDED MAY 31, 1999		
	GOLF CLUB SHAFTS	GOLF CLUB GRIPS	TOTAL
Net sales	$ 19,185	$ 4,210	$ 23,395
Depreciation and amortization	288	651	939
Gain on termination of manufacturing supply contract	--	865	865
Operating income	1,494	1,112	2,606
Interest expense	708	86	794
Assets	11,815	18,927	30,742
Capital expenditures	789	151	940

Total assets for reportable segments	$ 30,742
Assets of discontinued operations	162
Elimination of investment in subsidiary	(6,294)
Consolidated total assets	$ 24,610

15. CONCENTRATION OF CREDIT RISK:

The Company is subject to a concentration of credit risk as a result of sales to its significant customers including TaylorMade - adidas Golf ("TaylorMade"), its exclusive Japanese distributor ("Precision Japan") and Callaway Golf Company ("Callaway") which, in the aggregate, represented 60%, 50% and 49% of the Company's total net sales for the fiscal years ended May 31, 2001, 2000 and 1999, respectively. TaylorMade accounted for 21%, 18% and 15% of total net sales during the fiscal years ended May 31, 2001, 2000 and 1999, respectively. Precision Japan accounted for 20%, 27% and 25% of total net sales during fiscal 2001, 2000 and 1999, respectively. Callaway accounted for 19%, 5% and 9% of total net sales during fiscal 2001, 2000 and 1999, respectively. The outstanding receivable balances from TaylorMade, Precision Japan and Callaway as of May 31, 2001 were $0.8 million, $0.6 million and $1.6 million, respectively. To reduce its credit risk, the Company requires letter of credit agreements from Precision Japan.

The Company has two long-term agreements with Precision Japan which grant exclusive distribution rights for sale of the Company's golf club grips and golf club shafts in Japan and certain other Asian countries. The grip and shaft agreements expire in January 2002 and July 2002, respectively. The Company does not have supply agreements with TaylorMade or Callaway. The loss of sales to any of these companies could have a significant adverse impact on the Company's financial condition and results of operations.

16. COMMITMENTS AND CONTINGENCIES:

LITIGATION -

The Company is from time to time a party to various routine legal proceedings which are incidental to the Company's business. Management consults with legal counsel on all such matters and management believes, except for the following environmental matters, that none of the current routine proceedings will have a material adverse effect on the Company's financial condition or future operating results.

ENVIRONMENTAL MATTERS -

In May 1996, the Company acquired substantially all the assets of the golf club shaft manufacturing business of Brunswick Corporation (NYSE: BC) (the "Brunswick Acquisition"). Included in the acquired assets were land, buildings and equipment at the Company's Torrington, Connecticut manufacturing facility (the "FMP plant"). In conjunction with the Brunswick Acquisition, Brunswick Corporation ("Brunswick") agreed to indemnify the Company from potential liability arising from certain environmental matters and to remediate certain environmental conditions which existed at the FMP plant on the date of acquisition. Brunswick has engaged an environmental consulting firm to perform testing at the FMP plant and is in the process of developing a plan of remediation. The Company has engaged an environmental consulting firm to assist in the development of the plan of remediation. Failure of Brunswick to fulfill its obligations under the asset purchase contract could have a material adverse effect on the Company's financial condition and results of operations.

Prior to the Brunswick Acquisition, the FMP plant was listed in the U.S. Environmental Protection Agency's ("EPA") Comprehensive Environmental Response, Compensation and Liability Information System ("CERCLIS"). A contractor for the EPA performed an assessment of the FMP plant in January 1992 and, in June 1992, the site was deferred from the CERCLIS inventory to the EPA's Resource Conservation and Recovery Act ("RCRA") program. During calendar 2000, the EPA reviewed the status of the property, concluded that the FMP plant is not subject to corrective action under RCRA and returned the site to its active CERCLIS inventory. In November 2000 and April 2001, a contractor for the EPA performed another site assessment and took samples from the property of the FMP plant. The Company anticipates that a report from the EPA with the results of this work will be received prior to April 2002. The Company believes that, pursuant to the Brunswick Acquisition agreement, Brunswick has an obligation under the Connecticut Transfer Act (the "Act") to remediate any environmental issues that fall within the scope of the Act. The Company expects that, if the EPA identifies any environmental issues, they would be issues that fall within the scope of the Act. There is not sufficient information at this time to determine what action, if any, the EPA may pursue and what effect, if any, it may have on the Company's financial condition and results of operations.

In April 2000, the Company submitted information regarding the disposal and treatment of waste materials from the FMP plant during the period from 1982 to 1997 to assist the EPA in its investigation of the former National Oil Services,

Inc. Superfund site in West Haven, Connecticut. National Oil Services, Inc. was, prior to its bankruptcy, a contractor used by Brunswick, and to a limited degree by the Company, to treat and dispose of non-hazardous waste oils from the FMP plant. In June 2001, the Company executed a consent decree with the EPA and agreed to pay approximately $5,000 in full satisfaction of its liability under this matter. The Company is currently negotiating with Brunswick to determine the portion of the payment for which each party is responsible.

In October 2000, the Company received a notice of violation ("NOV") from the State of Connecticut Department of Environmental Protection ("DEP") alleging that various effluent discharge samples during the period from January 2000 to September 2000 were in violation of authorized limits under an existing permit for the discharge of treated wastewater from the FMP plant. The Company submitted its response to the NOV in December 2000 and, in April 2001, the Company received a draft consent order from the DEP related to this matter. The Company is currently negotiating with the DEP prior to entering into a final consent order. The Company does not anticipate, however, that the conditions of the draft consent order will be significantly modified. Terms of the draft consent order include, among other things, that the Company pay a civil penalty of $0.2 million, submit to various compliance audits, and complete a feasibility study to determine if the discharge of treated wastewater from the FMP plant can be reduced, diverted to another source or eliminated entirely. The Company is currently evaluating its options to reach compliance with the terms of the draft consent order. Management believes it is possible that the proposed civil penalty will be slightly reduced when the final consent order is executed. A provision has been recorded in the amount of $0.15 million for the proposed civil penalty and is reflected as a component of Environmental Costs in the accompanying consolidated statement of operations for the fiscal year ended May 31, 2001. Management believes that significant future capital expenditures in excess of $0.3 million may be made at the FMP plant during the fiscal year ending May 31, 2002 to comply with the terms of the consent order.

Environmental Costs related to the various matters discussed above totaled $0.4 million and $0.1 million, net of recoveries, during the fiscal years ended May 31, 2001 and 2000, respectively.

17. QUARTERLY FINANCIAL DATA (UNAUDITED):

Provided below is selected unaudited quarterly financial data for the three fiscal years ended May 31, 2001 (in thousands except per share data):

<TABLE>
<CAPTION>

	YEAR ENDED MAY 31, 2001				
	FIRST	SECOND	THIRD	FOURTH	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	$ 6,978	$ 5,492	$ 7,715	$ 9,812	$ 29,997
Gross profit	2,407	640	2,057	2,910	8,014
Net income (loss)	105	(1,202)	151	362	(584)
Per share information:					
Basic and diluted -					
Net income (loss)	0.02	(0.21)	0.03	0.06	(0.10)
	YEAR ENDED MAY 31, 2000				
	FIRST	SECOND	THIRD	FOURTH	TOTAL
Net sales	$ 6,559	$ 6,443	$ 7,041	$ 10,056	$ 30,099
Gross profit	2,447	1,824	1,987	3,142	9,400
Net income	294	64	35	477	870
Per share information:					
Basic and diluted -					
Net income	0.05	0.01	0.01	0.08	0.15
	YEAR ENDED MAY 31, 1999				
	FIRST	SECOND	THIRD	FOURTH	TOTAL
Net sales	$ 6,095	$ 3,883	$ 5,148	$ 8,269	$ 23,395
Gross profit	2,213	1,479	1,454	3,045	8,191
Income (loss) from continuing operations	213	(112)	(812)	987	276
Income (loss) from discontinued operations	(210)	(179)	(127)	164 (a)	(352)
Loss on sale of discontinued operations	--	--	(1,214)	386 (a)	(828)

Net income (loss)	3	(291)	(2,153)	1,537	(904)
Per share information:					
Basic and diluted -					
Income (loss) from continuing operations	0.04	(0.02)	(0.14)	0.17	0.05
Net income (loss)	0.00	(0.05)	(0.38)	0.27	(0.16)

</TABLE>

(a) Represents tax benefits realized from discontinued operations, which were not available prior to the fourth quarter of fiscal 1999.

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.

Information regarding the Company's directors is set forth at "ELECTION OF DIRECTORS; Business Experience," and information regarding the Company's executive officers is set forth at "ELECTION OF DIRECTORS; Executive Officers" in the Company's Proxy Statement for its 2001 Annual Meeting of Stockholders (the "2001 Proxy Statement") which information is incorporated herein by reference. With the exception of the foregoing information specifically incorporated by reference into this Form 10-K Report, the Company's 2001 Proxy Statement is not being filed as a part hereof.

Information relating to compliance with Section 16(a) of the Exchange Act is set forth at "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE" in the 2001 Proxy Statement which information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is set forth at "EXECUTIVE COMPENSATION" and "COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION" in the 2001 Proxy Statement which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this item is set forth at "SECURITY OWNERSHIP OF PRINCIPAL STOCKHOLDERS, DIRECTORS, NOMINEES AND EXECUTIVE OFFICERS" in the 2001 Proxy Statement which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this item is set forth at "CERTAIN TRANSACTIONS" and "COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION" in the 2001 Proxy Statement which information is incorporated herein by reference.

PART IV

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

(a) Financial Statements.

(b) Reports on Form 8-K.

No current reports on Form 8-K were filed during the last quarter of the period covered by this report.

(c) Exhibits.

The Index to Exhibits and required Exhibits are included following the Financial Statement Schedule beginning on page 37 of this report.

(d) Financial Statement Schedule.

Schedule II - Valuation and Qualifying Accounts and Reserves...... S-1

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: August 1, 2001

ROYAL PRECISION, INC.
(the "Registrant")

By /s/ Thomas A. Schneider

Thomas A. Schneider, President
and Chief Operating Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 1st day of August, 2001.

NAME	TITLE (CAPACITY)
/s/ Thomas A. Schneider Thomas A. Schneider	President and Chief Operating Officer (Principal Executive officer)
/s/ Kevin L. Neill * Kevin L. Neill	Vice President-finance, Chief Financial Officer (Principal financial officer)
/s/ Richard P. Johnston * Richard P. Johnston	Director
/s/ David E. Johnston * David E. Johnston	Director
/s/ Raymond J. Minella * Raymond J. Minella	Director
/s/ Charles S. Mechem, Jr. * Charles S. Mechem, Jr.	Director
/s/ Christopher A. Johnston * Christopher A. Johnston	Director
/s/ Kenneth J. Warren * Kenneth J. Warren	Director

* Thomas A. Schneider, by signing his name hereto, does sign this document on behalf of the persons indicated above pursuant to a Power of Attorney duly executed by such persons.

By: /s/ Thomas A. Schneider

Thomas A. Schneider, Attorney in Fact

ROYAL PRECISION, INC. AND SUBSIDIARIES

SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
FOR THE YEARS ENDED MAY 31, 2001, 2000 AND 1999
(DOLLARS IN THOUSANDS)

<TABLE>
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	BALANCE AT BEGINNING OF PERIOD	CHARGED TO (DEDUCTED FROM) COSTS AND EXPENSES	OTHER ADDITIONS	OTHER DEDUCTIONS	BALANCE AT END OF PERIOD

Allowance for doubtful accounts:					
Year ended May 31, 1999	$ 602	$ 24	$ --	$ (193)	$ 433
Year ended May 31, 2000	433	40	--	(199)	274
Year ended May 31, 2001	274	14	--	(101)	187
Deferred tax asset valuation allowance:					
Year ended May 31, 1999	$2,821	$ 478	$ --	$ (650)(a)	$2,649
Year ended May 31, 2000	2,649	(162)	--	(742)(a)	1,745
Year ended May 31, 2001	1,745	--	--	--	1,745

(a) Reduction in goodwill related to preacquisition net operating loss carryforwards.

EXHIBIT INDEX

EXHIBIT		PAGE IN SEQUENTIALLY NUMBERED COPY
(3)	Certificate of Incorporation and Bylaws	*
3.1	Amended and Restated Certificate of Incorporation of registrant (incorporated by reference to Exhibit 3.1 to the registrant's Form 10-Q for the quarter ended November 30, 1999; the "November 1999 10-Q").	*
3.2	Bylaws of Royal Precision, Inc. (incorporated by reference to Exhibit 3.2 to Form S-4, No. 333-28841; the "Form S-4").	*
(4)	Instruments defining the rights of holders	*
4.1	See Articles FOUR, FIVE and SEVEN of the Amended and Restated Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the November 1999 10-Q).	*
4.2	See Article I, Sections 2.1 and 2.2 of Article II and Section 7.3 of Article VII of the Bylaws of Royal Precision, Inc. (incorporated by reference to Exhibit 3.2 to the Form S-4).	*
(10)	Material Contracts	*
10.1	Asset Purchase Agreement dated May 31, 1996 with Brunswick Corporation (incorporated by reference to Exhibit 10.1.1 of the Form S-4).	*
10.2	Management Stockholders Agreement dated May 29, 1996 with Ronald L. Chalmers, et al. (incorporated by reference to Exhibit 10.2.4 of the Form S-4).	*
10.3	1997 Stock Option Plan dated March 13, 1997 (incorporated by reference to Exhibit 10.2.5 of the Form S-4). **	*
10.4	Form of Option Agreement with those not parties to the Management Stockholders Agreement (incorporated by reference to Exhibit 10.2.6 of the Form S-4).	*
10.5	Form of Option Agreement with those who are parties to the Management Stockholders Agreement (incorporated by reference to Exhibit 10.2.7 of the Form S-4).	*
10.6	Credit and Security Agreement dated as of October 8, 1998 among FM Precision Golf Manufacturing Corp., FM Precision Golf Sales Corp. and Norwest Business Credit, Inc. (incorporated by reference to Exhibit 10.1 of the registrant's Form 10-QSB for the quarter ended August 31, 1998; the "August 1998 10-QSB").	*
10.7	Amended and Restated Credit and Security Agreement dated as of October 8, 1998 among Royal Grip, Inc., Roxxi, Inc. and Norwest Business Credit, Inc. (incorporated by reference to Exhibit 10.2 of the August 1998 10-QSB).	*
10.8	Agreement between Royal Grip, Inc. and Precision FM Japan, Ltd. dated July 12, 1991 (incorporated by reference to Exhibit 10.7 to	*

RG's 1996 Form 10-K).

10.9	Manufacturers' Representative Agreement dated March 1, 1979 with Union Tubular Products, Brunswick Corporation and M.A. Clark (incorporated by reference to Exhibit 10.4.6 of the Form S-4).	*

EXHIBIT		PAGE IN SEQUENTIALLY NUMBERED COPY
10.10	Distributor Agreement effective August 20, 1990 with Brunswick and Infiniti Golf (incorporated by reference to Exhibit 10.4.7 of the Form S-4).	*
10.11	Royal Precision, Inc. Stock Option Plan dated October 5, 1997 (incorporated by reference to Exhibit 10.32 of the registrant's Form 10-KSB for the year ended May 31, 1998). **	*
10.12	Asset Purchase Agreement dated February 26, 1999 between Roxxi, Inc. and Paramount Headwear, Inc. (incorporated by reference to Exhibit 2.1 of the registrant's Form 8-K dated March 22, 1999).	*
10.13	Asset Purchase Agreement dated March 11, 1999 between Roxxi, Inc. and Big Play, Inc. (incorporated by reference to Exhibit 2.2 of the registrant's Form 8-K dated March 22, 1999).	*
10.14	Guaranty by the Registrant dated March 11, 1999 (incorporated by reference to Exhibit 2.3 of the registrant's Form 8-K dated March 22, 1999).	*
10.15	First Amendment to Amended and Restated Credit and Security Agreement and Waiver of Defaults between Royal Grip, Inc., Roxxi, Inc. and Norwest Business Credit, Inc. and Acknowledgment and Agreement of Guarantor dated March 16, 1999 (incorporated by reference to Exhibit 10.16 of the registrant's Form 10-KSB for the year ended May 31, 1999; the "1999 Form 10-KSB").	*
10.16	Second Amendment to Credit and Security Agreement and Waiver of Defaults between Royal Grip, Inc., Roxxi, Inc. and Wells Fargo Business Credit, Inc. (formerly known as Norwest Business Credit, Inc.) dated as of April 13, 1999 (incorporated by reference to Exhibit 10.17 of the 1999 Form 10-KSB).	*
10.17	Amendment to Credit and Security Agreement and Waiver of Defaults between FM Precision Golf Manufacturing Corp., FM Precision Golf Sales Corp. and Wells Fargo Business Credit, Inc. (formerly known as Norwest Business Credit, Inc.) dated as of April 13, 1999 (incorporated by reference to Exhibit 10.18 of the 1999 Form 10-KSB).	*
10.18	Personal Services Agreement entered into as of August 31, 1999 between Danny Edwards and Royal Precision, Inc. (incorporated by reference to Exhibit 10.1 of the registrant's Form 10-Q for the quarter ended August 31, 1999). **	*
10.19	Royal Precision, Inc. Stock Option Plan (restated to reflect amendments adopted by the Board of Directors on November 30, 1999) (incorporated by reference to Exhibit 10.1 of the November 1999 10-Q).	*
10.20	Second Amendment to Credit and Security Agreement between FM Precision Golf Manufacturing Corp., FM Precision Golf Sales Corp. and Wells Fargo Business Credit, Inc. dated November 10, 1999 (incorporated by reference to Exhibit 10.2 of the November 1999 10-Q).	*
10.21	Third Amendment to Amended and Restated Credit and Security Agreement between Royal Grip, Inc., Royal Grip Headwear Company and Wells Fargo Business Credit, Inc. dated November 10, 1999 (incorporated by reference to Exhibit 10.3 of the November 1999 10-Q).	*
10.22	Third Amendment to Credit and Security Agreement between FM Precision Golf Manufacturing Corp., FM Precision Golf Sales Corp. and Wells Fargo Business Credit, Inc., dated March 24, 2000 (incorporated by reference to Exhibit 10.1 of registrant's Form 10-Q for the quarter ended February 29, 2000; the "February 2000 10-Q").	*

<TABLE>
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EXHIBIT		PAGE IN SEQUENTIALLY NUMBERED COPY
<S>	<C>	<C>
10.23	Fourth Amendment to Amended and Restated Credit and Security Agreement between Royal Grip, Inc., Royal Grip Headwear Company and Wells Fargo Business Credit, Inc. dated March 24, 2000 (incorporated by reference to Exhibit 10.2 of the February 2000 10-Q).	*
10.24	Fourth Amendment to Credit and Security Agreement between FM Precision Golf Manufacturing Corp., FM Precision Golf Sales Corp. and Wells Fargo Business Credit, Inc. dated August 3, 2000 (incorporated by reference to Exhibit 10.24 of the registrant's Form 10-K for the year ended May 31, 2000; the "2000 Form 10-K").	*
10.25	Fifth Amendment to Amended and Restated Credit and Security Agreement between Royal Grip, Inc., Royal Grip Headwear Company and Wells Fargo Business Credit, Inc. dated August 3, 2000 (incorporated by reference to Exhibit 10.25 of the 2000 Form 10-K.	*
10.26	Royal Precision, Inc. Stock Option Plan (restated to reflect amendments approved by stockholders to increase shares covered by Plan) (incorporated by reference to Exhibit 10.1 of the registrant's Form 10-Q for the quarter ended August 31, 2000). **	*
10.27	Fifth Amendment to Credit and Security Agreement between FM Precision Golf Manufacturing Corp., FM Precision Golf Sales Corp. and Wells Fargo Business Credit, Inc. dated November 8, 2000 (incorporated by reference to Exhibit 10.1 of the registrant's Form 10-Q for the quarter ended November 30, 2000; the "November 2000 10-Q").	
10.28	Sixth Amendment to Amended and Restated Credit and Security Agreement between Royal Grip, Inc., Royal Grip Headwear Company and Wells Fargo Business Credit, Inc. dated November 8, 2000 (incorporated by reference to Exhibit 10.2 of the November 2000 10-Q).	*
10.29	Revolving Subordinated Promissory Note from Royal Precision, Inc. to the Johnston Family Charitable Remainder Unitrust #3 dated December 7, 2000 (incorporated by reference to Exhibit 10.3 of the November 2000 10-Q).	*
10.30	Subordination Agreement dated December 7, 2000 by the Johnston Family Charitable Remainder Unitrust #3 for the benefit of Wells Fargo Business Credit, Inc. (incorporated by reference to Exhibit 10.4 of the November 2000 10-Q).	*
10.31	Sixth Amendment to Credit and Security Agreement between FM Precision Golf Manufacturing Corp., FM Precision Golf Sales Corp. and Wells Fargo Business Credit, Inc. dated March 9, 2001 (incorporated by reference to Exhibit 10.1 of the registrant's Form 10-Q for the quarter ended February 28, 2001; the "February 2001 10-Q").	*
10.32	Seventh Amendment to Amended and Restated Credit and Security Agreement between Royal Grip, Inc., Royal Grip Headwear Company and Wells Fargo Business Credit, Inc. dated March 9, 2001 (incorporated by reference to Exhibit 10.2 of the February 2001 10-Q).	*
10.33	Amendment No. 1 to Revolving Subordinated Promissory Note from Royal Precision, Inc. to the Johnston Family Charitable Remainder Unitrust #3 dated March 16, 2001 (incorporated by reference to Exhibit 10.3 of the February 2001 10-Q).	*
10.34	Amendment, Assignment and Assumption of Lease Agreement by Bell Sports, Inc., Royal Grip, Inc. and Howard Lake Ranch, L.L.C. dated April 27, 2001.	41
10.35	Seventh Amendment to Credit and Security Agreement between FM Precision Golf Manufacturing Corp., FM Precision Golf Sales Corp. and Wells Fargo Business Credit, Inc. dated May 30, 2001.	46

</TABLE>

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EXHIBIT		SEQUENTIALLY NUMBERED COPY
10.36	Eighth Amendment to Amended and Restated Credit and Security Agreement between Royal Grip, Inc., Royal Grip Headwear Company and Wells Fargo Business Credit, Inc. dated May 30, 2001.	57
10.37	Amendment No. 1, dated July 11, 2001, to Agreement between Royal Grip, Inc. and Precision FM Japan, Ltd. dated July 12, 1991.	66
21	Subsidiaries of the Registrant.	67
(23)	Consents	
23.1	Consent of Independent Public Accountants - Arthur Andersen LLP	68
(24)	Powers of Attorney	
24.1	Powers of Attorney	69
24.2	Certified resolution of the Registrant's Board of Directors authorizing officers and directors signing on behalf of the Company to sign pursuant to a power of attorney.	76
99.1	Private Securities Litigation Reform Act of 1995 safe harbor compliance statement for forward-looking statements.	77

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*   Incorporated by reference.

**   Compensatory plan for executive officers and directors.

The Registrant will furnish a copy of any exhibit to a beneficial owner of its securities or to any person from whom a proxy was solicited in connection with the Registrant's most recent Annual Meeting of Stockholders upon the payment of a fee of fifty cents ($.50) a page.

Exhibit 10.34

AMENDMENT, ASSIGNMENT AND
ASSUMPTION OF LEASE AGREEMENT

THIS AMENDMENT, ASSIGNMENT AND ASSUMPTION OF LEASE (the "AGREEMENT") is made this 27th day of April, 2001, by BELL SPORTS, INC., a California corporation ("ASSIGNOR"), ROYAL GRIP, INC., a Nevada corporation ("ASSIGNEE"), and HOWARD LAKE RANCH, L.L.C., an Arizona limited liability company ("Lessor").

RECITALS

A. Assignor presently leases from Lessor property consisting of 12,315 square feet of floor area in a building (the "BUILDING") located at 15170 N. Hayden Road, Scottsdale, Arizona (which address is incorrectly noted on the Lease as 15255 N. 78th Way, Scottsdale, Arizona) and depicted on the floor plan on EXHIBIT A to this Assignment (the "PREMISES"), pursuant to that certain Building Lease, dated March 25, 1996 between Outback Land L.C., as landlord and Assignor, as tenant (the "LEASE"). Pursuant to that certain Assignment of Leases dated July 5, 1996, Outback Land L.C. assigned its interest in the Lease to Larry Gordon, an individual. Larry Gordon subsequently assigned his interest as landlord under the Lease to Lessor.

B. Assignor has subleased 8,058 rentable square feet of the Building to Assignee pursuant to a Sublease Agreement dated August 1, 1997 (the "Royal Grip Sublease").

C. Assignor has subleased 1,120 rentable square feet of the Building to Gabel Investments, Inc. pursuant to a letter agreement dated July 16, 1997 (the "Gabel Sublease").

D. The parties agree to amend the Lease and Assignor desires to assign to Assignee and Assignee desires to acquire all of Assignor's interest as lessee in and to the Lease and the Premises on the terms and conditions set forth in this Agreement.

FOR VALUABLE CONSIDERATION, it is agreed as follows:

1. ASSIGNMENT. The parties acknowledge that (i) the Royal Grip Sublease and Gabel Sublease will both expire on May 31, 2001, and (ii) the initial term of the Lease will expire on May 31, 2001, provided that the Lease will be renewed as described in Section 3 below. Effective June 1, 2001 (the "Effective Date"), Assignor hereby grants, conveys, and assigns to Assignee, all of Assignor's right, title, and interest in and to the Lease and the Premises, subject however, to the provisions of the Lease.

2. ASSUMPTION. Commencing on the Effective Date, Assignee hereby assumes all of Assignor's responsibilities, liabilities, and obligations set forth in the Lease, and agrees to perform and observe all of Assignor's covenants and

conditions contained in the Lease.

3. RENEWAL OF THE LEASE. Assignor and Assignee hereby elect to renew the Lease pursuant to Section 3 of Exhibit F-Addendum to the Lease for one (1) additional three (3) year period commencing on the Effective Date at a monthly rental rate of $22,351.73 plus applicable rental tax. Operating Costs (as defined in the Lease) shall be adjusted to reflect a 2001 base year comparison (the "BASE COSTS") and Assignee shall pay to Lessor as additional rent its

proportionate share of any increase(s) (subject to a maximum 10% cap) in operating costs above the 2001 base year for all subsequent years. Lessor hereby agrees to notify Assignee in writing of the Base Costs upon conclusion of the 2001 calendar year.

4. LESSOR'S CONSENT. Lessor hereby consents to (i) the terms of this Assignment, (ii) Assignee subleasing to Assignor 1,322 rentable square feet of space within the Building, depicted on the floor plan attached hereto as EXHIBIT B ("Floor Plan"), and (iii) Assignee subleasing to Gabel Investments, Inc., 1,120 rentable square feet of space within the Building, also depicted on the Floor Plan.

5. RELEASE OF ASSIGNOR'S OBLIGATIONS. Commencing on the Effective Date, Lessor hereby releases Assignor from all of Assignor's obligations under the Lease, including Assignor's liability to pay rent under the Lease in the event of a default by Assignee or otherwise.

6. REPRESENTATIONS AND WARRANTIES OF LESSOR. Lessor is the sole owner of the Premises and the sole lessor under the Lease, and has not encumbered, pledged, assigned, transferred or hypothecated its interest in the Lease in any manner; Assignor's interest in the Lease is not subject to the interest of any third person or anyone else, except as provided in this Agreement, and no third party consent is necessary to effectuate this Agreement.

7. REPRESENTATIONS AND WARRANTIES OF ASSIGNOR. Assignor represents, warrants, and covenants to Assignee as follows:

(a) With respect to the Lease, Assignor is the sole lessee under the Lease, and accordingly, is the sole owner and holder of the lessee's interest thereunder and of the leasehold estate; lessee's interest in the Lease and leasehold estate are not encumbered, pledged, assigned, transferred or hypothecated in any manner whatsoever, nor subject to the interest of any third person or anyone else other than the sublessees under the Royal Grip Sublease and the Gabel Sublease.

(b) The Lease is in full force and effect as of the date hereof; there are no actions, suits, proceedings or claims pending or threatened with respect to or in any manner affecting the Lease or the Premises, nor does Assignor know of any facts or circumstances which could reasonably form the basis for any such actions, suits, claims or proceedings; all rent payments due under the Lease have been paid in full as of the date hereof, and Assignor has fulfilled all other obligations and made all other payments due thereunder; Assignor is not in default under any provision of the Lease, and no other default presently exists under the terms of the Lease; no event has occurred which, with the passage of time or action, would result in a default under the Lease.

(c) Assignor shall indemnify, defend and hold Assignee harmless for, from and against any and all actions, suits, proceedings and claims, and all costs and expenses incurred in connection therewith (including without limitation reasonable attorney's fees), arising from or relating to the Lease, and which occurred or are alleged to have occurred prior to the Effective Date.

(d) Assignor shall perform all obligations and make all payments due under the Lease from now until the Effective Date. Lessor agrees to notify Assignee of any default by Assignor prior to the Effective Date.

8. APPOINTMENT. Assignor hereby irrevocably appoints Assignee, its successors and assigns, as the attorney and agent of Assignor, in Assignor's name and stead, to enforce the provisions of the Lease.

9. BINDING EFFECT. This Assignment shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective successors and assigns.

10. CHOICE OF LAW. This Assignment shall be construed in accordance with the laws of the State of Arizona.

11. ATTORNEYS' FEES. Should either party institute any legal action or proceeding to enforce the provisions of this Assignment, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs incurred in connection with the exercise of its rights and remedies hereunder as well as court costs and expert witness fees as the court shall determine.

12. COUNTERPARTS. This Assignment may be executed in any number of counterparts, each of which shall be an original but all of which shall constitute one and the same instrument.

BELL SPORTS, INC., a California corporation

By: /s/ Lori A. Sherwood

Name: Lori A. Sherwood

Its: Vice President Finance

"Assignor"

ROYAL GRIP, INC., a Nevada corporation

By: /s/ Thomas A. Schneider

Name: Thomas A. Schneider

Its: PRESIDENT

"Assignee"

HOWARD LAKE RANCH, L.L.C., an Arizona limited liability company

By: /s/ Bruno Salamone

Name: Bruno Salamone

Its: Managing Member

"Lessor"

EXHIBIT A

[Leased Premises]

EXHIBIT B

[Floor Plan]

Exhibit 10.35

SEVENTH AMENDMENT TO CREDIT AND SECURITY AGREEMENT

This Amendment, dated as of May 30, 2001, is made by and between FM PRECISION GOLF MANUFACTURING CORP., a Delaware corporation, and FM PRECISION GOLF SALES CORP., a Delaware corporation (collectively, jointly and severally, the "Borrower"), and WELLS FARGO BUSINESS CREDIT, INC., a Minnesota corporation (the "Lender").

RECITALS

The Borrower and the Lender have entered into a Credit and Security Agreement dated as of October 9, 1998, as amended by that certain Amendment to Credit and Security Agreement and Waiver of Defaults dated April 13, 1999, as amended by that certain Second Amendment to Credit and Security Agreement dated November 10, 1999, as amended by that certain Third Amendment to Credit and Security Agreement dated March 24, 2000, as amended by that certain Fourth Amendment to Credit and Security Agreement dated August 3, 2000, as amended by that certain Fifth Amendment to Credit and Security Agreement dated November 8, 2000 and as amended by that certain Sixth Amendment to Credit and Security Agreement dated March 9, 2001 (collectively, the "Credit Agreement"). Capitalized terms used in these recitals have the meanings given to them in the Credit Agreement unless otherwise specified.

The Borrower has requested that certain amendments be made to the Credit Agreement, which the Lender is willing to make pursuant to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, it is agreed as follows:

1. DEFINED TERMS. Capitalized terms used in this Amendment which are defined in the Credit Agreement shall have the same meanings as defined therein, unless otherwise defined herein.

2. AMENDMENTS. The Credit Agreement is hereby amended as follows:

(a) The definition of "Borrowing Base" contained in Section 1.1 of the Credit Agreement is hereby deleted in its entirety and replaced as follows:

"Borrowing Base" means, at any time the lesser of:

(a) the Maximum Line; or

(b) subject to change from time to time in the Lender's sole discretion, the sum of:

(A) the lesser of (x) 85% of Eligible Accounts, or (y) $6,500,000.00, plus

(B) the lesser of (x) 60% of Eligible Inventory (exclusive of Eligible Raw Materials Inventory), or (y) $2,500,000.00 from March 1 through September 30 of each year and $3,500,000.00

from October 1 of each year through February 28 of each subsequent year, plus

(C) the lesser of (x) 50% of Eligible Raw Materials Inventory, or (y) $2,500,000.00 from March 1 through September 30 of each year and $3,500,000.00 from October 1 of each year through February 28 of each subsequent year, plus

(D) If but only if Lender, in its sole and absolute discretion, elects to make overadvance Revolving Advances, in any given fiscal year, commencing on November 1 of each year, an overadvance in the amount not to exceed $500,000.00 (the "Overadvance Limit"), which Overadvance Limit shall be automatically reduced to $400,000.00 on March 1 of the immediately following year, to $300,000.00 on April 1 of the immediately following year, to $200,000.00 on May 1 of the immediately following year and to $0.00 on June 1 of the immediately following year. No Overadvance Limit shall exist at any time from June 1 through October 31 in any year, minus

(E) $35,000.00, which amount shall be automatically increased by $6,000.00 on June 1, 2001 and by $6,000.00 on the first day of each month thereafter until either the payment in full to the Lender of the Accrued Default Interest or the waiver of said payment on the Trigger Date (defined below) as a result of none of the Interest Rate Criteria (defined below) having occurred. Upon the payment in full of the Accrued Default Interest to the Lender or the waiver of said payment requirement, said amount shall automatically be reduced to $0.00.

(b) In the event that Borrower's 2001 fiscal year audited financial statements complying with Section 6.1(a) indicate that (i) the Borrower and the Covenant Entities achieved an aggregate Net Loss in excess of $200,000.00 for the 2001 fiscal year (ii) the Borrower and the Covenant Entities aggregate consolidated Net Worth decreased by more than $200,000.00 during the 2001 fiscal year, or (iii) the Borrower was in default of any provision of the Credit Agreement (collectively the "Interest Rate Increase Criteria"), then effective on the first day of the first full month following the earlier of (i) that date which Borrower is required to deliver to Lender Borrower's 2001 fiscal year audited financial statements pursuant to Section 6.1(a) or (ii) Lender's receipt of Borrower's 2001 fiscal year audited financial statements (the "Trigger Date"), the definitions of "Capital Expenditures Floating Rate", "Overadvance

Rate", "Revolving Floating Rate" and Term Floating Rate" contained in Section 1.1 of the Credit Agreement shall be deleted and replaced as follows:

"Capital Expenditures Floating Rate" means an annual rate equal to the sum of the Prime Rate plus two and one-quarter of one percent (2.25%). The Capital Expenditures Floating Rate shall automatically be reduced to an annual rate equal to the sum of the Prime Rate plus one-quarter of one percent (0.25%) on the first day of the first full month following Lender's receipt of Borrower's 2002 fiscal year audited financial statements complying with Section 6.1(a) below, if but only if (i) said financial statements indicate that the Borrower and the Covenant Entities have achieved a Net Income for the Borrower's 2002 fiscal year of not less than $600,000.00, (ii) said financial statements indicate that the Borrower and the Covenant Entities increased their aggregate Net Worth during Borrower's 2002 fiscal year by not less than $600,000.00, and (iii) there is not a then existing Event of Default or Default Period. If but only if said reduction is not achieved as provided above, the Capital Expenditures Floating Rate shall automatically be adjusted on the first day of the first full month following Lender's receipt of Borrower's audited financial statements complying with Section 6.1(a) below in any year subsequent to Borrower's 2002 fiscal year, to an annual rate equal to the sum of the Prime Rate plus one-quarter of one percent (0.25%) in the event that (i) said financial statements indicate that the Borrower and the Covenant Entities have achieved a Net Income for any such fiscal year of not less than $600,000.00, (ii) said financial statements indicate that the Borrower and the Covenant Entities increased their aggregate Net Worth during any such fiscal year by not less than $600,000.00, and (iii) there is not a then existing Event of Default or Default Period. The Capital Expenditures Floating Rate shall change when and as the Prime Rate changes.

"Overadvance Floating Rate" means an annual rate equal to the sum of the Prime Rate plus four and one-quarter of one percent (4.25%). The Overadvance Floating Rate shall automatically be reduced to an annual rate equal to the sum of the Prime Rate plus two and one-quarter of one percent (2.25%) on the first day of the first full month following Lender's receipt of Borrower's 2002 fiscal year audited financial statements complying with Section 6.1(a) below, if but only if (i) said financial statements indicate that the Borrower and the Covenant Entities have achieved a Net Income for the Borrower's 2002 fiscal year of not less than $600,000.00, (ii) said financial statements indicate that the Borrower and the Covenant Entities increased their aggregate Net Worth during Borrower's 2002 fiscal year by not less than $600,000.00, and (iii) there is not a then existing Event of Default or Default Period. If but only if said reduction is not achieved as

provided above, the Overadvance Floating Rate shall automatically be adjusted on the first day of the first full month following Lender's receipt of Borrower's audited financial statements complying with Section 6.1(a) below in any year subsequent to Borrower's 2002 fiscal year, to an annual rate equal to the sum of the Prime Rate plus two and one-quarter of one percent (2.25%) in the event that (i) said financial statements indicate that the Borrower and the Covenant Entities have achieved a Net Income for any such fiscal year of not less than $600,000.00, (ii) said financial statements indicate that the Borrower and the Covenant Entities increased their aggregate Net Worth during any such fiscal year by not less than $600,000.00, and (iii) there is not a then existing Event of Default or Default Period. The Overadvance Floating Rate shall change when and as the Prime Rate changes.

"Revolving Floating Rate" means an annual rate equal to the sum of the Prime Rate plus two and one-quarter of one percent (2.25%). The Revolving Floating Rate shall automatically be reduced to an annual rate equal to the sum of the Prime Rate plus one-quarter of one percent (.25%) on the first day of the first full month following Lender's receipt of Borrower's 2002 fiscal year audited financial statements complying with Section 6.1(a) below, if but only if (i) said financial statements indicate that the Borrower and the Covenant Entities have achieved a Net Income for the Borrower's 2002 fiscal year of not less than $600,000.00, (ii) said financial statements indicate that the Borrower and the Covenant Entities increased their aggregate Net Worth during Borrower's 2002 fiscal year by not less than $600,000.00, and (iii) there is not a then existing Event of Default or Default Period. If but only if said reduction is not achieved as provided above, the Revolving Floating Rate shall automatically be adjusted on the first day of the first full month following Lender's receipt of Borrower's audited financial statements complying with Section 6.1(a) below in any year subsequent to Borrower's 2002 fiscal year, to an annual rate equal to the sum of the Prime Rate plus one-quarter of one percent (0.25%) in the event that (i) said financial statements indicate that the Borrower and the Covenant Entities have achieved a Net Income for any such fiscal year of not less than $600,000.00, (ii) said financial statements indicate that the Borrower and the Covenant Entities increased their aggregate Net Worth during any such fiscal year by not less than $600,000.00, and (iii) there is not a then existing Event of Default or Default Period. The Revolving Floating Rate shall change when and as the Prime Rate changes.

"Term Floating Rate" means an annual rate equal to the sum of the Prime Rate plus two and three-quarters of one percent (2.75%). The Term Floating Rate shall automatically be reduced to an annual rate equal to the sum of the Prime Rate plus three-quarters of one percent (.75%) on the first day of the first full month following Lender's receipt of Borrower's 2002

fiscal year audited financial statements complying with Section 6.1(a) below, if but only if (i) said financial statements indicate that the Borrower and the Covenant Entities have achieved a Net Income for the Borrower's 2002 fiscal year of not less than $600,000.00, (ii) said financial statements indicate that the Borrower and the Covenant Entities increased their aggregate Net Worth during Borrower's 2002 fiscal year by not less than $600,000.00, and (iii) there is not a then existing Event of

Default or Default Period. If but only if said reduction is not achieved as provided above, the Term Floating Rate shall automatically be adjusted on the first day of the first full month following Lender's receipt of Borrower's audited financial statements complying with Section 6.1(a) below in any year subsequent to Borrower's 2002 fiscal year, to an annual rate equal to the sum of the Prime Rate plus three-quarters of one percent (0.75%) in the event that (i) said financial statements indicate that the Borrower and the Covenant Entities have achieved a Net Income for any such fiscal year of not less than $600,000.00, (ii) said financial statements indicate that the Borrower and the Covenant Entities increased their aggregate Net Worth during any such fiscal year by not less than $600,000.00, and (iii) there is not a then existing Event of Default or Default Period. The Term Floating Rate shall change when and as the Prime Rate changes.

In the event that none of the Interest Rate Increase Criteria occurs, the definitions of "Capital Expenditures Floating Rate", "Overadvance Floating Rate", Revolving Floating Rate" and "Term Floating Rate" shall remain as defined in the Sixth Amendment to the Credit Agreement.

(c) Section 6.13 of the Credit Agreement is hereby deleted and replaced as follows:

Section 6.13 NET WORTH. The Borrower covenants that as of May 31, 2000, the aggregate consolidated Net Worth of FMM, FMS and the Covenant Entities was $14,411,226.36. The Borrower covenants that said aggregate consolidated Net Worth as of the end of each future fiscal quarter end shall increase by not less than (or in the event a decrease is allowed, decrease by not more than) the amounts set forth below as measured from the immediately preceding fiscal year ending aggregate consolidated Net Worth.

QUARTER ENDING	NET WORTH INCREASE (DECREASE)
May 31, 2001	$(650,000.00)
August 31, 2001 and each August 31 thereafter	$ 0.00
November 30, 2001 and each November 30 thereafter	$(300,000.00)
February 28, 2002 and each February 28 thereafter	$(100,000.00)
May 31, 2002 and each May 31 thereafter	$ 600,000.00

(d) Section 6.14 of the Credit Agreement is hereby deleted in its entirety and replaced as follows:

Section 6.14 NET INCOME. The Borrower covenants that FMM, FMS and the Covenant Entities shall achieve an aggregate consolidated Net Income of at least (or, in the event a Net Loss is allowed for such fiscal quarter, a Net Loss of not more than) the amount set forth below for each fiscal quarter as measured from the immediately preceding fiscal year end.

QUARTER ENDING NET INCOME (LOSS)

May 31, 2001	$(650,000.00)
August 31, 2001 and each August 31 thereafter	$ 0.00
November 30, 2001 and each November 30 thereafter	$(300,000.00)
February 28, 2002 and each February 28 thereafter	$(100,000.00)
May 31, 2002 and each May 31 thereafter	$ 600,000.00

(e) Section 6.15 of the Credit Agreement is hereby deleted in its entirety and replaced as follows:

Section 6.15 MONTHLY NET INCOME/NET LOSS. The Borrower covenants that beginning with January 1, 2001, and continuing for each month thereafter, FMM, FMS and the Covenant Entities shall achieve an aggregate consolidated Net Income of not less than (or in the event a Net Loss is allowed for such month, a Net Loss of not more than) the amounts set forth below for each month as measured from the last day of the immediately preceding month.

MONTH	NET INCOME/(NET LOSS)
January, 2001	$ 0.00
February, 2001	$ 50,000.00
March, 2001	$ 100,000.00
April, 2001	$ 150,000.00
May, 2001	$ 100,000.00
June of each year	$ 0.00
July of each year	$ 0.00
August of each year	$(300,000.00)
September of each year	$(150,000.00)
October of each year	$(200,000.00)
November of each year	$(100,000.00)
December of each year	$(350,000.00)
January, 2002 and each January thereafter	$ (50,000.00)
February, 2002 and each February thereafter	$ 0.00
March, 2002 and each March thereafter	$ 0.00
April, 2002 and each April thereafter	$ 0.00
May, 2002 and each May thereafter	$ 0.00

3. NO OTHER CHANGES. Except as explicitly amended by this Amendment, all of the terms and conditions of the Credit Agreement shall remain in full force and effect and shall apply to any advance or letter of credit thereunder.

4. THE INVENTORY APPRAISAL. The Borrower, at its sole cost and expense, shall cause its Inventory to be appraised by an Inventory appraiser who is satisfactory to the Lender (the "Appraisal"). The Appraisal shall be completed and delivered to the Lender on or before July 31, 2001. Any failure on the part of the Borrower to strictly comply with the terms of this Section 4 shall constitute an Event of Default under the Credit Agreement.

5. ORIGINATION FEE/ACCRUED DEFAULT INTEREST.

(a) The Borrower shall pay the Lender as of the date hereof a fully earned, non-refundable amendment fee in the amount of $2,500.00 in consideration of the Lender's execution of this Amendment.

(b) In the event that any one of the Interest Rate Criteria occurs, the Borrower shall pay the Lender, on the Trigger Date, all Accrued Default Interest (which is continuing to accrue), as defined in the Sixth Amendment to the Credit Agreement, which is unpaid as of the Trigger Date. The Borrower acknowledges that as of April 30, 2001, the amount of Accrued Default Interest was $35,763.01. In the event that none of the Interest Rate Increase Criteria occurs, the Lender shall waive the payment of the Accrued Default Interest.

6. CONDITIONS PRECEDENT. This Amendment shall be effective when the Lender shall have received an executed original hereof, together with each of the following, each in substance and form acceptable to the Lender in its sole discretion:

(a) The Acknowledgment and Agreement of Guarantor set forth at the end of this Amendment, duly executed by the Guarantor.

(b) A Certificate of the Secretary of the Borrower certifying as to (i) the resolutions of the board of directors of the Borrower approving the execution and delivery of this Amendment, (ii) the fact that the certificate of incorporation and bylaws of the Borrower, which were certified and delivered to the Lender pursuant to the Certificate of Authority of the Borrower's secretary or assistant secretary dated as of October 9, 1998 in connection with the execution and delivery of the Credit Agreement continue in full force and effect and have not been amended or otherwise modified except as set forth in the Certificate to be delivered, and (iii) certifying that the officers and agents of the Borrower who have been certified to the Lender, pursuant to the Certificate of Authority of the Borrower's secretary or assistant secretary dated as of November 10, 1999, as being authorized to sign and to act on behalf of the Borrower continue to be so authorized or setting forth the sample signatures of each of the officers and agents of the Borrower authorized to execute and deliver this Amendment and all other documents, agreements and certificates on behalf of the Borrower.

(c) An opinion of the Borrower's counsel as to the matters set forth in paragraphs 7(a) and 7(b) hereof and as to such other matters as the Lender shall require.

(d) Payment of the amendment fee described in Paragraph 5.

(e) Such other matters as the Lender may require.

7. REPRESENTATIONS AND WARRANTIES. The Borrower hereby represents and warrants to the Lender as follows:

(a) The Borrower has all requisite power and authority to execute this Amendment and to perform all of its obligations hereunder, and this Amendment has been duly executed and delivered by the Borrower and constitutes the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms.

(b) The execution, delivery and performance by the Borrower of this Amendment has been duly authorized by all necessary corporate action and does not (i) require any authorization, consent or approval by any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, (ii) violate any provision of any law, rule or regulation or of any order, writ, injunction or decree presently in effect, having applicability to the Borrower, or the certificate of incorporation or bylaws of the Borrower, or (iii) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which the Borrower is a party or by which it or its properties may be bound or affected.

(c) Except with respect to (i) the receipt by Borrower of a Notice of Violation dated October 24, 2000 from the State of Connecticut Department of Environmental Protection and (ii) the inclusion of the Torrington, Connecticut Premises on the Comprehensive Environmental Response, Compensation and Liability Information System, all of the representations and warranties contained in Article V of the Credit Agreement are correct on and as of the date hereof as though made on and as of such date, except to the extent that such representations and warranties relate solely to an earlier date.

8. REFERENCES. All references in the Credit Agreement to "this Agreement" shall be deemed to refer to the Credit Agreement as amended hereby; and any and all references in the Security Documents to the Credit Agreement shall be deemed to refer to the Credit Agreement as amended hereby.

9. NO WAIVER. The execution of this Amendment and any documents related hereto shall not be deemed to be a waiver of any Default or Event of Default or Default Period under the Credit Agreement or breach, default or event of default under any Security Document or other document held by the Lender, whether or not known to the Lender and whether or not existing on the date of this Amendment.

10. RELEASE. The Borrower, and the Guarantor by signing the Acknowledgment and Agreement of Guarantor set forth below, each hereby absolutely and unconditionally releases and forever discharges the Lender, and any and all participants, parent corporations, subsidiary corporations, affiliated corporations, insurers, indemnitors, successors and assigns thereof, together with all of the present and former directors, officers, agents and employees of any of the foregoing, from any and all claims, demands or causes of action of any kind, nature or description, whether arising in law or equity or upon contract or tort or under any state or federal law or otherwise, which the Borrower or such Guarantor has had, now has or has made claim to have against any such person for or by reason of any act, omission, matter, cause or thing whatsoever arising from the beginning of time to and including the date of this

Amendment, whether such claims, demands and causes of action are matured or unmatured or known or unknown.

11. PAYMENTS ON THE SUBORDINATED DEBT. Notwithstanding anything in (i) that certain Subordination Agreement dated December 7, 2000 (the "Subordination Agreement"), or (ii) the Sixth Amendment to the Credit Agreement to the contrary, the Borrower agrees that it shall only make payments on the Subordinated Indebtedness in strict accordance with the following:

(a) A payment may only be made on May 31, 2001.

(b) The amount of the payment may not exceed the lesser of (i) the amount equal to the aggregate Availability under the Credit Agreement and the RG Credit Agreement minus Accounts more than 30 days past respective due date minus $500,000.00 or (ii) $500,000.00 plus accrued interest.

(c) The average aggregate excess Availability under the Credit Agreement and the RG Credit Agreement for the 60 days immediately preceding May 31, 2001 was not less than $1,000,000.00, and

(d) no Event of Default or Default Period has occurred and is continuing or will occur as a result of or immediately following any such payment.

12. COSTS AND EXPENSES. The Borrower hereby reaffirms its agreement under the Credit Agreement to pay or reimburse the Lender on demand for all costs and expenses incurred by the Lender in connection with the Credit Agreement, the Security Documents and all other documents contemplated thereby, including without limitation all reasonable fees and disbursements of legal counsel. Without limiting the generality of the foregoing, the Borrower specifically agrees to pay all fees and disbursements of counsel to the Lender for the services performed by such counsel in connection with the preparation of this Amendment and the documents and instruments incidental hereto. The Borrower hereby agrees that the Lender may, at any time or from time to time in its sole discretion and without further authorization by the Borrower, make a loan to the Borrower under the Credit Agreement, or apply the proceeds of any loan, for the purpose of paying any such fees, disbursements, costs and expenses, the fee required under paragraph 5 hereof and the Accrued Default Interest which is due and payable under Paragraph 5 hereof.

13. MISCELLANEOUS. This Amendment and the Acknowledgment and Agreement of Guarantor may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original and all of which counterparts, taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first written above.

WELLS FARGO BUSINESS CREDIT, INC.

By /s/ Clifton Moschnik

Its Assistant Vice President

FM PRECISION GOLF MANUFACTURING CORP.,
a Delaware corporation

By /s/ Thomas A. Schneider

Its President

FM PRECISION GOLF SALES CORP.,
a Delaware corporation

By /s/ Thomas A. Schneider

Its President

ACKNOWLEDGMENT AND AGREEMENT OF GUARANTOR

The undersigned, a guarantor of the indebtedness of FM Precision Golf Manufacturing Corp., and FM Precision Golf Sales Corp., each Delaware corporations (collectively, jointly and severally, the "Borrowers") to Wells Fargo Business Credit, Inc., (the "Lender") pursuant to a Guaranty dated as of October 9, 1998 (the "Guaranty"), hereby (i) acknowledges receipt of the foregoing Amendment; (ii) consents to the terms (including without limitation the release set forth in paragraph 10 of the Amendment) and execution thereof; (iii) reaffirms its obligations to the Lender pursuant to the terms of its Guaranty; and (iv) acknowledges that the Lender may amend, restate, extend, renew or otherwise modify the Credit Agreement and any indebtedness or agreement of the Borrower, or enter into any agreement or extend additional or other credit accommodations, without notifying or obtaining the consent of the undersigned and without impairing the liability of the undersigned under the Guaranty for all of the Borrowers' present and future indebtedness to the Lender.

ROYAL PRECISION, INC.,
a Delaware corporation

By /s/ Thomas A. Schneider

Its President

Exhibit 10.36

EIGHTH AMENDMENT TO AMENDED AND RESTATED CREDIT AND SECURITY AGREEMENT

This Amendment, dated as of May 30, 2001, is made by and between ROYAL GRIP, INC., a Nevada corporation, and ROYAL GRIP HEADWEAR COMPANY, a Nevada corporation (collectively, jointly and severally, the "Borrower"), and WELLS FARGO BUSINESS CREDIT, INC., a Minnesota corporation (the "Lender").

RECITALS

The Borrower and the Lender have entered into that certain Amended and Restated Credit and Security Agreement dated as of October 9, 1998, as amended by that certain Amendment to an Amended and Restated Credit and Security Agreement and Waiver of Defaults dated March 16, 1999, as amended by that certain Second Amendment to Amended and Restated Credit and Security Agreement and Waiver of Defaults dated April 13, 1999 as amended by that certain Third Amendment to Credit and Security Agreement dated November 10, 1999, as amended by that certain Fourth Amendment to Amended and Restated Credit Agreement dated March 24, 2000, and as amended by that certain Fifth Amendment to Credit and Security Agreement dated August 3, 2000, as amended by that certain Sixth Amendment to Amended and Restated Credit and Security Agreement dated November 8, 2000 and as amended by that certain Seventh Amendment to Amended and Restated Credit and Security Agreement dated March 9, 2001 (collectively, the "Credit Agreement"). Capitalized terms used in these recitals have the meanings given to them in the Credit Agreement unless otherwise specified.

The Borrower has requested that certain amendments be made to the Credit Agreement, which the Lender is willing to make pursuant to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, it is agreed as follows:

1. DEFINED TERMS. Capitalized terms used in this Amendment which are defined in the Credit Agreement shall have the same meanings as defined therein, unless otherwise defined herein.

2. AMENDMENTS. The Credit Agreement is hereby amended as follows:

(a) The definition of Borrowing Base contained in Section 1.1 of the Credit Agreement is hereby deleted in its entirety and replaced as follows:

"Borrowing Base" means, at any time the lesser of:

(a) the Maximum Line; or

(b) subject to change from time to time in the Lender's sole discretion, the sum of:

(A) the lesser of (x) 80% of Eligible Accounts, or (y) $1,500,000.00, plus

(B) the lesser of (x) 60% of Eligible Royal Grip Inventory, or (y) $1,000,000.00, minus

(C) $5,000.00, which amount shall be automatically increased by $1,000.00 on June 1, 2001 and by $1,000.00 on the first day of each month thereafter until either the payment in full to the Lender of the Accrued Default Interest or the waiver of said payment on the Trigger Date (defined below) as a result of none of the Interest Rate Criteria (defined below) having occurred. Upon the payment in full of the Accrued Default Interest to the Lender or the waiver of said payment requirement, said amount shall automatically be reduced to $0.00.

(b) In the event that Borrower's 2001 fiscal year audited financial statements complying with Section 6.1(a) indicate that (i) the Borrower and the Covenant Entities achieved an aggregate Net Loss in excess of $200,000.00 for the 2001 fiscal year (ii) the Borrower and the Covenant Entities aggregate consolidated Net Worth decreased by more than $200,000.00 during the 2001 fiscal year, or (iii) the Borrower was in default of any provision of the Credit Agreement (collectively the "Interest Rate Increase Criteria"), then effective on the first day of the first full month following the earlier of (i) that date which Borrower is required to deliver to Lender Borrower's 2001 fiscal year audited financial statements pursuant to Section 6.1(a) or (ii) Lender's receipt of Borrower's 2001 fiscal year audited financial statements (the "Trigger Date"), the definitions of "Revolving Floating Rate" and Term Floating Rate" contained in Section 1.1 of the Credit Agreement shall be deleted and replaced as follows:

"Revolving Floating Rate" means an annual rate equal to the sum of the Prime Rate plus two and one-quarter of one percent (2.25%). The Revolving Floating Rate shall automatically be reduced to an annual rate equal to the sum of the Prime Rate plus one-quarter of one percent (.25%) on the first day of the first full month following Lender's receipt of Borrower's 2002 fiscal year audited financial statements complying with Section 6.1(a) below, if but only if (i) said financial statements indicate that the Borrower and the Covenant Entities have achieved a Net Income for the Borrower's 2002 fiscal year of not less than $600,000.00, (ii) said financial statements indicate that the Borrower and the Covenant Entities increased their aggregate Net Worth during Borrower's 2002 fiscal year by not less than $600,000.00, and (iii) there is not a then existing Event of Default or Default Period. If but only if said reduction is not achieved as provided above, the Revolving Floating Rate shall automatically be adjusted on the first day of the first full month following Lender's receipt of Borrower's audited financial statements complying with Section 6.1(a) below in any year subsequent to Borrower's 2002 fiscal year, to an annual rate equal to the sum of the Prime Rate plus one-quarter of one percent (0.25%) in the event that (i) said financial statements indicate that the Borrower

and the Covenant Entities have achieved a Net Income for any such fiscal year of not less than $600,000.00, (ii) said financial statements indicate that the Borrower and the Covenant Entities increased their aggregate Net Worth during any such fiscal year by not less than $600,000.00, and (iii) there is not a then existing Event of Default or Default Period. The Revolving Floating Rate shall change when and as the Prime Rate changes.

"Term Floating Rate" means an annual rate equal to the sum of the Prime Rate plus two and three-quarters of one percent (2.75%). The Term Floating Rate shall automatically be reduced to an annual rate equal to the sum of the Prime Rate plus three-quarters of one percent (.75%) on the first day of the first full month following Lender's receipt of Borrower's 2002 fiscal year audited financial statements complying with Section 6.1(a) below, if but only if (i) said financial statements indicate that the Borrower and the Covenant Entities have achieved a Net Income for the Borrower's 2002 fiscal year of not less than $600,000.00, (ii) said financial statements indicate that the Borrower and the Covenant Entities increased their aggregate Net Worth during Borrower's 2002 fiscal year by not less than $600,000.00, and (iii) there is not a then existing Event of Default or Default Period. If but only if said reduction is not achieved as provided above, the Term Floating Rate shall automatically be adjusted on the first day of the first full month following Lender's receipt of Borrower's audited financial statements complying with Section 6.1(a) below in any year subsequent to Borrower's 2002 fiscal year, to an annual rate equal to the sum of the Prime Rate plus three-quarters of one percent (0.75%) in the event that (i) said financial statements indicate that the Borrower and the Covenant Entities have achieved a Net Income for any such fiscal year of not less than $600,000.00, (ii) said financial statements indicate that the Borrower and the Covenant Entities increased their aggregate Net Worth during any such fiscal year by not less than $600,000.00, and (iii) there is not a then existing Event of Default or Default Period. The Term Floating Rate shall change when and as the Prime Rate changes.

In the event that none of the Interest Rate Increase Criteria occurs, the definitions of "Revolving Floating Rate" and "Term Floating Rate" shall remain as defined in the Seventh Amendment to the Credit Agreement.

(c) Section 6.13 of the Credit Agreement is hereby deleted and replaced as follows:

Section 6.13 NET WORTH. The Borrower covenants that as of May 31, 2000, the aggregate consolidated Net Worth of Royal Grip, Royal Headwear and the Covenant Entities was $14,411,226.36. The Borrower covenants that said aggregate consolidated Net Worth as of the end of each future fiscal quarter end shall increase by not less than (or in the event a decrease is allowed, decrease by not more than) the amounts set forth below as measured from the immediately preceding fiscal year ending aggregate consolidated Net Worth.

QUARTER ENDING	NET WORTH INCREASE (DECREASE)
May 31, 2001	$(650,000.00)
August 31, 2001 and each August 31 thereafter	$ 0.00
November 30, 2001 and each November 30 thereafter	$(300,000.00)
February 28, 2002 and each February 28 thereafter	$(100,000.00)
May 31, 2002 and each May 31 thereafter	$ 600,000.00

(d) Section 6.14 of the Credit Agreement is hereby deleted in its entirety and replaced as follows:

Section 6.14 NET INCOME. The Borrower covenants that Royal Grip, Royal Headwear and the Covenant Entities shall achieve an aggregate consolidated Net Income of at least (or, in the event a Net Loss is allowed for such fiscal quarter, a Net Loss of not more than) the amount set forth below for each fiscal quarter as measured from the immediately preceding fiscal year end.

QUARTER ENDING	NET INCOME (LOSS)
May 31, 2001	$(650,000.00)
August 31, 2001 and each August 31 thereafter	$ 0.00
November 30, 2001 and each November 30 thereafter	$(300,000.00)
February 28, 2002 and each February 28 thereafter	$(100,000.00)
May 31, 2002 and each May 31 thereafter	$ 600,000.00

(e) Section 6.15 of the Credit Agreement is hereby deleted in its entirety and replaced as follows:

Section 6.15 MONTHLY NET INCOME/NET LOSS. The Borrower covenants that beginning with January 1, 2001, and continuing for each month thereafter,

Royal Grip, Royal Headwear and the Covenant Entities shall achieve an aggregate consolidated Net Income of not less than (or in the event a Net Loss is allowed for such month, a Net Loss of not more than) the amounts set forth below for each month as measured from the last day of the immediately preceding month.

MONTH	NET INCOME/(NET LOSS)
January, 2001	$ 0.00
February, 2001	$ 50,000.00
March, 2001	$ 100,000.00
April, 2001	$ 150,000.00
May, 2001	$ 100,000.00
June of each year	$ 0.00
July of each year	$ 0.00
August of each year	$(300,000.00)
September of each year	$(150,000.00)
October of each year	$(200,000.00)
November of each year	$(100,000.00)
December of each year	$(350,000.00)
January, 2002 and each January thereafter	$ (50,000.00)
February, 2002 and each February thereafter	$ 0.00
March, 2002 and each March thereafter	$ 0.00
April, 2002 and each April thereafter	$ 0.00
May, 2002 and each May thereafter	$ 0.00

3. NO OTHER CHANGES. Except as explicitly amended by this Amendment, all of the terms and conditions of the Credit Agreement shall remain in full force and effect and shall apply to any advance or letter of credit thereunder.

4. THE INVENTORY APPRAISAL. The Borrower, at its sole cost and expense, shall cause its Inventory to be appraised by an Inventory appraiser who is satisfactory to the Lender (the "Appraisal"). The Appraisal shall be completed

and delivered to the Lender on or before July 31, 2001. Any failure on the part of the Borrower to strictly comply with the terms of this Section 4 shall constitute an Event of Default under the Credit Agreement.

5. ORIGINATION FEE/ACCRUED DEFAULT INTEREST.

(a) The Borrower shall pay the Lender as of the date hereof a fully earned, non-refundable amendment fee in the amount of $2,500.00 in consideration of the Lender's execution of this Amendment.

(b) In the event that any one of the Interest Rate Criteria occurs, the Borrower shall pay the Lender, on the Trigger Date, all Accrued Default Interest (which is continuing to accrue), as defined in the Seventh Amendment to the Credit Agreement, which is unpaid as of the Trigger Date. The Borrower acknowledges that as of April 30, 2001, the amount of Accrued Default Interest was $4,693.74. In the event that none of the Interest Rate Increase Criteria occurs, the Lender shall waive the payment of the Accrued Default Interest.

6. CONDITIONS PRECEDENT. This Amendment shall be effective when the Lender shall have received an executed original hereof, together with each of the following, each in substance and form acceptable to the Lender in its sole

discretion:

(a) The Acknowledgment and Agreement of Guarantor set forth at the end of this Amendment, duly executed by the Guarantor.

(b) A Certificate of the Secretary of the Borrower certifying as to (i) the resolutions of the board of directors of the Borrower approving the execution and delivery of this Amendment, (ii) the fact that the certificate of incorporation and bylaws of the Borrower, which were certified and delivered to the Lender pursuant to the Certificate of Authority of the Borrower's secretary or assistant secretary dated as of October 9, 1998 in connection with the execution and delivery of the Credit Agreement continue in full force and effect and have not been amended or otherwise modified except as set forth in the Certificate to be delivered and in previous Certificates which have from time to time been delivered, and (iii) certifying that the officers and agents of the Borrower who have been certified to the Lender, pursuant to the Certificate of Authority of the Borrower's secretary or assistant secretary dated as of November 10, 1999, as being authorized to sign and to act on behalf of the Borrower continue to be so authorized or setting forth the sample signatures of each of the officers and agents of the Borrower authorized to execute and deliver this Amendment and all other documents, agreements and certificates on behalf of the Borrower.

(c) An opinion of the Borrower's counsel as to the matters set forth in paragraphs 7(a) and 7(b) hereof and as to such other matters as the Lender shall require.

(d) Payment of the amendment fee described in Paragraph 5.

(e) Such other matters as the Lender may require.

7. REPRESENTATIONS AND WARRANTIES. The Borrower hereby represents and warrants to the Lender as follows:

(a) The Borrower has all requisite power and authority to execute this Amendment and to perform all of its obligations hereunder, and this Amendment has been duly executed and delivered by the Borrower and constitutes the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms.

(b) The execution, delivery and performance by the Borrower of this Amendment have been duly authorized by all necessary corporate action and do not (i) require any authorization, consent or approval by any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, (ii) violate any provision of any law, rule or regulation or of any order, writ, injunction or decree presently in effect, having applicability to the Borrower, or the certificate of incorporation or by-laws of the Borrower, or (iii) result in a breach of or constitute a default under any indenture or loan or credit agreement or any other agreement, lease or instrument to which the

Borrower is a party or by which it or its properties may be bound or affected.

(c) All of the representations and warranties contained in Article V of the Credit Agreement are correct on and as of the date hereof as though made on and as of such date, except to the extent that such representations and warranties relate solely to an earlier date.

8. REFERENCES. All references in the Credit Agreement to "this Agreement" shall be deemed to refer to the Credit Agreement as amended hereby; and any and all references in the Security Documents to the Credit Agreement shall be deemed to refer to the Credit Agreement as amended hereby.

9. NO OTHER WAIVER. Except as specifically set forth in Section 4 above, the execution of this Amendment and acceptance of any documents related hereto shall not be deemed to be a waiver of any Default or Event of Default or Default Period under the Credit Agreement or breach, default or event of default under any Security Document or other document held by the Lender, whether or not known to the Lender and whether or not existing on the date of this Amendment.

10. RELEASE. The Borrower, and each Guarantor by signing the Acknowledgment and Agreement of Guarantor set forth below, each hereby absolutely and unconditionally releases and forever discharges the Lender, and any and all participants, parent corporations, subsidiary corporations, affiliated corporations, insurers, indemnitors, successors and assigns thereof, together with all of the present and former directors, officers, agents and employees of any of the foregoing, from any and all claims, demands or causes of action of any kind, nature or description, whether arising in law or equity or upon contract or tort or under any state or federal law or otherwise, which the Borrower or such Guarantor has had, now has or has made claim to have against any such person for or by reason of any act, omission, matter, cause or thing whatsoever arising from the beginning of time to and including the date of this Amendment, whether such claims, demands and causes of action are matured or unmatured or known or unknown.

11. PAYMENTS ON THE SUBORDINATED DEBT. Notwithstanding anything in (i) that certain Subordination Agreement dated December 7, 2000 (the "Subordination Agreement"), or (ii) the Seventh Amendment to the Credit Agreement to the

contrary, the Borrower agrees that it shall only make payments on the Subordinated Indebtedness in strict accordance with the following:

(a) A payment may only be made on May 31, 2001.

(b) The amount of the payment may not exceed the lesser of (i) the amount equal to the aggregate Availability under the Credit Agreement and the FM Credit Agreement minus Accounts more than 30 days past respective due date minus $500,000.00 or (ii) $500,000.00 plus accrued interest.

(c) The average aggregate excess Availability under the Credit

Agreement and the FM Credit Agreement for the 60 days immediately preceding May 31, 2001 was not less than $1,000,000.00, and

(d) no Event of Default or Default Period has occurred and is continuing or will occur as a result of or immediately following any such payment.

12. COSTS AND EXPENSES. The Borrower hereby reaffirms its agreement under the Credit Agreement to pay or reimburse the Lender on demand for all costs and expenses incurred by the Lender in connection with the Credit Agreement, the Security Documents and all other documents contemplated thereby, including without limitation all reasonable fees and disbursements of legal counsel. Without limiting the generality of the foregoing, the Borrower specifically agrees to pay all fees and disbursements of counsel to the Lender for the services performed by such counsel in connection with the preparation of this Amendment and the documents and instruments incidental hereto. The Borrower hereby agrees that the Lender may, at any time or from time to time in its sole discretion and without further authorization by the Borrower, make a loan to the Borrower under the Credit Agreement, or apply the proceeds of any loan, for the purpose of paying any such fees, disbursements, costs and expenses, the fee required under paragraph 5 hereof and the Accrued Default Interest which is due and payable under Paragraph 5 hereof.

13. MISCELLANEOUS. This Amendment and the Acknowledgment and Agreement of Guarantor may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original and all of which counterparts, taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first written above.

WELLS FARGO BUSINESS CREDIT, INC.

By /s/ Clifton Moschnik

Its Assistant Vice President

ROYAL GRIP, INC., a Nevada corporation

By /s/ Thomas A. Schneider

Its President

ROYAL GRIP HEADWEAR COMPANY,
a Nevada corporation

By /s/ Thomas A. Schneider

Its President

ACKNOWLEDGMENT AND AGREEMENT OF GUARANTOR

The undersigned, a guarantor of the indebtedness of Royal Grip, Inc., and Royal Grip Headwear Company, each Nevada corporations (collectively, jointly and severally, the "Borrowers") to Wells Fargo Business Credit, Inc. (the "Lender") pursuant to a Guaranty dated as of October 9, 1998 (the "Guaranty"), hereby (i) acknowledges receipt of the foregoing Amendment; (ii) consents to the terms (including without limitation the release set forth in paragraph 10 of the Amendment) and execution thereof; (iii) reaffirms its obligations to the Lender pursuant to the terms of its Guaranty; and (iv) acknowledges that the Lender may amend, restate, extend, renew or otherwise modify the Credit Agreement and any indebtedness or agreement of the Borrower, or enter into any agreement or extend additional or other credit accommodations, without notifying or obtaining the consent of the undersigned and without impairing the liability of the undersigned under the Guaranty for all of the Borrowers' present and future indebtedness to the Lender.

ROYAL PRECISION, INC.,
a Delaware corporation

By /s/ Thomas A. Schneider

Its President

Exhibit 10.37

AMENDMENT NO. 1

THIS AMENDMENT NO. 1 (the "Amendment") is made and entered into as of July 11, 2001, by and between ROYAL GRIP, INC., an Arizona corporation ("Royal Grip"), and PRECISION FM JAPAN, LTD., a Japanese corporation ("Precision").

RECITALS

WHEREAS, the parties entered into an agreement, dated July 12, 1991, for the exclusive distributorship of Royal Grip Products in the Far East and Southeast Asia (the "Agreement");

WHEREAS, the parties have determined to modify the Agreement in the manner hereinafter set forth.

NOW THEREFORE, the parties hereby agree as follows:

Section 1. AMENDMENT. Section 3 is hereby amended in its entirety to read as follows:

3. TERM. The initial term of this Agreement shall be for the period beginning the date hereof, such date being the "Effective Date" and ending January 31, 2002. If, at the end of the initial term, Precision is not in default of any of the terms contained herein, it may renew the Agreement for additional, successive, two-year terms on the terms and conditions agreed.

Section 2. CONTINUING VALIDITY. Except as amended herein, the provisions of the Agreement shall remain unchanged and in full force and effect. All references to the Agreement hereafter shall be deemed to mean and refer to the Agreement, as amended by this Amendment.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

ROYAL GRIP, INC.

By: /s/ Thomas A. Schneider

Name: Thomas A. Schneider
Title: President

PRECISION FM JAPAN, LTD.

By: /s/ Sadami Nishioka

Name: Sadami Nishioka
Title: President

Exhibit 21

SUBSIDIARIES OF REGISTRANT

The registrant has the following wholly-owned subsidiaries:

FM Precision Golf Manufacturing Corp., a Delaware corporation

FM Precision Golf Sales Corp., a Delaware corporation

Royal Grip, Inc., a Nevada corporation

Royal Grip Headwear Company (formerly known as Roxxi, Inc.), a Nevada corporation, is a wholly-owned subsidiary of Royal Grip, Inc.

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports included in this Form 10-K, into the Company's previously filed Registration Statement File Nos. 333-35605, 333-47466, and 333-66381.

/s/ ARTHUR ANDERSEN LLP

Phoenix, Arizona
July 30, 2001

Exhibit 24.1

POWER OF ATTORNEY

The undersigned who is a director or officer of Royal Precision, Inc., a Delaware corporation (the "Company");

Does hereby constitute and appoint Richard P. Johnston and Thomas A. Schneider to be his agents and attorneys-in-fact;

Each with the power to act fully hereunder without the other and with full power of substitution to act in the name and on behalf of the undersigned;

To sign and file with the Securities and Exchange Commission the Annual Report of the Company on Form 10-K or other appropriate form and any amendments or supplements to such Annual Report; and

To execute and deliver any instruments, certificates or other documents which they shall deem necessary or proper in connection with the filing of such Annual Report, and generally to act for and in the name of the undersigned with respect to such filings as fully as could the undersigned if then personally present and acting.

Each agent named above is hereby empowered to determine in his discretion the times when, the purposes for, and the names in which, any power conferred upon him herein shall be exercised and the terms and conditions of any instrument, certificate or document which may be executed by him pursuant to this instrument.

This Power of Attorney shall not be affected by the disability of the undersigned or the lapse of time.

The validity, terms and enforcement of this Power of Attorney shall be governed by those laws of the State of Delaware that apply to instruments negotiated, executed, delivered and performed solely within the State of Delaware.

This Power of Attorney may be executed in any number of counterparts, each of which shall have the same effect as if it were the original instrument and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, I have executed this Power of Attorney this 19TH day of JUNE, 2001.

/s/ Kenneth J. Warren

Kenneth J. Warren

POWER OF ATTORNEY

The undersigned who is a director or officer of Royal Precision, Inc., a Delaware corporation (the "Company");

Does hereby constitute and appoint Richard P. Johnston and Thomas A. Schneider to be his agents and attorneys-in-fact;

Each with the power to act fully hereunder without the other and with full power of substitution to act in the name and on behalf of the undersigned;

To sign and file with the Securities and Exchange Commission the Annual Report of the Company on Form 10-K or other appropriate form and any amendments or supplements to such Annual Report; and

To execute and deliver any instruments, certificates or other documents which they shall deem necessary or proper in connection with the filing of such Annual Report, and generally to act for and in the name of the undersigned with respect to such filings as fully as could the undersigned if then personally present and acting.

Each agent named above is hereby empowered to determine in his discretion the times when, the purposes for, and the names in which, any power conferred upon him herein shall be exercised and the terms and conditions of any instrument, certificate or document which may be executed by him pursuant to this instrument.

This Power of Attorney shall not be affected by the disability of the undersigned or the lapse of time.

The validity, terms and enforcement of this Power of Attorney shall be governed by those laws of the State of Delaware that apply to instruments negotiated, executed, delivered and performed solely within the State of Delaware.

This Power of Attorney may be executed in any number of counterparts, each of which shall have the same effect as if it were the original instrument and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, I have executed this Power of Attorney this 20TH day of JUNE, 2001.

/s/ David E. Johnston

David E. Johnston

POWER OF ATTORNEY

The undersigned who is a director or officer of Royal Precision, Inc., a

Delaware corporation (the "Company");

Does hereby constitute and appoint Richard P. Johnston and Thomas A. Schneider to be his agents and attorneys-in-fact;

Each with the power to act fully hereunder without the other and with full power of substitution to act in the name and on behalf of the undersigned;

To sign and file with the Securities and Exchange Commission the Annual Report of the Company on Form 10-K or other appropriate form and any amendments or supplements to such Annual Report; and

To execute and deliver any instruments, certificates or other documents which they shall deem necessary or proper in connection with the filing of such Annual Report, and generally to act for and in the name of the undersigned with respect to such filings as fully as could the undersigned if then personally present and acting.

Each agent named above is hereby empowered to determine in his discretion the times when, the purposes for, and the names in which, any power conferred upon him herein shall be exercised and the terms and conditions of any instrument, certificate or document which may be executed by him pursuant to this instrument.

This Power of Attorney shall not be affected by the disability of the undersigned or the lapse of time.

The validity, terms and enforcement of this Power of Attorney shall be governed by those laws of the State of Delaware that apply to instruments negotiated, executed, delivered and performed solely within the State of Delaware.

This Power of Attorney may be executed in any number of counterparts, each of which shall have the same effect as if it were the original instrument and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, I have executed this Power of Attorney this 19TH day of JUNE, 2001.

/s/ Richard P. Johnston

Richard P. Johnston

POWER OF ATTORNEY

The undersigned who is a director or officer of Royal Precision, Inc., a Delaware corporation (the "Company");

Does hereby constitute and appoint Richard P. Johnston and Thomas A. Schneider to be his agents and attorneys-in-fact;

Each with the power to act fully hereunder without the other and with full power of substitution to act in the name and on behalf of the undersigned;

To sign and file with the Securities and Exchange Commission the Annual Report of the Company on Form 10-K or other appropriate form and any amendments or supplements to such Annual Report; and

To execute and deliver any instruments, certificates or other documents which they shall deem necessary or proper in connection with the filing of such Annual Report, and generally to act for and in the name of the undersigned with respect to such filings as fully as could the undersigned if then personally present and acting.

Each agent named above is hereby empowered to determine in his discretion the times when, the purposes for, and the names in which, any power conferred upon him herein shall be exercised and the terms and conditions of any instrument, certificate or document which may be executed by him pursuant to this instrument.

This Power of Attorney shall not be affected by the disability of the undersigned or the lapse of time.

The validity, terms and enforcement of this Power of Attorney shall be governed by those laws of the State of Delaware that apply to instruments negotiated, executed, delivered and performed solely within the State of Delaware.

This Power of Attorney may be executed in any number of counterparts, each of which shall have the same effect as if it were the original instrument and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, I have executed this Power of Attorney this 20TH day of JUNE, 2001.

/S/ Raymond J. Minella

Raymond J. Minella

POWER OF ATTORNEY

The undersigned who is a director or officer of Royal Precision, Inc., a Delaware corporation (the "Company");

Does hereby constitute and appoint Richard P. Johnston and Thomas A. Schneider to be his agents and attorneys-in-fact;

Each with the power to act fully hereunder without the other and with full power of substitution to act in the name and on behalf of the undersigned;

To sign and file with the Securities and Exchange Commission the Annual Report of the Company on Form 10-K or other appropriate form and any amendments or supplements to such Annual Report; and

To execute and deliver any instruments, certificates or other documents which they shall deem necessary or proper in connection with the filing of such Annual Report, and generally to act for and in the name of the undersigned with respect to such filings as fully as could the undersigned if then personally present and acting.

Each agent named above is hereby empowered to determine in his discretion the times when, the purposes for, and the names in which, any power conferred upon him herein shall be exercised and the terms and conditions of any instrument, certificate or document which may be executed by him pursuant to this instrument.

This Power of Attorney shall not be affected by the disability of the undersigned or the lapse of time.

The validity, terms and enforcement of this Power of Attorney shall be governed by those laws of the State of Delaware that apply to instruments negotiated, executed, delivered and performed solely within the State of Delaware.

This Power of Attorney may be executed in any number of counterparts, each of which shall have the same effect as if it were the original instrument and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, I have executed this Power of Attorney this 24TH day of JUNE, 2001.

/s/ Charles S. Mechem, Jr.

Charles S. Mechem, Jr.

POWER OF ATTORNEY

The undersigned who is a director or officer of Royal Precision, Inc., a Delaware corporation (the "Company");

Does hereby constitute and appoint Richard P. Johnston and Thomas A. Schneider to be his agents and attorneys-in-fact;

Each with the power to act fully hereunder without the other and with full power of substitution to act in the name and on behalf of the undersigned;

To sign and file with the Securities and Exchange Commission the Annual Report of the Company on Form 10-K or other appropriate form and any amendments or supplements to such Annual Report; and

To execute and deliver any instruments, certificates or other documents which they shall deem necessary or proper in connection with the filing of such Annual Report, and generally to act for and in the name of the undersigned with respect to such filings as fully as could the undersigned if then personally present and acting.

Each agent named above is hereby empowered to determine in his discretion the times when, the purposes for, and the names in which, any power conferred upon him herein shall be exercised and the terms and conditions of any instrument, certificate or document which may be executed by him pursuant to this instrument.

This Power of Attorney shall not be affected by the disability of the undersigned or the lapse of time.

The validity, terms and enforcement of this Power of Attorney shall be governed by those laws of the State of Delaware that apply to instruments negotiated, executed, delivered and performed solely within the State of Delaware.

This Power of Attorney may be executed in any number of counterparts, each of which shall have the same effect as if it were the original instrument and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, I have executed this Power of Attorney this 19TH day of JUNE, 2001.

/s/ Kevin L. Neill

Kevin L. Neill

POWER OF ATTORNEY

The undersigned who is a director or officer of Royal Precision, Inc., a Delaware corporation (the "Company");

Does hereby constitute and appoint Richard P. Johnston and Thomas A. Schneider to be his agents and attorneys-in-fact;

Each with the power to act fully hereunder without the other and with full power of substitution to act in the name and on behalf of the undersigned;

To sign and file with the Securities and Exchange Commission the Annual Report of the Company on Form 10-K or other appropriate form and any amendments or supplements to such Annual Report; and

To execute and deliver any instruments, certificates or other documents which they shall deem necessary or proper in connection with the filing of such Annual Report, and generally to act for and in the name of the undersigned with respect to such filings as fully as could the undersigned if then personally present and acting.

Each agent named above is hereby empowered to determine in his discretion the times when, the purposes for, and the names in which, any power conferred upon him herein shall be exercised and the terms and conditions of any instrument, certificate or document which may be executed by him pursuant to this instrument.

This Power of Attorney shall not be affected by the disability of the undersigned or the lapse of time.

The validity, terms and enforcement of this Power of Attorney shall be governed by those laws of the State of Delaware that apply to instruments negotiated, executed, delivered and performed solely within the State of Delaware.

This Power of Attorney may be executed in any number of counterparts, each of which shall have the same effect as if it were the original instrument and all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, I have executed this Power of Attorney this 19TH day of JUNE, 2001.

/s/ Thomas A. Schneider

Thomas A. Schneider

Exhibit 24.2

CERTIFICATE

I, KENNETH J. WARREN, hereby certify that I am the duly elected Secretary of Royal Precision, Inc., a Delaware corporation (the "Corporation"), and do further certify that the following resolutions were duly adopted by the Board of Directors of the Corporation at a meeting duly called and held on May 30, 2001, and that such resolutions have not been amended or rescinded, and are in full force and effect:

RESOLVED, that each officer and director who may be required to execute an annual report on Form 10-K or any amendment or supplement thereto (whether on behalf of the Company or as an officer or director thereof or otherwise) be, and each of them hereby is, authorized to execute a power of attorney appointing Richard P. Johnston and Thomas A. Schneider and each of them severally, his true and lawful attorneys and agents to execute in his name, place and stead (in any such capacity) said Form 10-K and all instruments or reports necessary or in connection therewith, and to file the same with the Securities and Exchange Commission, each of said attorneys and agents to have the power to act with or without the other, to have full power and authority to do and to perform in the name and on behalf of each of said officers and directors, or both, as the case may be, every act which is necessary or advisable to be done as fully, and to all intents and purposes, as any such officer or director might or could do in person; and further ....

Dated this 1st day of August, 2001.

/s/ Kenneth J. Warren

Kenneth J. Warren

Exhibit 99.1

SAFE HARBOR COMPLIANCE STATEMENT

PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995
SAFE HARBOR COMPLIANCE STATEMENT FOR FORWARD-LOOKING STATEMENTS

This Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are often characterized by the terms "may," "believes," "projects," "expects," or "anticipates," and do not reflect historical facts. Such statements include, but are not limited to, statements concerning the Company's future results from operations; the adequacy of existing capital resources and credit lines; anticipated future customer orders; anticipated future capital expenditures; anticipated costs of environmental matters at our manufacturing facilities and expectations regarding future environmental reports; and our ability to generate sufficient cash flow from operations to repay indebtedness and fund operations. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Forward-looking statements are based on the current beliefs and expectations of the Company's management and are subject to significant risks, uncertainties and other factors, which may cause actual results, performance, or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements. Factors that could affect the Company's results and cause them to be materially different from those contained in the forward-looking statements include: uncertainties relating to general economic conditions; the Company's dependence on discretionary consumer spending; the Company's dependence on demand from original equipment manufacturers; the Company's dependence on international sales; the cost and availability of raw materials; the timeliness and market acceptance of the Company's new product introductions; the competitive environment in which the Company operates; seasonality of sales, which results in fluctuations in operating results; the Company's ability to protect its intellectual property rights; the Company's reliance on third party suppliers; changes in the financial markets relating to the Company's capital structure and cost of capital; increased costs related to environmental regulations and/or the failure of third parties to fulfill their indemnification and remediation obligations to us; work stoppages or slowdowns; the Company's limited operating history; the Company's ability to successfully launch new products; and other factors that management is currently unable to identify or quantify, but may arise or become known in the future.

RISK FACTORS

NO LONG-TERM SUPPLIER OF GOLF CLUB GRIPS OR GRAPHITE GOLF CLUB SHAFTS. The Company purchases its grip inventory from five different suppliers. Although the

Company does not have long-term supply contracts with each of these companies, management believes it has an adequate source of supply to meet its current and anticipated future customer needs. However, there can be no assurance that a disruption of supply from any of these companies will not result in the loss of sales and key customers, which would have a material adverse effect on the Company's financial condition and results of operations.

The Company currently utilizes two manufacturers to supply its inventory of graphite golf club shafts. Management believes that there are other acceptable supply sources at comparable prices and quality. Sales of these products to date have been insignificant to the Company's financial condition and results of operations. However, there can be no assurance that a disruption of supply from either of these companies will not result in the loss of sales and key customers or hinder the Company's efforts to expand its business into this new product segment.

DEPENDENCE ON "RIFLE" SHAFT SALES. The Company is substantially dependent on sales of "Rifle" golf club shafts which constituted 67%, 62% and 56% of the Company's total net sales during the fiscal years ended May 31, 2001, 2000 and 1999, respectively. While the Company's management believes that demand for the "Rifle" shaft should remain high for the next several years, there can be no assurance that sales of the "Rifle" shaft will not decline or that the Rifle shaft will maintain its profitability. Decreases in sales or profitability of the "Rifle" shaft could have a material adverse effect on the Company's business, operating results and financial condition.

DEPENDENCE ON DISCRETIONARY CONSUMER SPENDING. Sales of golf equipment historically have been dependent on discretionary spending by consumers, which may be adversely affected by general economic conditions, changing consumer golf trends and the popularity of golf in general. Any period of economic uncertainty or decline that impacts consumer spending, any decrease in consumer spending on golf equipment for whatever reason or changes in consumer preferences for golf products could have a material adverse effect on the Company's business, results of operations and financial condition.

COMPETITION. The golf equipment industry is highly competitive and is characterized by numerous companies competing in various segments of the market. Many of the Company's competitors have greater name recognition, more extensive engineering, manufacturing and marketing capabilities, and greater financial, technological and personnel resources than the Company. Efforts to remain competitive with these rival sports equipment manufacturers may cause the Company to accept lower profit margins, which could adversely impact the Company's business, operating results and financial condition. There can be no assurance that the Company will be able to compete successfully in the future with existing or new competitors.

DEPENDENCE ON OEMS, CUSTOMER CONCENTRATION. The Company's major customers are original equipment manufacturers ("OEMs") which sell finished golf products primarily to sporting goods stores and specialty retailers of golf equipment and recreational products. A decision by these OEM customers to manufacture their own golf club grips and shafts or to acquire grips and shafts from sources other than the Company could have a material adverse effect on the Company's business, results of operations and financial condition as could changes in the purchasing patterns, inventory levels and advertising and marketing strategies of these OEM customers.

The Company is significantly dependent on sales to its significant customers including TaylorMade - adidas Golf ("TaylorMade"), its exclusive Japanese distributor ("Precision Japan") and Callaway Golf Company ("Callaway") which, in the aggregate, represented 60%, 50% and 49% of the Company's total net sales for the fiscal years ended May 31, 2001, 2000 and 1999, respectively. The Company has two long-term agreements with Precision Japan which grant exclusive distribution rights for sale of the Company's golf club grips and golf club shafts in Japan and certain other Asian countries. The grip and shaft agreements expire in January 2002 and July 2002, respectively. The Company does not have supply agreements with TaylorMade or Callaway. The loss of sales to any of these companies could have a significant adverse impact on the Company's financial condition and results of operations.

Because of the historical volatility of consumer demand for specific golf clubs, as well as continued competition from alternative suppliers, sales to a given customer in a prior period may not necessarily be indicative of future sales. The loss of a significant customer or a substantial decrease in sales to a significant customer could adversely affect the Company's business, operating results and financial condition.

SEASONALITY; FLUCTUATIONS IN OPERATING RESULTS. The Company is dependent on golf-related product sales and golf is generally a warm weather sport. Therefore, the Company's business is seasonal. The Company has historically enjoyed its strongest sales in the third and fourth fiscal quarters ending in February and May because the Company's customers build up inventory levels in anticipation of sales in the spring and summer, the principal selling seasons for golf-related products. In order to minimize the effect of this seasonality, the Company may build product inventories during the first and second fiscal quarters ending in August and November based on management's estimate of customer demand for the Company products in the third and fourth fiscal quarters. This strategy allows the Company to use its production resources more efficiently and have inventory on hand to meet its customers' demand but also exposes the Company to the risk of materially inaccurate estimates. If the Company underestimates the demand for its products, the Company may not be able to deliver products to its customers in a timely fashion. If the Company overestimates the demand for its products, the Company may have to sell excess inventory at severely discounted prices. Either event may have a material adverse effect on the Company's business, operating results and financial condition.

FINANCIAL LOAN COVENANTS. The Company's primary borrowing arrangement consists of two bank credit facilities that contain certain financial and other covenants which, among other things, limit annual capital expenditures and dividends and require the maintenance of minimum monthly and quarterly earnings and quarterly debt service coverage ratios, as defined. The Company believes it is in compliance with all financial loan covenants as of May 31, 2001. Most recently in November 2000, the Company did not achieve the operating results necessary for compliance with certain financial loan covenants, but was successful in obtaining the necessary waivers and amendments to remedy such default. There can be no assurance, however, that the Company would be able to obtain the necessary waivers or amendments upon the occurrence of any future events of default of financial loan covenants which could have a material adverse effect on the Company's financial condition and results of operations.

ENVIRONMENTAL RISKS. The Company is subject to environmental laws and regulations that impose workplace standards and limitations on the discharge of pollutants into the environment and establish standards for the handling and disposal of waste products. The nature of the Company's Torrington, Connecticut golf club shaft manufacturing operations could expose the Company to the risk of claims with regard to environmental matters.

In May 1996, the Company acquired substantially all the assets of the golf club shaft manufacturing business of Brunswick Corporation (NYSE: BC) (the "Brunswick Acquisition"). Included in the acquired assets were land, buildings and equipment at the Company's Torrington, Connecticut manufacturing facility (the "FMP plant"). In conjunction with the Brunswick Acquisition, Brunswick Corporation ("Brunswick") agreed to indemnify the Company from potential liability arising from certain environmental matters and to remediate certain environmental conditions which existed at the FMP plant on the date of acquisition. Brunswick has engaged an environmental consulting firm to perform testing at the FMP plant and is in the process of developing a plan of remediation. The Company has engaged an environmental consulting firm to assist in the development of the plan of remediation. Failure of Brunswick to fulfill its obligations under the asset purchase contract could have a material adverse effect on the Company's financial condition and results of operations.

Prior to the Brunswick Acquisition, the FMP plant was listed in the U.S. Environmental Protection Agency's ("EPA") Comprehensive Environmental Response, Compensation and Liability Information System ("CERCLIS"). A contractor for the EPA performed an assessment of the FMP plant in January 1992 and, in June 1992, the site was deferred from the CERCLIS inventory to the EPA's Resource Conservation and Recovery Act ("RCRA") program. During calendar 2000, the EPA reviewed the status of the property, concluded that the FMP plant is not subject to corrective action under RCRA and returned the site to its active CERCLIS inventory. In November 2000 and April 2001, a contractor for the EPA performed another site assessment and took samples from the property of the FMP plant. The Company anticipates that a report from the EPA with the results of this work will be received prior to April 2002. The Company believes that, pursuant to the Brunswick Acquisition agreement, Brunswick has an obligation under the Connecticut Transfer Act (the "Act") to remediate any environmental issues that fall within the scope of the Act. The Company expects that, if the EPA identifies any environmental issues, they would be issues that fall within the scope of the Act. There is not sufficient information at this time to determine what action, if any, the EPA may pursue and what effect, if any, it may have on the Company's financial condition and results of operations.

In October 2000, the Company received a notice of violation ("NOV") from the State of Connecticut Department of Environmental Protection ("DEP") alleging that various effluent discharge samples during the period from January 2000 to September 2000 were in violation of authorized limits under an existing permit for the discharge of treated wastewater from the FMP plant. The Company submitted its response to the NOV in December 2000 and, in April 2001, the Company received a draft consent order from the DEP related to this matter. The Company is currently negotiating with the DEP prior to entering into a final consent order. The Company does not anticipate, however, that the conditions of the draft consent order will be significantly modified. Terms of the draft consent order include, among other things, that the Company pay a civil penalty of $0.2 million, submit to various compliance audits, and complete a feasibility study to determine if the discharge of treated wastewater from the FMP plant can be reduced, diverted to another source or eliminated entirely. The Company is currently evaluating its options to reach compliance with the terms of the draft consent order. Management believes it is possible that the proposed civil penalty will be slightly reduced when the final consent order is executed. A provision has been recorded in the amount of $0.15 million for the proposed civil penalty and is reflected as a component of Environmental Costs in the accompanying consolidated statement of operations for the fiscal year ended May 31, 2001. Management believes that significant future capital expenditures in excess of $0.3 million may be made at the FMP plant during the fiscal year ending May 31, 2002 to comply with the terms of the consent order.

Environmental Costs related to the various matters discussed above totaled $0.4 million and $0.1 million, net of recoveries, during the fiscal years ended May 31, 2001 and 2000, respectively.

There can be no assurance that additional material costs or liabilities will not be incurred in connection with environmental laws and regulations in the future or that governmental requirements will not change in a manner that imposes material costs or liabilities on the Company.

FOREIGN SALES RISKS. The Company is significantly dependent on international sales which represented 23%, 32% and 29% of the Company's total net sales during the fiscal years ended May 31, 2001, 2000, and 1999, respectively. International sales expose the Company to additional risks inherent in doing business abroad. These risks include, but are not limited to delays in shipment; export controls, embargoes, tariffs and other trade barriers; foreign government regulation, political instability, and changes in economic conditions; and adverse fluctuations in foreign exchange rates and exchange controls. Any of these risks may result in the loss of international sales or a decline in the profitability of international sales which could have a material adverse effect on the Company's business, operating results or

financial condition. Sales to Precision Japan, the Company's exclusive distributor for Japan, accounted for 86%, 84% and 85% of the Company's international sales during the fiscal years ended May 31, 2001, 2000, and 1999, respectively. The loss of sales to Precision Japan could have a material adverse effect on the Company's business, operating results and financial condition.

TRADE UNION. Most employees of the Company at its Torrington, Connecticut plant are represented by a trade union for collective bargaining purposes. Although the Company currently believes its relations with employees are good, there is no assurance that work stoppages or slowdowns will not be experienced in the future. Any work stoppage or slowdown could have a material adverse effect on the Company's business, results of operations and financial condition.

LIMITED HISTORY. The Company's golf club shaft manufacturing facility in Torrington, Connecticut dates back over a century and the facility's manufacture of shafts dates back to the 1920's. However, three different owners have operated the facility. Most recently, in 1996 a group of investors joined the then current management in acquiring substantially all of the assets and certain liabilities of the golf shaft manufacturing business from Brunswick Corporation. In August 1997, RP acquired RG. Consequently, the Company has a limited operating history. There can be no assurance that the results of such a limited history or of the predecessor operations will be indicative of future performance.

NEW PRODUCT INTRODUCTIONS. The Company believes that the introduction of new, innovative golf club shafts and golf club grips will be crucial to its future success. New models and basic design changes are frequently introduced into the golf industry but are often met with consumer rejection. Although the Company has achieved certain successes in the introduction of previous products, no assurances can be given that it will be able to continue to design and manufacture products that meet with market acceptance. In addition, prior successful designs may be rendered obsolete within a relatively short period of time as new products are introduced into the market. The design of new golf equipment is also greatly influenced by rules and interpretations of the USGA. Although the golf equipment standards established by the USGA generally apply only to competitive events sanctioned by that organization, it has become critical for designers of new products to assure compliance with USGA standards. Although the Company believes that all of its grips and shafts comply with current USGA standards, no assurance can be given that any new products will receive USGA approval or that existing USGA standards will not be altered in ways that adversely affect the sales of products.

PRODUCT PROTECTION AND INTELLECTUAL PROPERTY. The Company currently relies upon a combination of patents, copyrights, trademarks and trade secret laws to establish and protect certain of its proprietary rights in its products. There can be no assurance that the steps taken by the Company in this regard will be adequate to prevent misappropriation of proprietary property rights or that competitors will not independently develop proprietary property that is substantially equivalent or superior to the Company's.