

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: 1999-07-27 | Period of Report: 1999-06-30
SEC Accession No. 0001047469-99-028676

(HTML Version on secdatabase.com)

FILER

COASTCAST CORP

CIK: 914479 | IRS No.: 953454926 | State of Incorporation: CA | Fiscal Year End: 1231
Type: 10-Q | Act: 34 | File No.: 001-12676 | Film No.: 99670765
SIC: 3949 Sporting & athletic goods, nec

Mailing Address
3025 EAST VICTORIA ST
RANCHO DOMINIQUEZ CA
90221

Business Address
3025 E VICTORIA ST
RANCHO DOMINGUEZ CA
90221
3106380595

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 1999

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 for the transition period from to

Commission file number 1-12676

COASTCAST CORPORATION

(Exact name of registrant as specified in its charter)

CALIFORNIA 95-3454926
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

3025 EAST VICTORIA STREET, RANCHO DOMINGUEZ, CA 90221
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (310)638-0595

Not Applicable
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during
the preceding 12 months (or for such shorter period that the registrant was
required to file such reports), and (2) has been subject to such filing
requirements for the past 90 days.

Yes X No

At July 26, 1999 there were outstanding 7,870,504 shares of common stock, no
par value.

1

COASTCAST CORPORATION
INDEX

<TABLE>
<CAPTION>

<S>
PART I. FINANCIAL INFORMATION:

Item 1. Financial Statements

	Page Number ----- <C>
Condensed Consolidated Balance Sheets as of June 30, 1999 (Unaudited) and December 31, 1998	3
Condensed Consolidated Statements of Income (Unaudited) Three Months Ended June 30, 1999 and Six Months Ended June 30, 1999 and 1998	4 5

Item 2. Management's Discussion and Analysis of Financial Condition and Results
of Operations

PART II. OTHER INFORMATION:

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

Item 5. Other Information

Item 6. Exhibits and Reports on Form 8-K

</TABLE>

COASTCAST CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>

<CAPTION>

	(UNAUDITED) JUNE 30, 1999	DECEMBER 31, 1998
	-----	-----
	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$33,642,000	\$27,551,000
Trade accounts receivable, net of allowance for doubtful accounts of \$600,000 at June 30, 1999 and at December 31, 1998	14,687,000	7,556,000
Inventories (Note 2)	11,060,000	10,326,000
Prepaid expenses and other current assets	1,610,000	6,389,000
Deferred income taxes	1,131,000	1,131,000
	-----	-----
Total current assets	62,130,000	52,953,000
Property, plant and equipment, net	23,409,000	24,116,000
Other assets	7,089,000	6,604,000
	-----	-----
	\$92,628,000	\$83,673,000
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,942,000	\$ 2,804,000
Accrued liabilities	5,516,000	3,432,000
	-----	-----
Total current liabilities	10,458,000	6,236,000
Deferred compensation	447,000	295,000
	-----	-----
Total liabilities	10,905,000	6,531,000
	-----	-----
Commitments and contingencies		
Shareholders' Equity:		
Preferred stock, no par value, 2,000,000 shares authorized; none issued and outstanding		
Common stock, no par value, 20,000,000 shares authorized; 7,870,504 and 7,989,404 shares issued and outstanding as of June 30, 1999 and December 31, 1998, respectively	29,222,000	30,309,000
Retained earnings	52,501,000	46,833,000
	-----	-----
Total shareholders' equity	81,723,000	77,142,000
	-----	-----

\$92,628,000

\$83,673,000

</TABLE>

See accompanying notes to condensed consolidated financial statements.

3

COASTCAST CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

<TABLE>
<CAPTION>

	FOR THE THREE MONTHS ENDED JUNE 30,	
	1999	1998
<S>	<C>	<C>
Sales	\$33,582,000	\$43,588,000
Cost of sales	25,946,000	34,008,000
Gross profit	7,636,000	9,580,000
Selling, general and administrative expenses	2,169,000	3,105,000
Income from operations	5,467,000	6,475,000
Other income, net	329,000	428,000
Income before income taxes	5,796,000	6,903,000
Provision for income taxes	2,434,000	2,899,000
Net income	\$ 3,362,000	\$ 4,004,000
NET INCOME PER SHARE (Note 3)		
Net income per share - basic	\$ 0.43	\$ 0.44
Weighted average shares outstanding	7,893,338	9,019,682
Net income per share - diluted	\$ 0.42	\$ 0.42
Weighted average shares outstanding - diluted	7,921,391	9,437,014

</TABLE>

See accompanying notes to condensed consolidated financial statements.

4

COASTCAST CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

<TABLE>
<CAPTION>

	FOR THE SIX MONTHS ENDED JUNE 30,	
	1999	1998
<S>	<C>	<C>
Sales	\$60,673,000	\$88,909,000
Cost of sales	47,188,000	69,680,000
Gross profit	13,485,000	19,229,000

Selling, general and administrative expenses	4,381,000	6,182,000
Income from operations	9,104,000	13,047,000
Other income, net	668,000	784,000
Income before income taxes	9,772,000	13,831,000
Provision for income taxes	4,104,000	5,809,000
Net income	\$ 5,668,000	\$ 8,022,000
NET INCOME PER SHARE (Note 3)		
Net income per share - basic	\$ 0.71	\$ 0.90
Weighted average shares outstanding	7,932,912	8,956,572
Net income per share - diluted	\$ 0.71	\$ 0.86
Weighted average shares outstanding - diluted	7,949,499	9,335,671

</TABLE>

See accompanying notes to condensed consolidated financial statements.

5

COASTCAST CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	FOR THE SIX MONTHS ENDED JUNE 30,	
	1999	1998
	-----	-----
	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 5,668,000	\$ 8,022,000
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,006,000	1,541,000
Goodwill amortization	6,000	-
Loss on disposal of machinery and equipment	94,000	1,000
Deferred compensation	152,000	724,000
Deferred income taxes	-	29,000
Non-employee director compensatory stock options	-	135,000
Changes in operating assets and liabilities:		
Trade accounts receivable	(7,129,000)	(2,044,000)
Inventories	(729,000)	3,859,000
Prepaid expenses and other current assets	4,783,000	(1,130,000)
Income taxes payable	533,000	(552,000)
Accounts payable and accrued liabilities	3,492,000	509,000
Net cash provided by operating activities	8,876,000	11,094,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(1,388,000)	(6,485,000)
Proceeds from disposal of machinery and equipment	62,000	22,000
Net surrender (purchase) of life insurance policies	843,000	(974,000)
Purchase of investments	(1,028,000)	-
Purchase of business	(233,000)	-
Other assets	46,000	(299,000)
Net cash used in investing activities	(1,698,000)	(7,736,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		

Proceeds from issuance of common stock upon exercise of options net of related tax benefit	-	3,192,000
Repurchase of common stock	(1,087,000)	-
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,091,000	6,550,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	27,551,000	28,187,000
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 33,642,000	\$ 34,737,000
	-----	-----

</TABLE>

See accompanying notes to condensed consolidated financial statements.

6

COASTCAST CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The condensed consolidated balance sheet as of June 30, 1999, the related condensed consolidated statements of income for the three and six months and cash flows for the six months ended June 30, 1999 and 1998 have been prepared by Coastcast Corporation (the "Company") without audit. In the opinion of management, all adjustments (consisting only of normal recurring accruals) have been made which are necessary to present fairly the financial position, results of operations and cash flows of the Company at June 30, 1999 and for the periods then ended.

Although the Company believes that the disclosure in the condensed consolidated financial statements is adequate for a fair presentation thereof, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. The December 31, 1998 audited statements were included in the Company's annual report on Form 10-K under the Securities Exchange Act of 1934 for the year ended December 31, 1998. These condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto contained in that annual report.

Certain reclassifications were made to 1998 balances to conform to the 1999 presentation.

The results of operations for the periods ended June 30, 1999 are not necessarily indicative of the results for the full year.

2. INVENTORIES

Inventories consisted of the following:

<TABLE>

<CAPTION>

	June 30, 1999	December 31, 1998
	-----	-----
<S>	<C>	<C>
Raw materials and supplies	\$ 3,710,000	\$ 5,137,000
Tooling	252,000	225,000
Work-in-process	6,625,000	4,019,000
Finished goods	473,000	945,000
	-----	-----
	\$11,060,000	\$10,326,000
	-----	-----
	-----	-----

</TABLE>

3. EARNINGS PER SHARE

Basic net income per share is based on the weighted average number of shares of common stock outstanding. Diluted net income per share is based on the weighted average number of shares of common stock outstanding and dilutive potential common equivalent shares from stock options (using the treasury stock method).

COASTCAST CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Sales decreased 22.9% and 31.7% to \$33.6 million and \$60.7 million for the three months and six months ended June 30, 1999, respectively, from \$43.6 million and \$88.9 million for the three months and six months ended June 30, 1998, respectively. The decrease was primarily due to decreased sales volume in steel and titanium iron clubheads and steel putters partially offset by an increase in steel metal wood sales.

Gross profit decreased 20.8% and 29.7% to \$7.6 million and \$13.5 million for the three months and six months ended June 30, 1999, respectively, from \$9.6 million and \$19.2 million for the three months and six months ended June 30, 1998. Gross profit margins improved slightly to 22.7% and 22.2% for the three months and six months ended June 30, 1999 respectively, from 22.0% and 21.6% for the comparable prior year periods, due principally to cost cutting efforts during the fourth quarter of 1998 and a higher mix of metal wood volume.

Selling, general and administrative expense decreased 29.0% and 29.0% to \$2.2 million and \$4.4 million for the three months and six months ended June 30, 1999, respectively, from \$3.1 million and \$6.2 million for the three months and six months ended June 30, 1998, respectively. The decrease was due primarily to decreased payroll and related expenses including expenses related to the supplemental executive retirement plan.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents position at June 30, 1999 was \$33.6 million compared to \$27.6 million on December 31, 1998, an increase of \$6.0 million. Net cash provided by operating activities was \$8.9 million for the six months ended June 30, 1999. The net cash provided by operating activities consisted of net income of \$5.7 million, depreciation and amortization of \$2.0 million, a decrease in prepaid expenses and other current assets of \$4.8 million and an increase in accounts payable and accrued liabilities of \$3.5 million, partially offset by an increase in trade accounts receivable of \$7.1 million. Net cash used in investing activities of \$1.7 million consisted mainly of \$1.4 million of net capital expenditures and purchase of investments of \$1.0 million partially offset by the surrender of cash value life insurance policies of \$0.8 million. Net cash used in financing activities of \$1.1 million relates to the repurchase of company common stock.

On October 25, 1995, the board of directors authorized the company to purchase up to one million shares of Coastcast common stock from time to time in the open market or negotiated transactions. Under this authorization, the company purchased 118,900 shares at a cost of \$1.1 million for the six months ended June 30, 1999. As of June 30, 1999, there were 338,100 shares remaining to be purchased under this authorization.

9

The Company has no long term debt. The Company believes that its current cash position, working capital generated from future operations and the ability to borrow should be adequate to meet its financing requirements for the foreseeable future.

10

COASTCAST CORPORATION

PART II. OTHER INFORMATION

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

The Company held its annual meeting of shareholders on June 18, 1999. The following matters were voted on and approved by the shareholders.

1. Election of Directors to hold office until the 2000 Annual Meeting:

<TABLE>

<CAPTION>

	Votes For ----- <C>	Votes Withheld ----- <C>
<S>		
Hans H. Buehler	6,946,680	327,596
Robert L. Gates	6,948,830	325,446
George L. Graziadio	6,940,280	333,996
Edwin A. Levy	6,948,393	325,946
Lee E. Mikles	6,948,130	326,146
Paul A. Novelly	6,948,130	326,146
Jonathan P. Vannini	7,225,493	48,783

</TABLE>

2. Ratification of Deloitte & Touche LLP as the Company's independent auditors: holders of 6,957,875 shares voted for such ratification, holders of 15,832 shares voted against such ratification and holders of 300,569 shares abstained from voting on such ratification.

Item 5. Other Information

The following business risks, as disclosed in Part II, Item 5 "Market for Registrant's Common Equity and Related Stockholder Matters" on Form 10-K for the fiscal year ended December 31, 1998, are hereby incorporated by reference as though set forth fully herein:

- Customer concentration
- Competition
- New products
- New materials and processes
- Manufacturing cost variations
- Dependence on polishing and finishing plant in Mexico
- Hazardous waste
- Dependence on discretionary consumer spending
- Seasonality; fluctuations in operating results
- Reliance on key personnel
- Shares eligible for future sale
- Fluctuations in Callaway Golf Company shares.

11

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

<TABLE>
<S>

	<C>
3.1.1	Articles of Incorporation of the Company, as amended (1)
3.1.2	Certificate of Amendment of Articles of Incorporation filed with the California Secretary of State on December 6, 1993 (1)
3.2	Bylaws of the Company (1)
10.1	Stock Purchase Agreement, dated April 22, 1999, between the Company and the selling shareholders of California Precision Aluminum Casting, Inc.
10.2	Revolving Line of Credit Note, effective June 1, 1999, between the Company and Imperial Bank
11	Statement re: computation of per share earnings
27	Financial Data Schedule
99.1	Pages 11-13 of Registrant's Annual Report on Form 10-K for the year ended December 31, 1998 (incorporated by reference to such Form 10-K filed with the Commission)

</TABLE>

(1) Incorporated by reference to the exhibits to the Registration Statement on Form S-1 (Registration No. 33-71294) filed on November 17, 1993, Amendment No. 2 filed on December 1, 1993, and Amendment No. 3 filed on December 9, 1993

(b) Reports on Form 8-K:

None

12

SIGNATURES

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

COASTCAST CORPORATION

July 26, 1999

By /s/ Norman Fujitaki

Dated

Norman Fujitaki
Chief Financial Officer (Duly Authorized and
Principal Financial Officer)

13

STOCK PURCHASE AGREEMENT

THIS AGREEMENT is made this 22 day of April 1999 by and among California Precision Aluminum Casting, Inc., a California corporation ("CPAC"), the undersigned shareholders of CPAC who are identified in Schedule 4(c) hereto (the "Shareholders"), and Coastcast Corporation, a California corporation ("Coastcast").

RECITALS:

A. CPAC manufactures and sells precision aluminum castings in accordance with specifications furnished by its customers (the "Business") in leased facilities located at 7320 Adams Street, Paramount, California 90723 (the "Facilities").

B. Coastcast manufactures and sells precision investment castings in a variety of metal alloys, including stainless steel and titanium, in accordance with specifications furnished by its customers.

C. Coastcast desires to purchase and Shareholders are willing to sell all of the outstanding stock of CPAC for the price and on the terms and conditions set forth herein.

AGREEMENTS:

NOW, THEREFORE, in consideration of the mutual agreements hereinafter set forth, the parties hereby agree as follows:

1. PURCHASE AND SALE OF CPAC STOCK. Shareholders will sell to Coastcast and Coastcast will purchase from Shareholders, at the closing provided for in Paragraph 3 hereof (the "Closing"), all of the outstanding stock of CPAC (the "Shares"), for the consideration specified in Paragraph 2 hereof allocated among the Shareholders in the as set forth on Schedule 4(c) hereto.

2. PURCHASE PRICE OF SHARES. The total price payable to Shareholders by Coastcast for the Shares shall be Two Hundred Fifty Thousand Dollars (\$250,000.00), payable to the Shareholders in the amounts set forth opposite their names on Schedule 4(c) hereto at the Closing by Coastcast checks to the order of Shareholders (the "Purchase Price").

3. CLOSING. The Closing for the purchase and sale of the Shares shall occur on April 22, 1999 at ___ p.m. (the "Closing Date") at the offices of CPAC, unless another place, time and/or date is agreed on in writing by the parties. At the Closing:

(a) SHAREHOLDER DELIVERIES. Shareholders will deliver to Coastcast:

(i) STOCK CERTIFICATES AND ASSIGNMENTS. The certificates

evidencing the Shares, duly endorsed or accompanied by duly executed stock powers in proper form for transfer of the Shares to Coastcast on the stock transfer records of CPAC, with signatures witnessed or guaranteed in a manner satisfactory to Coastcast.

1

(ii) BRING-DOWN CERTIFICATE. A certificate executed by Shareholders representing and warranting to Coastcast that the representations and warranties of Shareholders herein are correct as of the Closing Date and that Shareholders have performed all obligations required to be performed by them prior to the Closing.

(b) COASTCAST DELIVERIES. Coastcast will deliver to Shareholders:

(i) PURCHASE PRICE CHECKS. Checks for the Purchase Price payable to Shareholders in the amounts set forth opposite their names on Schedule 4(c) hereto.

(ii) BRING-DOWN CERTIFICATE. A certificate executed by Coastcast representing and warranting to Shareholders that the representations and warranties of Coastcast herein are correct as of the Closing Date and that Coastcast has performed all obligations required to be performed by it prior to the Closing.

4. REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS. Shareholders hereby represent and warrant to Coastcast that:

(a) ORGANIZATION AND STANDING. CPAC is a corporation which is duly organized, validly existing, and in good standing under the laws of the state of California, with full corporate power to own or lease its properties and to carry on its business as it is now and has previously been conducted.

(b) AUTHORIZATION OF AGREEMENT. This Agreement constitutes the legal, valid and binding obligation of Sellers, enforceable against Sellers in accordance with its terms. Shareholders have the absolute and unrestricted right, power, authority and capacity to execute, deliver and perform this Agreement.

(c) CAPITALIZATION OF CPAC. The authorized capital stock of CPAC consists of 100,000 shares of common stock, of which 1,000 shares are duly and validly issued and outstanding and constitute the Shares. Shareholders are and will be on the Closing Date the record and beneficial owners of the Shares, free and clear of all encumbrances and restrictions. Each Shareholder owns the number of Shares set forth opposite his or her name on Schedule 4(c) hereto. The Shares have been duly authorized and validly issued and are fully paid and nonassessable. There are no contracts or commitments of any kind relating to the sale, issuance, purchase, or transfer of any stock or other securities of CPAC, including options and warrants, other than this Agreement and shareholder agreements between CPAC and Shareholders.

(d) FINANCIAL STATEMENTS OF CPAC. The unaudited balance sheet of CPAC as of February 28, 1999 (the "Balance Sheet") and the related statement of operations for the ten months ended on that date were prepared from the books and records of CPAC, are complete and correct, and fairly present the financial condition and the results of operations of CPAC as of that date and for that period, all in accordance with generally accepted accounting principles consistently applied.

(e) BOOKS AND RECORDS. The accounting books and records, minute books, stock records books, and other records of CPAC, all of which have been made

2

available to Coastcast, are complete and correct and have been maintained in accordance with sound business practices. The minute books include an accurate record of all meetings, actions and proceedings of the directors and shareholders of CPAC.

(f) TITLE TO AND ENCUMBRANCES ON ASSETS. CPAC owns all of the assets it purports to own, including all of the assets reflected in the Balance Sheet (other than inventory which has been sold in the ordinary course of business since the date of the Balance Sheet), all of the assets located at the Facilities (other than the building and improvements which are owned by the lessor thereof), and all of the items of equipment and tooling listed in Schedule 4(f) hereto. Except as disclosed on Schedule 4(f) hereto, all of such assets are free and clear of liens, encumbrances and restrictions.

(g) LEASE OF FACILITIES. The only lease to which CPAC is a party is that certain Standard Industrial Lease dated September 22, 1995 (the "Lease") between Garfield-Pacific Development Company, as lessor ("Lessor"), and CPAC, as lessee, covering the Facilities, a true and complete copy of which has been delivered to Coastcast. The Lease is in full force and effect and no default or breach thereunder has occurred and no event has occurred which, with the passage of time or giving of notice or both, would constitute a breach or default thereunder.

(h) ACCOUNTS RECEIVABLE. All accounts receivable reflected on the Balance Sheet and all accounts receivable arising since the date of the Balance Sheet and prior to the Closing Date either have been or will be collected in full without any setoff.

(i) INVENTORY. The net realizable value of the inventory reflected on the Balance Sheet is not less than the carrying value of such inventory on the Balance Sheet.

(j) NO UNDISCLOSED LIABILITIES. CPAC has no liabilities or obligations of any nature whatsoever (whether known, unknown, absolute, accrued, contingent or otherwise) except liabilities reflected in the Balance

Sheet, accounts payable and accrued expenses arising in the ordinary course of business since the date of the Balance Sheet, the Lease, and contracts listed in Schedule 4(1) hereto.

(k) ABSENCE OF CERTAIN CHANGES. Since February 28, 1999, except as otherwise disclosed in Schedule 4(k) hereto, there has not been (i) any material adverse change in CPAC's operations, condition (financial or otherwise), assets, liabilities (whether absolute, accrued, contingent, or otherwise), the Business or its prospects; (ii) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the Business or any of CPAC's assets; or (iii) any other event or condition of any character which materially and adversely affects the results of operations, or condition (financial or otherwise) of CPAC, or any of CPAC's assets or the Business or its prospects.

(l) CPAC CONTRACTS. Attached hereto as Schedule 4(1) is a complete list and description of each contract to which CPAC is a party or by which CPAC or any of its assets is bound or obligated (the "Contracts"). Shareholders have furnished to Coastcast true and complete copies of all of the Contracts. Each of the Contracts is a valid and binding agreement of CPAC and Shareholders do not have any knowledge that any of such Contracts is not a valid and binding obligation of the other parties thereto (collectively, the "Contract Parties"). CPAC has fulfilled all material obligations required by the Contracts to have been

3

performed by it prior to the date hereof and Shareholders have no reason to believe that CPAC will not be able to fulfill, when due, all of its obligations under the Contracts which remain to be performed after the date hereof. There has not occurred any material default under any Contract on the part of CPAC; Shareholders do not have any knowledge that any material default under any Contract on the part of any of the Contract Parties has occurred; and Shareholders do not have any knowledge that any event has occurred which with the giving of notice or the passage of time, or both, would constitute any material default under any of the Contracts. Shareholders do not have actual knowledge of any fact which reasonably can be expected in the future to cause CPAC to be in material default under any of the Contracts.

(m) ENVIRONMENTAL LAWS. To the knowledge of the Shareholders, CPAC has complied and is in compliance in all material respects with all applicable environmental protection laws pertaining to any of its properties and assets, including the Facilities, at which the Business has ever been conducted, and the use and ownership thereof. No violation by CPAC of any environmental protection law has ever been asserted or alleged. Shareholders do not know of any studies, analyses, reports or test results relating to the environmental condition of the Facilities or any other properties or assets owned, used or occupied by CPAC.

(n) INTELLECTUAL PROPERTY RIGHTS. To the knowledge of Shareholders, CPAC owns or has the unrestricted right to use without payment of consideration to any third party all patents, trade secrets, copyrights, and other proprietary or intellectual property rights required for the conduct of its business in the manner it has previously been and currently is being conducted. To the knowledge of Shareholders, the conduct by CPAC of its business and the manufacture and sale by it of its products does not conflict with, infringe on or violate any patent, trade secret, copyright or other proprietary or intellectual property rights of any other person or entity.

(o) NO LITIGATION. There is and during the last three years there has been no legal, administrative, arbitration or other proceeding, or any governmental investigation pending or, to the knowledge of Shareholders, threatened against or otherwise affecting CPAC or any of its assets, and to the knowledge of Shareholders, there is no fact that might reasonably be expected to form the basis for any such proceeding or investigation.

(p) TAXES. CPAC has timely filed all tax returns and reports required to have been filed by it and has paid all taxes as due to any taxing authority. All amounts that are required to be withheld by CPAC have been duly collected or withheld and all such amounts that are required to be remitted to any taxing authority have been duly remitted.

(q) CONSENTS. The sale of the Shares by Shareholders to Coastcast pursuant to this Agreement does not require the consent or approval of any person or entity.

(r) BANK ACCOUNTS. A correct and complete list of all bank accounts of CPAC has been furnished to Coastcast.

(s) OTHER INFORMATION. The information provided and to be provided by Shareholders to Coastcast pursuant to this Agreement or in any other writing pursuant hereto does not and will not contain any untrue statement of a material fact or omits or will omit to state a material fact required to be stated herein or therein or necessary to make the statements and facts contained herein or therein, in light of the circumstances in which they

4

are made, not false or misleading. Copies of all documents delivered or made available to Coastcast pursuant hereto will be complete and accurate records of such documents.

5. REPRESENTATIONS AND WARRANTIES OF COASTCAST. Coastcast hereby represents and warrants to Shareholders that:

(a) ORGANIZATION AND STANDING. Coastcast is duly organized, validly existing, and in good standing under the laws of the State of California and has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby.

(b) AUTHORIZATION OF AGREEMENT. This Agreement constitutes the legal, valid and binding obligation of Coastcast, enforceable against Coastcast in accordance with its terms. Coastcast has the absolute and unrestricted right, power, authority and capacity to execute, deliver and perform this Agreement.

(c) OTHER INFORMATION. No representation or warranty made by Coastcast contained in this Agreement or in any other writing furnished to Shareholders pursuant hereto contains or will contain an untrue statement of a material fact or omits or will omit to state a material fact required to be stated herein or therein or necessary to make the statements and facts contained herein or therein, in light of the circumstances in which they were or are made, not false or misleading.

6. CERTAIN UNDERSTANDINGS AND AGREEMENTS.

(a) ACCESS. Between the date hereof and the Closing, (i) authorized representatives of Coastcast will have reasonable access during normal business hours to the books and records, contracts, and documents of CPAC relating to the Business or the assets of CPAC, (ii) Shareholders will furnish to Coastcast all information with respect to the Business or the assets of CPAC that Coastcast may reasonably request, and (iii) Coastcast will have the right to discuss the Business with the employees and customers of CPAC.

(b) CONDUCT OF BUSINESS. Between the date hereof and the Closing, (i) the Business will be conducted in accordance with prior practice and in the ordinary course of business, (ii) CPAC will not enter into any material agreement or transaction not in the ordinary course of business, (iii) CPAC will not sell or transfer any portion of or interest in the Business or sell or otherwise dispose of any of its assets other than in the ordinary course of its business, (iv) CPAC will not encumber any of its assets, (v) Shareholders will not sell, otherwise transfer or dispose of, or encumber in any manner any of the Shares or any interest therein, (vi) CPAC will maintain its assets in accordance with prior practice and in the ordinary course of business, (vii) CPAC will maintain its tangible assets in the same condition they are in as of the date of this Agreement, reasonable wear and tear excepted, (viii) CPAC will not pay or declare any dividends, issue any securities, or purchase any of its securities, or enter into any commitments to do any of those things, (ix) CPAC will not increase the compensation of, or pay any bonuses to, any of its employees or make any commitment to do that, and (x) CPAC will not take any action that would cause Coastcast's purchase of the Shares pursuant to this Agreement to be less beneficial or attractive to Coastcast.

(c) HECTOR SERRANO'S COVENANTS NOT TO COMPETE. Subject to the Closing having occurred, without the prior written consent of Coastcast, for a period of five

years following the Closing, Hector Serrano will not, directly or indirectly (whether as an employee, owner, or consultant or through any partnership of which he is a member, through any trust of which he is a beneficiary, trustor, or trustee, or through any corporation or other association in which he has any interest, legal or equitable, or in any other capacity whatsoever), engage in any business competitive with the Business in any County of the State of California or any other part of the United States; provided, however, that the foregoing covenant not to compete (i) will terminate upon the date of termination of Mr. Serrano's employment with CPAC if he is fired by CPAC without cause, and (ii) will not preclude Mr. Serrano from competing as an employee of another company in any part of the State of California or any part of the country or world in the event Mr. Serrano is fired with or without cause. The parties agree that the duration and area for which this covenant not to compete is to be effective are reasonable. In the event that any court determines that the time period or the area, or both of them, are unreasonable and that such covenant is to that extent unenforceable, the parties hereto agree that such covenant shall remain in full force and effect for the longest time period and for the greatest area that would not render it unenforceable.

(d) SHAREHOLDER RELEASES. Subject to the Closing having occurred, each Shareholder hereby releases CPAC and Coastcast and each of the former and present officers, directors, shareholders, accountants, attorneys, and agents of CPAC or Coastcast from any and all liabilities, obligations, debts, demands, damages, losses, actions, causes of actions, claims and expenses whatsoever, whether matured or contingent, known or unknown, suspected or unsuspected. Each Shareholder hereby waives the benefits of California Civil Code Section 1542 which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

The foregoing release does not apply to the rights of Shareholders under this Agreement or unpaid wages, healthcare benefits, and unused vacation, if any, of Jose Geraldo as an employee of CPAC, but does apply to unpaid compensation and benefits of Hector Serrano as an employee of CPAC.

7. CONDITIONS TO CLOSING.

(a) CONDITIONS TO OBLIGATIONS TO EACH PARTY. The obligations of Shareholders and Coastcast to consummate the purchase and sale of the Shares pursuant to this Agreement will be subject to the fulfillment, at or prior to the Closing, of the following conditions: No claim, action, suit, investigation, or other proceeding shall be pending or threatened before any court or governmental agency which presents a substantial risk of the restraint or prohibition of the transactions contemplated by this Agreement or the obtaining of material damages or other relief in connection therewith.

(b) CONDITIONS TO OBLIGATIONS OF COASTCAST. The obligations of Coastcast to consummate the purchase of the Shares pursuant to this Agreement will be subject to the fulfillment, at or prior to the Closing, of the following conditions: (i) The representations and warranties of Shareholders contained in this Agreement or in any other document of Shareholders delivered pursuant hereto shall be true and correct in all material respects as of the Closing, and at the Closing, Shareholders shall have delivered to Coastcast

6

a certificate signed by Shareholders to such effect; (ii) all of the obligations of Shareholders to be performed by them prior to the Closing shall have been duly performed in all material respects; (iii) there shall not have occurred any damage, destruction or loss of any of the assets of CPAC, whether or not covered by insurance, which has had or may reasonably be expected to have a material and adverse effect on the Business or any prospects of the Business, nor shall there have occurred any other event or condition which has had or which reasonably may be expected to have a material and adverse effect on the operations or prospects of the Business; (iv) Hector Serrano shall have paid in full all of his indebtedness to CPAC; and (v) Hector Serrano shall have entered into an employment agreement with CPAC on terms and conditions mutually agreeable to him and Coastcast.

(c) CONDITIONS TO OBLIGATIONS OF SHAREHOLDERS. The obligations of Shareholders to consummate the sale of the Shares pursuant to this Agreement will be subject to the fulfillment, at or prior to the Closing, of the following conditions: (i) The representations and warranties of Coastcast contained in this Agreement or in any document delivered pursuant to this Agreement shall be true and correct in all material respects as of the Closing, and at the Closing, Coastcast shall have delivered to Shareholders a certificate signed by Coastcast to such effect; (ii) all of the obligations of Coastcast to be performed by it prior to the Closing shall have been duly performed in all material respects; and (iii) Hector Serrano shall have entered into an employment agreement with CPAC on terms and conditions mutually agreeable to him and Coastcast.

8. MISCELLANEOUS.

(a) GOVERNING LAW. This Agreement will be governed by and construed in accordance with the laws of the State of California.

(b) ASSIGNMENT AND PARTIES IN INTEREST. This Agreement shall not be assignable by any party without the express prior written consent of the other parties. Subject to the foregoing, this Agreement shall inure to the benefit of and be binding on the parties and their respective permitted successors and assigns.

(c) COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which

shall constitute one and the same instrument.

(d) ENTIRE AGREEMENT. This Agreement contains the entire agreement among the parties with respect to the purchase and sale of the Shares and shall supersede all previous oral and written and all contemporaneous oral negotiations, commitments, and understandings.

(e) AMENDMENTS. This Agreement may be amended only by a written instrument signed by all of the parties.

(f) ATTORNEYS FEES. In the event of litigation between or among the parties with respect to this Agreement, the prevailing party in such litigation will be entitled to recover reasonable attorneys fees and costs from the losing party or parties in addition to any and all other relief to which such prevailing party may be entitled.

(g) ARBITRATION. Any dispute relating to this Agreement shall be resolved by arbitration conducted in Los Angeles County, California, in accordance with the

Commercial Arbitration Rules of the American Arbitration Association and judgment upon any award rendered by the arbitrator may be entered in any federal or state court having jurisdiction thereof. Section 1283.05 of the California Code of Civil Procedure is incorporated herein by this reference. The decision of the arbitrator shall be final and binding. The arbitrator shall be authorized only to award actual damages and shall not have the power or authority to award punitive or exemplary damages or other legal or equitable relief.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the day and year first above written.

CALIFORNIA PRECISION ALUMINUM CASTING, INC.

By: /s/ Hector Serrano

COASTCAST CORPORATION

/s/ Hector Serrano

Hector Serrano

By: /s/ Bryan Rolfe

Bryan Rolfe

/s/ Elena Serrano

Elena Serrano

By: /s/ Norman Fujitaki

/s/ Michael Tamez

Norman Fujitaki

Michael Tamez

/s/ Ricardo Arriaga

/s/ Norma Tamez

Ricardo Arriaga

Norma Tamez

/s/ Alicia Arriaga

/s/ Hugo Ortiz

Alicia Arriaga

Hugo Ortiz

/s/ John Le Blanc

/s/ Audelia Ortiz

John Le Blanc

Audelia Ortiz

/s/ Carole Le Blanc

/s/ Jose Geraldo

Carole Le Blanc

Jose Geraldo

/s/ Lance Robert Lukasik

/s/ Esperanza Geraldo

Lance Robert Lukasik

Esperanza Geraldo

[LOGO]

PROMISSORY NOTE

<TABLE>
<CAPTION>

Principal	Loan Date	Maturity	Loan No.	Call	Collateral	Account	Officer	Initials
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
\$5,000,000.00	06-01-1999	05-30-2000	00003		000	00709056974	269	

References in the shaded area are for Lender's use only and do not limit the applicability of this document to any particular loan or item.

</TABLE>

BORROWER:	COASTCAST CORPORATION 3025 E. VICTORIA STREET RANCHO DOMINGUEZ, CA 90221-5616	LENDER:	IMPERIAL BANK LOS ANGELES AIRPORT REGIONAL OFFICE 9920 S. LA CIENEGA BLVD., SUITE 206 INGLEWOOD, CA 90301-4423
-----------	---	---------	---

PRINCIPAL AMOUNT: \$5,000,000.00 INITIAL RATE: 7.750% DATE OF NOTE: JUNE 1, 1999

PROMISE TO PAY. COASTCAST CORPORATION ("BORROWER") PROMISES TO PAY TO IMPERIAL BANK ("LENDER"), OR ORDER, IN LAWFUL MONEY OF THE UNITED STATES OF AMERICA, THE PRINCIPAL AMOUNT OF FIVE MILLION & 00/100 DOLLARS (\$5,000,000.00) OR SO MUCH AS MAY BE OUTSTANDING, TOGETHER WITH INTEREST ON THE UNPAID OUTSTANDING PRINCIPAL BALANCE OF EACH ADVANCE. INTEREST SHALL BE CALCULATED FROM THE DATE OF EACH ADVANCE UNTIL REPAYMENT OF EACH ADVANCE.

PAYMENT. BORROWER WILL PAY THIS LOAN IN ONE PAYMENT OF ALL OUTSTANDING PRINCIPAL PLUS ALL ACCRUED UNPAID INTEREST ON MAY 30, 2000. IN ADDITION, BORROWER WILL PAY REGULAR MONTHLY PAYMENTS OF ACCRUED UNPAID INTEREST BEGINNING JUNE 30, 1999, AND ALL SUBSEQUENT INTEREST PAYMENTS ARE DUE ON THE LAST DAY OF EACH MONTH AFTER THAT. The annual interest rate for this Note is computed on a 365/360 basis; that is, by applying the ratio of the annual interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing. Unless otherwise agreed or required by applicable law, payments will be applied first to any unpaid collection costs and any late charges, then to any unpaid interest, and any remaining amount to principal.

VARIABLE INTEREST RATE. Subject to designation of a different interest rate index by Borrower as provided below, the interest rate on this Note is subject to change from time to time based on changes in an index which is the Imperial Bank Prime Rate (the "Index"). The Prime Rate is the rate announced by Lender as its Prime Rate of interest from time to time. Lender will tell Borrower the current Index rate upon Borrower's request. Borrower understands that Lender may make loans based on other rates as well. The interest rate change will not occur more often than each day. THE INDEX CURRENTLY IS 7.750%. THE INTEREST RATE TO BE APPLIED TO THE UNPAID PRINCIPAL BALANCE OF THIS NOTE WILL BE AT A RATE EQUAL TO THE INDEX, RESULTING IN AN INITIAL RATE OF 7.750%. NOTICE: Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law.

INTEREST RATE OPTIONS. The following interest rate options are available under this Note:

(a) DEFAULT OPTION. The interest rate margin and index described in the "VARIABLE INTEREST RATE" paragraph above (the "Default Option").

(b) LIBOR. A margin of 2.000 percentage points over LIBOR. For purposes of this Note, LIBOR shall mean London Inter-Bank Offered Rate as provided in the LIBOR ADDENDUM TO NOTE attached hereto and made a part hereof.

When the interest rate is based on a fixed rate, the rate shall be in effect for a period of the number of days or months as indicated in the rate option description (the "Interest Period"), in any case extended to the next succeeding business day when necessary, beginning on a borrowing date, conversion date or expiration date of the then current Interest Period. Adjustments in the interest rate due to changes in the maximum nonusurious interest rate allowed (the "Highest Lawful Rate") shall be made on the effective day of any change in the Highest Lawful Rate.

Provided Borrower is not in default under this Note, Borrower may designate in advance which of the above interest rate indexes shall be applicable to any loan advance under this Note and shall designate any optional Interest Period applicable to any fixed rate loan or advance. In the absence of any such designation the interest rate option shall be the Default Option. Thereafter unpaid principal balances under this Note may be converted (at the end of an Interest Period if the index used to determine the interest rate therefore is a fixed rate) to another of the above interest rate options, or continued for an additional interest period, when applicable, as designated by Borrower in advance; and in the absence of sufficient advance designation as to conversion to or continuation of a fixed rate index, the index shall be converted to the Default Option. Notwithstanding the foregoing, a fixed rate index may not be elected for a loan or advance under this Note, nor any conversion to or continuation of a fixed rate index be elected, if the Interest Period thereof would extend beyond the maturity of this Note.

PREPAYMENT; MINIMUM INTEREST CHARGE. Borrower agrees that all loan fees and other prepaid finance charges are earned fully as of the date of the loan and will not be subject to refund upon early payment (whether voluntary or as a result of default), except as otherwise required by law. In any event, even upon full prepayment of this Note, Borrower understands that Lender is entitled to a MINIMUM INTEREST CHARGE OF \$250.00. Other than Borrower's obligation to pay any minimum interest charge, Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, they will reduce the principal balance due.

LATE CHARGE. If a payment is 10 DAYS OR MORE LATE, Borrower will be charged 5.000% OF THE UNPAID PORTION OF THE REGULARLY SCHEDULED PAYMENT.

DEFAULT. Borrower will be in default if any of the following happens: (a) Borrower fails to make any payment when due. (b) Borrower breaks any promise Borrower has made to Lender, or Borrower fails to comply with or to perform when due any other term, obligation, covenant, or condition contained in this Note or any agreement related to this Note, or in any other agreement or loan Borrower has with Lender. (c) Any representation or statement made or furnished to Lender by Borrower or on Borrower's behalf is false or misleading in any material respect either now or at the time made or furnished. (d) Borrower becomes insolvent, a receiver is appointed for any part of Borrower's property, Borrower makes an assignment for the benefit of creditors, or any proceeding is commenced either by Borrower or against Borrower under any bankruptcy or insolvency laws. (e) Any creditor tries to take any of Borrower's property on or in which Lender has a lien or security interest. This includes a garnishment of any of Borrower's accounts with Lender. (f) Any guarantor dies or any of the other events described in this default section occurs with respect to any guarantor of this Note. (g) A material adverse change occurs in Borrower's financial condition, or Lender

believes the prospect of payment or performance of the indebtedness is impaired. (h) Lender in good faith deems itself insecure.

If any default, other than a default in payment, is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured (and no event of default will have occurred) if Borrower, after receiving written notice from Lender demanding cure of such default: (a) cures the default within ten (10) days; or (b) if the cure requires more than ten (10) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance on this Note and all accrued unpaid interest immediately due, without notice, and then Borrower will pay that amount. Upon Borrower's failure to pay all amounts declared due pursuant to this section, including failure to pay upon final maturity, Lender, at its option, may also, if permitted under applicable law, do one or both of the following: (a) increase the variable interest rate on this Note to 5.000 percentage points over the index, and (b) add any unpaid accrued interest to principal and such sum will bear interest therefrom until paid at the rate provided in this Note (including any increased rate). Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower also will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Borrower also will pay any court costs, in addition to all other sums provided by law. THIS NOTE HAS BEEN DELIVERED TO LENDER AND ACCEPTED BY LENDER IN THE STATE OF CALIFORNIA. IF THERE IS A LAWSUIT, BORROWER AGREES UPON LENDER'S REQUEST TO SUBMIT TO THE JURISDICTION OF THE COURTS OF LOS ANGELES COUNTY, THE STATE OF CALIFORNIA. LENDER AND BORROWER HEREBY WAIVE THE RIGHT TO ANY JURY TRIAL IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY EITHER LENDER OR BORROWER AGAINST THE OTHER. (INITIAL HERE HHB) THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

DISHONORED ITEM FEE. Borrower will pay a fee to Lender of \$25.00 if Borrower makes a payment on Borrower's loan and the check or preauthorized charge with which Borrower pays is later dishonored.

RIGHT OF SETOFF. Borrower grants to Lender a contractual security interest in, and hereby assigns, conveys, delivers, pledges, and transfers to Lender all Borrower's right, title and interest in and to, Borrower's accounts with Lender (whether checking, savings, or some other account), including without limitation all accounts held jointly with someone else and all accounts Borrower may open in the future, excluding however all IRA and Keogh accounts, and all trust accounts for which the grant of a security interest would be prohibited by law. Borrower authorizes Lender, to the extent

06-01-1999

PROMISSORY NOTE
(CONTINUED)

PAGE 2

permitted by applicable law, to charge or setoff all sums owing on this Note against any and all such accounts.

LINE OF CREDIT. This Note evidences a revolving line of credit. Advances

under this Note may be requested orally by Borrower or by an authorized person. All oral requests shall be confirmed in writing on the day of the request. All communications, instructions, or directions by telephone or otherwise to Lender are to be directed to Lender's office shown above. The following party or parties are authorized to request advances under the line of credit until Lender receives from Borrower at Lender's address shown above written notice of revocation of their authority: HANS BUEHLER, CHIEF EXECUTIVE OFFICER; AND NORMAN FUJITAKI, CHIEF FINANCIAL OFFICER. Borrower agrees to be liable for all sums either: (a) advanced in accordance with the instructions of an authorized person or (b) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including daily computer print-outs. Lender will have no obligation to advance funds under this Note if: (a) Borrower or any guarantor is in default under the terms of this Note or any agreement that Borrower or any guarantor has with Lender, including any agreement made in connection with the signing of this Note; (b) Borrower or any guarantor ceases doing business or is insolvent; (c) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guarantee of this Note or any other loan with Lender; (d) Borrower has applied funds provided pursuant to this Note for purposes other than those authorized by Lender; or (e) Lender in good faith deems itself insecure under this Note or any other agreement between Lender and Borrower.

CREDIT AGREEMENT. This Note is subject to the provisions of the Credit Agreement dated February 2, 1998, and all amendments thereto and replacements therefor.

GENERAL PROVISIONS. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive any applicable statute of limitations, presentment, demand for payment, protest and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan, or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE, INCLUDING THE VARIABLE INTEREST RATE PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE AND ACKNOWLEDGES THE RECEIPT OF A COMPLETED COPY OF THE NOTE.

BORROWER:

COASTCAST CORPORATION

x /s/ Hans H. Buehler

AUTHORIZED OFFICER

[LOGO]

LIBOR ADDENDUM
TO NOTE

This Libor Addendum ("Addendum") is dated as of JUNE 1, 99, and is by and between COASTCAST CORPORATION ("Borrower") and Imperial Bank ("Bank"). This Addendum amends and supplements the NOTE to which it is attached (the "Note") and forms a part of and is incorporated into the Note.

In the event of any inconsistency between the terms herein and the terms of the Note, the terms herein shall in all cases govern and control. All capitalized terms herein, unless otherwise defined herein shall have the meanings set forth in the Note.

1. ADVANCES.

1.1 PRIME LOANS. Advances permitted pursuant to the terms of the Note or this Addendum which bear interest in relation to Bank's Prime Rate shall be referred to herein as "Prime Loans" and each such advance shall be a "Prime Loan." Each Prime Loan shall bear interest an an annual rate equal to the sum of 0.000% plus the Bank's Prime Rate. "Prime Rate" shall mean the rate of interest publicly announced by Bank from time to time in Inglewood, California, as its prime rate for lending. The Prime Rate is not intended to be the lowest rate of interest charged by Bank in connection with extensions of credit to borrowers.

1.2 LIBOR LOANS. Advances permitted pursuant to the terms of the Note or this Addendum which bear interest in relation to the Libor Rate shall be referred to herein as "Libor Loans" and each such advance shall be a "Libor Loan." Each Libor Loan shall bear interest at the Libor Rate, as defined below. A Libor Loan shall be in the minimum amount of FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) or such greater amount which is an integral multiple of FIFTY THOUSAND DOLLARS (\$50,000). No Libor Loan shall be made after the last Business Day that is at least THREE (3) MONTHS prior to the Maturity Date described in the Note.

2. INTEREST ON LIBOR LOANS.

2.1 RATE OF INTEREST. Each Libor Loan shall bear interest on the unpaid principal amount thereof from the Loan Date through the date paid (whether by acceleration or otherwise) at a rate equal to the sum of 2.000% per annum plus the Libor Rate for the Interest Period.

(a) "Loan Date" shall mean the date on which (i) a Libor Loan is made, a Libor Loan is continued, or a Prime Loan is converted to a Libor Loan.

(b) "Interest Period" shall mean a period of THIRTY (30), SIXTY (60) OR NINETY (90) DAYS, commencing on the applicable Loan Date, as selected by Borrower pursuant to Section 2.2; PROVIDED, HOWEVER, that Borrower may not select an Interest Period that would otherwise extend beyond the Maturity Date of the Loan. Borrower may also select a twelve (12) month Interest Period if and when Bank notifies Borrower that such Interest Period is available, as determined by Bank in its sole discretion.

(c) "Libor Rate" shall mean, for the applicable Interest Period for a Libor Loan, a rate per annum (rounded upwards, if necessary, to the nearest 1/16 of 1%) equal to (i) the Libor Base Rate for such Interest Period divided by (ii) 1.00 minus the Reserve Requirement Rate (expressed as a decimal fraction) for such Interest Period.

(d) "Libor Base Rate" shall mean with respect to any Interest Period, the rate equal to the arithmetic mean (rounded upwards, if necessary, to the nearest 1/16 of 1%) of:

(i) the offered rates per annum for deposits in U.S. Dollars for a period equal to such Interest Period which appears at 11:00 a.m., London time, on the Reuters Screen LIBOR Page on the Business Day that is two (2) Business Days before the first day of such Interest Period, in each case if at least four (4) such offered rates appear on such

page, or

(ii) if clause (i) is inapplicable, (x) the offered rate per annum for deposits in U.S. Dollars for a period equal to such Interest Period which appears as of 11:00 a.m., London time on the Telerate Monitor on Telerate Screen 3750 on the Business Day which is two (2) Business Days before the first day of such Interest Period; or (y) if clause (x) above is inapplicable, the arithmetic mean (rounded upwards, if necessary, to the nearest 1/16 of 1%) of the interest rates per annum offered by at least three (3) prime banks selected by Bank at approximately 11:00 a.m. London time on the Business Day which is two (2) Business Days before such date for deposits in U.S. Dollars to prime banks in the London interbank market, in each case for a period equal to such Interest Period in an amount equal to the amount to which the Libor Rate applies.

Page 1 of 4

(e) "Business Day" means any day on which Bank is open for business in the State of California.

(f) "Reuters Screen LIBOR Page" means the display designated as page LIBOR on the Reuters Monitor Money Rates Service or such other page as may replace the LIBOR page on that service for the purpose of displaying London interbank offered rates of major banks.

(g) "Reserve Requirement Rate" means, for any Interest Period, the aggregate of the rates, effective as of the Business Day which is two (2) Business Days before the first day of the Interest Period, at which:

(i) reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during such Interest Period under Regulation D against "Eurocurrency liabilities" (as such term is used in Regulation D) by member banks of the Federal Reserve System; and

(ii) any additional reserves are required to be maintained by Bank by reason of any Regulatory Change against (x) any category of liabilities which includes deposits by reference to which the Libor Rate is to be determined as provided in the definition of "Libor Base Rate;" or (y) any category of extensions of credit or other assets which include Libor Loans.

(h) "Regulatory Change" means, with respect to Bank, any change on or after the date of the Note and this Addendum in any Governmental Regulation, including the introduction of any new Governmental Regulation or the rescission of any existing Governmental Regulation.

(i) "Governmental Regulation" means any (i) United States Federal, state or foreign law or regulation (including without limitation Regulation D); and (ii) the adoption or making of any interpretation, application, directive or request applying to a class of lenders, including Bank, of or under any United States Federal, state, or any foreign law or regulation (whether or not having the force of law) by any court or by governmental, central banking, monetary or taxing authority charged with the interpretation or administration of such law or regulation.

2.2 DETERMINATION OF INTEREST RATES. Subject to the terms and conditions of the Note and this Addendum, Borrower, at its option, may request an advance in the form of a Libor Loan, a continuation of a Libor Loan, or a conversion of a Prime Loan into a Libor Loan, only upon delivery to Bank of an irrevocable written notice received by Bank at least three (3) Business Days prior to the requested Loan Date, specifying (i) the principal

amount of such Libor Loan, (ii) the requested Loan Date, and (iii) the selected Interest Period. Upon receiving such notice, Bank shall determine (which determination shall be in accordance with Section 2.1 and shall, absent manifest error, be final, conclusive and binding upon all parties hereto) the Libor Rate applicable to such Libor Loan two (2) Business Days prior to the Loan Date, and shall promptly give notice thereof (in writing or by telephone confirmed in writing) to Borrower. If Borrower shall fail to notify Bank of its selected Interest Period for a Libor Loan (including the continuation of an existing Libor Loan or the conversion of a Prime Loan into a Libor Loan), the Borrower shall be deemed to have selected an Interest Period of three (3) months.

2.3 COMPUTATION OF INTEREST AND FEES. All computations of interest and fees payable pursuant to the Note shall be calculated on the basis of a three hundred sixty (360) day year for the actual number of days elapsed (less the date of repayment).

2.4 RECORDATION BY BANK. Bank is hereby authorized to record the Loan Date, the applicable Interest Period, the principal amount, and the interest rate of each Libor Loan made (or continued or converted) by Bank, and the date and amount of each payment or prepayment of principal thereof, in Bank's records. Any such recordation shall constitute PRIMA FACIE evidence of the accuracy of the information recorded; PROVIDED that the failure to make any such recordation shall not in any way affect the Borrower's obligations hereunder.

3. CONVERSION TO PRIME LOANS.

3.1 ELECTION BY BORROWER. Subject to all the terms and conditions of this Addendum, Borrower may elect from time to time to convert a Libor Loan to a Prime Loan by giving Bank at least three (3) Business Days' prior irrevocable notice of such election, and any such conversion of a Libor Loan shall be made on the last day of the Interest Period with respect thereto.

3.2 FAILURE OF NOTICE BY BORROWER. If Borrower otherwise fails to give notice specifying its requests with respect to any Libor Loans that are scheduled to become due, such failure shall be deemed, in the absence of any notice from Borrower to the contrary, to be notice of a requested advance in the form of a Prime Loan in a principal amount equal to the amount of said Libor Loan.

4. PREPAYMENTS.

4.1 VOLUNTARY PREPAYMENT BY BORROWER. Subject to the terms and conditions of the Note and this Addendum, Borrower may, upon at least three (3) Business Days' irrevocable notice to Bank as provided herein, at any time and from time to time on any Business Day prepay any Prime Loan or Libor Loan in whole or in part, without penalty or premium, other than customary actual "Breakage Fees" and "Prepayment Costs" as defined below, resulting from prepayment of any Libor Loan prior to the expiration of the Interest Period relating thereto. The notice of prepayment shall specify the date and amount of the prepayment, and the Loan to which the

Page 2 of 4

prepayment applies. Each partial prepayment of a Libor Loan shall be in an amount not less than FIFTY THOUSAND DOLLARS (\$50,000) or such greater amount which is an integral multiple of FIFTY THOUSAND DOLLARS (\$50,000); PROVIDED, that unless a Libor Loan is prepaid in full, no prepayment shall be made if, after giving effect to such prepayment, the aggregate principal amount of Libor Loans having the same Interest Period shall be less than FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00).

Notice of prepayment having been delivered as aforesaid, the principal amount of the prepayment specified in such notice shall become due and payable on the prepayment date set forth in such notice. All payments of principal under this Section 4 shall be accompanied by accrued but unpaid interest on the amount being prepaid through the date of such prepayment.

4.2 BREAKAGE FEES. If for any reason (including voluntary or mandatory prepayment, voluntary or mandatory conversion of a Libor Loan into a Prime Loan, or acceleration), Bank receives all or part of the principal amount of a Libor Loan prior to the last day of the Interest Period for such Loan, Borrower shall immediately notify Borrower's account officer at Bank and, on demand by Bank, pay Bank the Breakage Fees, defined as the amount (if any) by which (i) the additional interest which would have been payable on the amount so received had it not been received until the last day of such Interest Period exceeds (ii) the interest which would have been recoverable by Bank (without regard to whether Bank actually so invests said funds) by placing the amount so received on deposit in the certificate of deposit markets or the offshore currency interbank markets or United States Treasury investment products, as the case may be, for a period starting on the date on which it was so received and ending on the last day of such Interest Period at the interest rate determined by Bank in its reasonable discretion. Bank's determination as to such amount shall be conclusive and final, absent manifest error.

4.3 PREPAYMENT COSTS. Borrower shall pay to Bank, upon the demand of Bank, such other amount or amounts as shall be sufficient (in the sole good faith opinion of Bank) to compensate it for any loss, costs or expense incurred by it as a result of any prepayment by Borrower (including voluntary or mandatory prepayment, voluntary or mandatory conversion of a Libor Loan into a Prime Loan, or prepayment due to acceleration) of all or part of the principal amount of a Libor Loan prior to the last day of the Interest Period for such Loan (including without limitation any failure by Borrower to borrow a Libor Loan on the Loan Date for such borrowing specified in the relevant notice of borrowing hereunder). Such costs shall include, without limitation, any interest or fees payable by Bank to lenders of funds obtained by it in order to make or maintain its loans based on the London interbank eurodollar market. Bank's determination as to such costs shall be conclusive and final, absent manifest error.

5. REMEDIES UPON EVENTS OF DEFAULT.

5.1 CONVERSION TO PRIME LOANS. If any Event of Default has occurred and is continuing under the Note or this Addendum, then in addition to all other remedies available to Bank under the Note, at the option of Bank and without demand or notice, all Libor Loans then outstanding shall be automatically converted to Prime Loans on the last day of each respective Interest Period for each Libor Loan.

5.2 INDEMNITY. Borrower agrees to pay and indemnify Bank for, and to hold Bank harmless from, any and all cost, loss or expense (including without limitation any such cost, loss or expense arising from interest or fees payable by Bank to lenders of funds obtained by it in order to maintain its Libor Loans hereunder, or in its reemployment of funds obtained in connection with the making or maintaining of Libor Loans) which Bank may sustain or incur as a consequence of any default Borrower in connection with or related to: (a) payment of the principal amount of or interest on Libor Loans, (b) making a borrowing or conversion of a Libor Loan after Borrower has given a notice thereof in accordance with this Addendum, or (c) making a prepayment of a Libor Loan after Borrower has given a notice thereof in accordance with this Addendum, or any prepayment (whether optional or mandatory) of any Libor Loan prior to the end of the applicable Interest Period for such Loan.

6. ADDITIONAL PROVISIONS REGARDING LIBOR LOANS.

6.1 LIBOR RATE TAXES. All payments of principal, interest, fees,

costs, expenses and all other amounts payable to Borrower pursuant to the Note and this Addendum shall be made free and clear of and without reduction by reason of all present and future income, stamp and other taxes or other charges whatsoever imposed, assessed, levied or collected by any national government or any political subdivision or taxing authority thereof or any organization of which it is a member (excluding (i) any taxes imposed on or measured by the overall net income or gross receipts of Bank by any such entity, and (ii) any taxes which would have been imposed even if no provisions for Libor Loans had appeared in this Addendum) (collectively, "Libor Taxes").

If any Libor Taxes are required to be withheld from any amounts payable to Bank, Borrower shall pay such additional amounts as may be necessary so as to yield to Bank a net amount equal to the total amount of the payments provided for in this Addendum or under the Note which Bank would have received if such amounts had not been subject to Libor Taxes.

If any Libor Taxes are payable directly by Borrower, they shall be paid by Borrower prior to the date on which penalties attach for failure to timely pay such Libor Taxes. Within forty five (45) days after the date on which payment of any such Libor Taxes is due pursuant to applicable law, Borrower will furnish Bank the original receipt for the full payment of such Libor Taxes or, if such is not available, evidence of such payment satisfactory in form and substance to Bank. Borrower shall indemnify and hold Bank harmless against, and will reimburse to Bank, upon demand, any incremental taxes, interest or penalties that may become payable by Bank as a result of any failure by Borrower to pay any Libor Taxes when due.

Page 3 of 4

6.2 INABILITY TO DETERMINE FAIR INTEREST RATE. If at any time Bank, in its sole and absolute discretion, determines that: (i) the amount of the Libor Loans for periods equal to the corresponding Interest Periods are not available to Bank in the offshore currency interbank markets, (ii) the Libor Rate does not accurately reflect the cost to Bank of lending the Libor Loan, or (iii) by reason of any changes arising after the date of the Note affecting the London interbank eurodollar market, adequate and fair means do not exist for ascertaining the applicable interest rate on the basis provided for in Sections 2.1 and 2.2 above, then Bank shall promptly give notice thereof to Borrower. Upon the giving of such notice, Bank's obligation to make Libor Loans shall terminate, unless Bank and the Borrower agree in writing to a different interest rate applicable to Libor Loans, or until such time as Bank notifies Borrower that the circumstances giving rise to Bank's notice no longer exist. While such circumstances continue to exist, (x) any requested Libor Loan shall be treated as a request for a Prime Loan, (y) any Prime Loan that was to have been converted to a Libor Loan shall be continued as a Prime Loan, and (z) any outstanding Libor Loan shall be converted retroactively, on the first day of the then current Interest Period with respect thereto, to a Prime Loan.

6.3 ILLEGALITY OR IMPRACTICABILITY. If (i) due to any Governmental Regulation it shall become unlawful for Bank to continue to fund or maintain any Libor Loans, or to perform its obligations hereunder, or (ii) due to any contingency occurring after the date of the Note which has a material adverse effect on the London interbank eurodollar market, it has become impracticable for Bank to continue to fund or maintain any Libor Loans, or to perform its obligations hereunder, then Bank shall promptly give notice thereof to Borrower. Upon the giving of such notice, Bank's obligation to make Libor Loans shall terminate, and in such event, (x) any requested Libor Loan shall be treated as a request for a Prime Loan, (y) any Prime Loan that was to have been converted to a Libor Loan shall be continued as a Prime Loan, and (z) any outstanding Libor Loan shall be converted retroactively, on the first day of the then current Interest Period with respect thereto, to a

Prime Loan.

6.4 GOVERNMENTAL REGULATIONS; INCREASED COSTS. Borrower shall pay to Bank, within 15 days after demand by Bank, from time to time such amounts as Bank may determine to be necessary to compensate it for any increased costs incurred by Bank that Bank determines are attributable to its making or maintaining of any Libor Loans to Borrower (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), in each case resulting from any Regulatory Change which:

(a) imposes a new tax or changes the basis of taxation of any amounts payable to Bank under the Note or this Addendum in respect of any Libor Loans (other than changes which affect taxes measured by or imposed on the overall net income of Bank by the jurisdiction in which such Bank has its principal office); or

(b) imposes or modifies any reserve, special deposit or similar requirements relating to any extensions of credit or other assets of, or any deposits or other liabilities with or for the account of Bank (including any Libor Loans or any deposits referred to in the definition of Libor Base Rate); or

(c) imposes any other condition affecting the Note (or any of such extensions of credit or liabilities); or

(d) imposes or modifies a Governmental Regulation regarding capital adequacy which has or would have the effect of reducing the rate of return on capital of Bank or any person or entity controlling Bank ("Parent") as a consequence of its obligations hereunder to a level below that which Bank (or its Parent) could have achieved but for such adoption, change or compliance (taking into consideration its policies with respect to capital adequacy) by an amount deemed by Bank to be material.

Bank will notify Borrower of any event occurring after the date of the Note which will entitle Bank to Additional Costs pursuant to this Section 6.4 as promptly as practicable after it obtains knowledge thereof and determines to request such compensation. Bank will furnish Borrower with a statement setting forth the basis and amount of each request by Bank for Additional Costs under this Section 6.4. Determinations and allocations by Bank for purposes of this Section 6.4 of the effect of any Regulatory Change on its costs of maintaining its obligations to make Libor Loans or of making or maintaining Libor Loans or on amounts receivable by it in respect of Libor Loans, and of the additional amounts required to compensate Bank in respect of any Additional Costs, shall be conclusive and final, absent manifest error.

This Addendum is executed as of the date first written above.

BORROWER

BANK

COASTCAST CORPORATION

IMPERIAL BANK

-----,

a California banking corporation

A CALIFORNIA CORPORATION

By /s/ Hans H. Buehler

By /s/ Brougham Morris

-----,

HANS H. BUEHLER

BROUGHAM MORRIS

Its CHAIRMAN & CEO

Its SENIOR VICE PRESIDENT

By /s/ Norman Fujitaki

-----,
NORMAN FUJITAKI

Its CFO

COASTCAST CORPORATION
 COMPUTATION OF PER SHARE EARNINGS
 (UNAUDITED)

<TABLE>
 <CAPTION>

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
Common stock outstanding at beginning of period	7,933,204	8,959,050	7,989,404	8,849,005
Exercise of options	0	95,154	0	205,199
Repurchase of common stock	(62,700)	0	(118,900)	0
Common stock outstanding at end of period	7,870,504	9,054,204	7,870,504	9,054,204
Weighted average shares outstanding, for computation of basic earnings per share	7,893,338	9,019,682	7,932,912	8,956,572
Dilutive effect of stock options after application of treasury stock method	28,053	417,332	16,587	379,099
Total diluted weighted average shares outstanding, For computation of diluted earnings per share	7,921,391	9,437,014	7,949,499	9,335,671
Net income	3,362,000	4,004,000	5,668,000	8,022,000
Net income per common share - basic	\$.43	\$.44	\$.71	\$.90
Net income per share and common equivalent per share - diluted	\$.42	\$.42	\$.71	\$.86

</TABLE>

Exhibit 11

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	DEC-31-1999
<PERIOD-START>	APR-01-1999
<PERIOD-END>	JUN-30-1999
<CASH>	33,642
<SECURITIES>	0
<RECEIVABLES>	15,287
<ALLOWANCES>	600
<INVENTORY>	11,060
<CURRENT-ASSETS>	62,130
<PP&E>	45,101
<DEPRECIATION>	21,692
<TOTAL-ASSETS>	92,628
<CURRENT-LIABILITIES>	10,458
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	29,222
<OTHER-SE>	52,501
<TOTAL-LIABILITY-AND-EQUITY>	92,628
<SALES>	60,673
<TOTAL-REVENUES>	60,673
<CGS>	47,188
<TOTAL-COSTS>	47,188
<OTHER-EXPENSES>	4,381
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	0
<INCOME-PRETAX>	9,772
<INCOME-TAX>	4,104
<INCOME-CONTINUING>	5,668
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	5,668
<EPS-BASIC>	.71
<EPS-DILUTED>	.71

</TABLE>