

Edgar Filing: ESCALADE INC - Form 10-K/A

ESCALADE INC  
Form 10-K/A  
June 16, 2011

United States  
Securities and Exchange Commission  
Washington, D.C. 20549

Form 10-K/A (Amendment No. 1)

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

For the Fiscal Year Ended December 25, 2010

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 0-6966

ESCALADE, INCORPORATED  
(Exact name of registrant as specified in its charter)

Indiana  
(State of incorporation)

13-2739290  
(I.R.S. EIN)

817 Maxwell Ave, Evansville, Indiana  
(Address of Principal Executive Office)

47711  
(Zip Code)

812-467-4449  
(Registrant's Telephone Number)

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

Common Stock, No Par Value  
(Title of Class)

The NASDAQ Stock Market LLC  
(Name of Exchange on Which Registered)

Securities registered pursuant to section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act  
Yes  No

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

Edgar Filing: ESCALADE INC - Form 10-K/A

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of "Large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(do not check if a smaller reporting company)

Smaller reporting company

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12 b-2 of the Exchange Act).

Yes  No

Aggregate market value of common stock held by nonaffiliates of the registrant as of July 10, 2010 based on the closing sale price as reported on the NASDAQ Global Market: \$42,331,650

The number of shares of Registrant's common stock (no par value) outstanding as of February 8, 2011: 12,807,318.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the registrant's Proxy Statement relating to its annual meeting of stockholders scheduled to be held on April 29, 2011 are incorporated by reference into Part III of this Report.

Escalade, Incorporated and Subsidiaries

Table of Contents

---

Part IV

Item 15. Exhibits and Financial Statement Schedules

3

EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K of Escalade, Incorporated (the “Company”) amends the Company’s Annual Report on Form 10-K for the fiscal year ended December 25, 2010, originally filed with the Securities and Exchange Commission on March 1, 2011 (the “Original Filing”). The Company is filing this Amendment No. 1 for the sole purpose of revising Note 6 – Equity Interest Investments, included in Part IV, Item 15 – Exhibits, Financial Statement Schedules, regarding Stiga Sports AB (Stiga). Note 6 has been revised to eliminate references to Rule 3-09 of Regulation S-X, which Rule is not applicable to the Company as a smaller reporting company. Stiga is a significant equity investee of the Company pursuant to Rule 8-03(b)(3) of Regulation S-X which requires only summarized financial information to be provided with respect to significant equity investees of smaller reporting companies. Therefore, audited financial statements for Stiga are not required to be included in the Company’s Form 10-K in accordance with Rule 8-03(b)(3) nor would such audited financial statements be material to investors. In addition, in connection with the filing of this Amendment No. 1 and pursuant to SEC rules, the Company is including with this Amendment No. 1 certain currently dated certifications and consents.

Except as described above, this Amendment No. 1 does not amend any other information set forth in the Original Filing and the Company has not updated disclosures included therein to reflect any events that may have occurred subsequent to March 1, 2011, the date of the Original Filing. The filing of this Amendment No. 1 is not a representation that any statements contained in the Company’s Form 10-K are true and complete as of any date other than the date of the Original Filing.

Part IV

ITEM 15—EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(A) Documents filed as a part of this report:

(1) Financial Statements

Report of Independent Registered Public Accounting Firm  
Consolidated financial statements of Escalade, Incorporated and  
subsidiaries:

Consolidated balance sheets—December 25, 2010 and  
December 26, 2009

Consolidated statements of operations—fiscal years  
ended December 25, 2010, December 26, 2009, and  
December 27, 2008

Consolidated statements of stockholders' equity—fiscal  
years ended December 25, 2010, December 26,  
2009, and December 27, 2008

Consolidated statements of cash flows—fiscal years  
ended December 25, 2010, December 26, 2009, and  
December 27, 2008

Notes to consolidated financial statements

All other schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the consolidated financial statements or notes thereto.

(3) Exhibits

3.1 Articles of Incorporation of Escalade, Incorporated (b)

3.2 Amended By-Laws of Escalade, Incorporated (q)

4.1 Form of Escalade, Incorporated's common stock certificate (a)

10.1 Licensing agreement between Sweden Table Tennis AB and Indian Industries, Inc. dated January 1, 1995 (d)

10.2 Credit Agreement dated as of April 30, 2009 among Escalade, Incorporated and JPMorgan Chase Bank, N.A. (without exhibits and schedules, which Escalade has determined are not material) (k)

10.3 Pledge and Security Agreement dated as of April 30, 2009 by and between Escalade, Incorporated and JPMorgan Chase Bank, N.A. (without exhibits and schedules, which Escalade has determined are not material) (k)

10.4 Form of Pledge and Security Agreement dated as of April 30, 2009 with JPMorgan Chase Bank, N.A. (j) (l)

10.5 Form of Unlimited Continuing Guaranty dated as of April 30, 2009 in favor of JPMorgan Chase Bank, N.A. (k) (l)

10.6 First Amendment dated as of July 29, 2009 to Credit Agreement by and between Escalade, Incorporated and JPMorgan Chase Bank, N.A. (m)

10.7 Second Amendment dated as of September 30, 2009 to Credit Agreement by and between Escalade, Incorporated and JPMorgan Chase Bank, N.A. (n)

Edgar Filing: ESCALADE INC - Form 10-K/A

- 10.8 Third Amendment dated as of October 30, 2009 to Credit Agreement by and between Escalade, Incorporated and JPMorgan Chase Bank, N.A. (o)
- 10.9 Loan Agreement dated September 1, 1998 between Martin Yale Industries, Inc. and City of Wabash, Indiana (f)
- 10.10 Trust Indenture between the City of Wabash, Indiana and Bank One Trust Company, NA as Trustee dated September 1, 1998 relating to the Adjustable Rate Economic Development Revenue Refunding Bonds, Series 1998 (Martin Yale Industries, Inc. Project) (f)
- 10.11 Fourth Amendment dated as of March 1, 2010 to Credit Agreement by and between Escalade, Incorporated and JPMorgan Chase Bank, N.A. (p)
- 10.12 Fifth Amendment dated as of April 15, 2010 to Credit Agreement by and between Escalade, Incorporated and JPMorgan Chase Bank, N.A. (r)
- 10.13 Sixth Amendment to Credit Agreement dated as of May 31, 2010 by and between Escalade, Incorporated and JPMorgan Chase Bank, N.A., (s)
- 10.14 Overdraft Facility by and between Escalade, Incorporated and JPMorgan Chase Bank, N.A., London Branch (s)

(4) Executive Compensation Plans and Arrangements

- 10.15 The Harvard Sports/Indian Industries, Inc. 401(k) Plan as amended and merged in 1993 (c)
- 10.16 Martin Yale Industries, Inc. 401(k) Retirement Plan as amended in 1993 (c)
- 10.17 Incentive Compensation Plan for Escalade, Incorporated and its subsidiaries (a)
- 10.18 Example of contributory deferred compensation agreement between Escalade, Incorporated and certain management employees allowing for deferral of compensation (a)
- 10.19 1997 Director Stock Compensation and Option Plan (e)
- 10.20 1997 Incentive Stock Option Plan (e)
- 10.21 1997 Director Stock Compensation and Option Plan Certificate (g)
- 10.22 1997 Incentive Stock Option Plan Certificate (g)
- 10.23 Escalade, Incorporated 2007 Incentive Plan, incorporated by reference herein from Annex 1 to the Registrant's 2007 Definitive Proxy Statement. (h)
- 10.24 Employment offer letter dated July 23, 2007 between Robert Keller and Escalade, Inc. (i)
- 10.25 Form of Restricted Stock Unit Agreement utilized in Restricted Stock Unit grants pursuant to the Escalade Incorporated 2007 Incentive Plan. (j)
- 10.26 Escalade, Incorporated schedule of Directors Compensation\*
- 10.27 Escalade, Incorporated schedule of Executive Officers Compensation\*
- 10.28 Form of Stock Option Award Agreement utilized in Stock Option grants to employees pursuant to the Escalade, Incorporated 2007 Incentive Plan (t)
- 10.29 Form of Stock Option Award Agreement utilized in Stock Option grants to Directors pursuant to the Escalade, Incorporated 2007 Incentive Plan (t)
  
- 21 Subsidiaries of the Registrant\*
- 23.1 Consent of BKD, LLP
- 23.2 Consent of FALK GmbH & Co KG
- 31.1 Chief Executive Officer Rule 13a-14(a)/15d-14(a) Certification
- 31.2 Chief Financial Officer Rule 13a-14(a)/15d-14(a) Certification
- 32.1 Chief Executive Officer Section 1350 Certification
- 32.2 Chief Financial Officer Section 1350 Certification

\* Filed with the Original Filing of the Company's Form 10-K on March 1, 2011.

- (a) Incorporated by reference from the Company's Form S-2 Registration Statement, File No. 33-16279, as declared effective by the Securities and Exchange Commission on September 2, 1987
- (b) Incorporated by reference from the Company's 2007 First Quarter Report on Form 10-Q
- (c) Incorporated by reference from the Company's 1993 Annual Report on Form 10-K
- (d) Incorporated by reference from the Company's 1995 Annual Report on Form 10-K
- (e) Incorporated by reference from the Company's 1997 Proxy Statement
- (f) Incorporated by reference from the Company's 1998 Third Quarter Report on Form 10-Q
- (g) Incorporated by reference from the Company's 2004 Annual Report on Form 10-K
- (h) Incorporated by reference from the Company's 2007 Second Quarter Report on Form 10-Q
- (i) Incorporated by reference from the Company's 2007 Third Quarter Report on Form 10-Q
- (j) Incorporated by reference from the Company's Form 8-K filed on February 29, 2008
- (k) Incorporated by reference from the Company's Form 8-K filed on May 6, 2009
- (l) Each of Escalade's eleven domestic subsidiaries has entered into the identical form of Pledge and Security Agreement and form of Unlimited Continuing Guaranty. Those eleven domestic subsidiaries are: Indian Industries, Inc.; Harvard Sports, Inc.; Martin Yale Industries, Inc.; U.S. Weight, Inc.; Bear Archery, Inc.; Escalade Sports Playground, Inc.; Schleicher & Co. America,

Edgar Filing: ESCALADE INC - Form 10-K/A

Inc.; Olympia Business Systems, Inc.; EIM Company, Inc.; SOP Services, Inc.; and Escalade Insurance, Inc.

- (m) Incorporated by reference from the Company's Form 8-K filed on July 30, 2009
- (n) Incorporated by reference from the Company's Form 8-K filed on September 30, 2009
- (o) Incorporated by reference from the Company's 2009 Third Quarter Report on Form 10-Q
- (p) Incorporated by reference from the Company's Form 8-K filed on March 2, 2010
- (q) Incorporated by reference from the Company's 2010 Second Quarter Report on Form 10-Q filed on August 2, 2010
- (r) Incorporated by reference from the Company's 2010 First Quarter Report on Form 10-Q filed on April 16, 2010
- (s) Incorporated by reference from the Company's Form 8-K filed on June 4, 2010
- (t) Incorporated by reference from the Company's 2009 Annual Report on Form 10-K filed on March 5, 2010

Escalade, Incorporated and Subsidiaries

Index to Financial Statements

The following consolidated financial statements of the Registrant and its subsidiaries and Independent Accountants' Reports are submitted herewith:

	Page
<u>Reports of Independent Registered Public Accounting Firms</u>	6
Consolidated financial statements of Escalade, Incorporated and subsidiaries:	
<u>Consolidated balance sheets—December 25, 2010 and December 26, 2009</u>	8
<u>Consolidated statements of operations—fiscal years ended December 25, 2010, December 26, 2009 and December 27, 2008</u>	9
<u>Consolidated statements of stockholders' equity—fiscal years ended December 25, 2010, December 26, 2009 and December 27, 2008</u>	10
<u>Consolidated statements of cash flows—fiscal years ended December 25, 2010, December 26, 2009 and December 27, 2008</u>	11
<u>Notes to consolidated financial statements</u>	12

Reports of Independent Registered Public Accounting Firms

Audit Committee, Board of Directors and Stockholders  
Escalade, Incorporated  
Evansville, Indiana

We have audited the accompanying consolidated balance sheets of Escalade, Incorporated (Company) as of December 25, 2010 and December 26, 2009, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 25, 2010. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 2010, 2009 and 2008 financial statements (consisting of the balance sheet and related statement of operations) of Martin Yale International, GmbH, a wholly owned subsidiary, which statements were presented on the basis of accounting principles generally accepted in Germany and reflect total assets of \$14,913, \$17,061 and \$20,347 and net sales of \$16,880, \$20,532 and \$26,991 (dollars in thousands) for 2010, 2009 and 2008, respectively, included in the related consolidated financial statement amounts as of and for the years ended December 25, 2010, December 26, 2009, and December 27, 2008. Those balance sheets and statements of operations were audited by other accountants, whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included in the consolidated balance sheets and statements of operations for Martin Yale International, GmbH, is based solely on the reports of the other accountants.

Our audits also included auditing the adjustments to convert the balance sheets and statements of operations of Martin Yale International, GmbH into accounting principles generally accepted in the United States of America for purposes of consolidation. Our audits also included auditing the amounts included in the consolidated statements of cash flows and stockholders' equity for Martin Yale International, GmbH.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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. Our audits also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits and the reports of the other accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other accountants, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 25, 2010 and December 26, 2009, and the results of its operations and its cash flows for each of the years in the three-year period ended December 25, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ BKD, LLP  
Evansville, Indiana  
March 1, 2011

FALK & Co

Reports of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of  
Martin Yale International GmbH,  
Markdorf/Germany

We have audited the accompanying balance sheet of Martin Yale International GmbH, Markdorf/Germany (the Company) as of December 31, 2010 and December 31, 2009 and the related statement of income for each of the three years in the three-year period ended December 31, 2010. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and December 31, 2009 and the result of its operations for each of the three years in the three-year period ended December 31, 2010, in conformity with accounting principles generally accepted in Germany.

/s/ FALK GmbH & Co KG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Heidelberg/Germany,  
March 1, 2011

Escalade, Incorporated and Subsidiaries  
Consolidated Balance Sheets

All Amounts in Thousands Except Share Information	December 25, 2010	December 26, 2009
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,536	\$ 3,039
Time deposits	1,250	750
Receivables, less allowances of \$1,204 and \$1,485	25,458	23,488
Inventories	22,888	20,905
Prepaid expenses	1,160	1,617
Deferred income tax benefit	1,502	1,999
Prepaid income tax	1,216	1,138
<b>Total current assets</b>	<b>55,010</b>	<b>52,936</b>
Property, plant and equipment, net	19,844	21,493
Intangible assets	15,678	17,181
Goodwill	25,397	26,215
Investments	11,624	9,156
Other assets	—	257
<b>Total assets</b>	<b>\$ 127,553</b>	<b>\$ 127,238</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Notes payable—bank	\$ 9,407	\$ 27,644
Current portion of long-term debt	2,000	—
Trade accounts payable	3,751	1,578
Accrued liabilities	15,720	12,738
Deferred compensation	—	1,288
<b>Total current liabilities</b>	<b>30,878</b>	<b>43,248</b>
Long-term debt	7,500	—
Deferred income tax liability	2,145	1,226
<b>Total liabilities</b>	<b>40,523</b>	<b>44,474</b>
Commitments and contingencies	—	—
<b>Stockholders' equity</b>		
<b>Preferred stock</b>		
Authorized: 1,000,000 shares, no par value, none issued		
<b>Common stock</b>		
Authorized: 30,000,000 shares, no par value		
Issued and outstanding: 2010 —12,780,372 shares, 2009—12,656,737 shares	12,780	12,657
Retained earnings	70,329	65,341
Accumulated other comprehensive income	3,921	4,766
<b>Total stockholders' equity</b>	<b>87,030</b>	<b>82,764</b>

Total liabilities and stockholders' equity	\$	127,553	\$	127,238
--	----	---------	----	---------

See notes to consolidated financial statements.

Escalade, Incorporated and Subsidiaries  
Consolidated Statements of Operations

All Amounts in Thousands Except Per Share Data	Years Ended December 25, 2010	December 26, 2009	December 27, 2008
Net Sales	\$ 120,656	\$ 115,999	\$ 148,686
<b>Costs, Expenses and Other Income</b>			
Cost of products sold	83,475	82,250	112,138
Selling, administrative and general expenses	27,704	29,484	39,883
Long-lived asset impairment charges	—	—	2,623
Amortization	1,288	2,265	2,163
Operating Income (Loss)	8,189	2,000	(8,121 )
Interest expense	(1,163 )	(1,665 )	(2,025 )
Other income (expense)	2,050	2,270	(34 )
Income (Loss) Before Income Taxes (Benefit)	9,076	2,605	(10,180 )
Provision (Benefit) for Income Taxes	3,017	948	(2,684 )
Net Income (Loss)	\$ 6,059	\$ 1,657	\$ (7,496 )
<b>Earnings (Loss) Per Share Data</b>			
Basic earnings (loss) per share	\$ 0.48	\$ 0.13	\$ (0.59 )
Diluted earnings (loss) per share	\$ 0.46	\$ 0.13	\$ (0.59 )

See notes to consolidated financial statements.

Escalade, Incorporated and Subsidiaries  
Consolidated Statements of Stockholders' Equity

All Amounts in Thousands	Common Stock		Retained	Accumulated Other Comprehensive	Total
	Shares	Amount	Earnings	Income	
Balances at December 29, 2007	12,673	\$ 12,673	\$ 73,246	\$ 5,823	\$ 91,742
Comprehensive income (loss)					
Net income (loss)			(7,496 )		(7,496 )
Foreign currency translation adjustment				(2,344 )	(2,344 )
Unrealized loss on interest rate swap agreement, net of tax				(35 )	(35 )
Realization of previously unrealized gains and losses on securities, net of tax				(320 )	(320 )
Total comprehensive income (loss)					(10,195 )
Expense of stock options					
Exercise of stock options	45	45	268		313
Dividend paid			(3,174 )		(3,174 )
Stock issued to directors as compensation	10	10	104		114
Purchase of stock	(112 )	(112 )	(808 )		(920 )
Balances at December 27, 2008	12,616	\$ 12,616	\$ 63,050	\$ 3,124	\$ 78,790
Comprehensive income					
Net income			1,657		1,657
Foreign currency translation adjustment				1,642	1,642
Total comprehensive income					3,299
Expense of stock options					
Settlement of restricted stock units	7	7	(7 )		—
Stock issued to directors as compensation	34	34	53		87
Balances at December 26, 2009	12,657	\$ 12,657	\$ 65,341	\$ 4,766	\$ 82,764
Comprehensive income					
Net income			6,059		6,059
Foreign currency translation adjustment				(845 )	(845 )
Total comprehensive income					5,214
Expense of stock options					
Exercise of stock options	75	75	(17 )		58

Edgar Filing: ESCALADE INC - Form 10-K/A

Settlement of restricted stock units	12	12	(12 )	—
Stock option forfeiture			(32 )	(32 )
Dividend paid			(1,285 )	(1,285 )
Stock issued to directors as compensation	36	36	98	134
Balances at December 25, 2010	12,780	\$ 12,780	\$ 70,329	\$ 3,921
				\$ 87,030

See notes to consolidated financial statements.

Escalade, Incorporated and Subsidiaries  
Consolidated Statements of Cash Flows

All Amounts in Thousands	Years Ended December 25, 2010	December 26, 2009	December 27, 2008
<b>Operating Activities</b>			
Net income (loss)	\$ 6,059	\$ 1,657	\$ (7,496 )
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation and amortization	4,330	5,965	5,539
Long-lived asset impairment charges	—	—	2,623
Available for sale securities impairment charges	—	—	884
Provision for doubtful accounts	(247 )	362	525
Stock option expense	177	641	910
Equity in net income of joint venture investments	(1,963 )	(1,598 )	(1,054 )
Deferred income taxes	1,401	2,175	(1,488 )
Provision for deferred compensation	—	110	101
(Gain) loss on disposals of assets	(1 )	(408 )	731
Changes in			
Accounts receivable	(1,752 )	3,661	3,028
Inventories	(2,411 )	9,059	2,639
Prepays	435	210	(1,715 )
Other assets	(16 )	(503 )	3,504
Income tax payable	(55 )	2,739	(4,225 )
Accounts payable and accrued expenses	2,895	(5,757 )	(6,418 )
Net cash provided by (used in) operating activities	8,852	18,313	(1,912 )
<b>Investing Activities</b>			
Purchase of property and equipment	(1,778 )	(1,894 )	(9,484 )
Purchase of short-term time deposits	(500 )	(750 )	—
Acquisitions, net of cash acquired	—	—	(467 )
Proceeds from sale of property and equipment	13	269	33
Proceeds from sale of investments	—	1,645	1,501
Net cash used in investing activities	(2,265 )	(730 )	(8,417 )
<b>Financing Activities</b>			
Net increase (decrease) in notes payable—bank	(8,237 )	(18,880 )	33,491
Net increase (decrease) in overdraft facility	1,406	—	—
Proceeds from exercise of stock options	58	—	313
Stock option forfeiture	(32 )	—	—
Reduction of long-term debt	(500 )	—	(19,135 )
Purchase of stock	—	—	(920 )
Cash dividend paid	(1,285 )	—	(3,174 )

Edgar Filing: ESCALADE INC - Form 10-K/A

Directors compensation	134	33	114
Net cash provided by (used in) financing activities	(8,456 )	(18,847 )	10,689
Effect of Exchange Rate Changes on Cash and Cash Equivalents	366	686	449
Increase (Decrease) in Cash and Cash Equivalents	(1,503 )	(578 )	809
Cash and Cash Equivalents, Beginning of Year	3,039	3,617	2,808
Cash and Cash Equivalents, End of Year	\$ 1,536	\$ 3,039	\$ 3,617
Supplemental Cash Flows Information			
Interest paid	\$ 1,161	\$ 1,802	\$ 2,024
Income taxes paid	\$ 1,832	\$ 184	\$ 2,167

See notes to consolidated financial statements.

## Note 1 — Nature of Operations and Summary of Significant Accounting Policies

## Nature of Operations

Escalade, Incorporated and its wholly owned subsidiaries (the “Company”) are engaged in the manufacture and sale of sporting goods and information security and print finishing products. The Company is headquartered in Evansville, Indiana and has manufacturing facilities in the United States of America, Mexico and Germany. The Company sells products to customers throughout the world.

## Principles of Consolidation

The consolidated financial statements include the accounts of Escalade, Incorporated and its wholly-owned subsidiaries. All material inter-company accounts and transactions have been eliminated.

## Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The books and records of Subsidiaries located in foreign countries are maintained according to generally accepted accounting principles in those countries. Upon consolidation, the Company evaluates the differences in accounting principles and determines whether adjustments are necessary to convert the foreign financial statements to the accounting principles upon which the consolidated financial statements are based. As a result of this evaluation no material adjustments were identified.

## Fiscal Year End

The Company’s fiscal year is a 52 or 53 week period ending on the last Saturday in December. Fiscal 2010, 2009 and 2008 were 52 weeks long ending on December 25, 2010, December 26, 2009 and December 27, 2008 respectively.

## Cash and Cash Equivalents

Highly liquid financial instruments with insignificant interest rate risk and with original maturities of three months or less are classified as cash and cash equivalents.

## Accounts Receivable

Revenue from the sale of the Company’s products is recognized as products are shipped to customers and accounts receivable are stated at the amount billed to customers. Interest and late charges billed to customers are not material and because collection is uncertain, are not recognized until collected and are therefore not included in accounts receivable. The Company does not offer the right of return on any of its sales and the Company does not engage in consignment or contingency sales. The Company provides an allowance for doubtful accounts which is described in Note 2 – Certain Significant Estimates.

## Inventories

Inventory cost is computed on a currently adjusted standard cost basis (which approximates actual cost on a current average or first-in, first-out basis). Work in process and finished goods inventory are determined to be saleable based on a demand forecast within a specific time horizon, generally one year or less. Inventory in excess of saleable amounts is reserved, and the remaining inventory is valued at the lower cost or market. This inventory valuation reserve totaled \$1.8 million and \$3.2 million at fiscal year-end 2010 and 2009, respectively. Inventories, net of the valuation reserve, at fiscal year-ends were as follows:

In Thousands	2010	2009
Raw materials	\$5,973	\$6,357
Work in process	2,497	1,142

Finished goods	14,418	13,406
	\$22,888	\$20,905

### Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation and amortization are computed for financial reporting purposes principally using the straight-line method over the following estimated useful lives: buildings, 20-30 years; leasehold improvements, term of the lease; machinery and equipment, 5-15 years; and tooling, dies and molds, 2-4 years. Property, plant and equipment consist of the following:

In Thousands	2010	2009
Land	\$2,381	\$2,485
Buildings and leasehold improvements	20,672	20,446
Machinery and equipment	30,581	31,057
Total cost	53,634	53,988
Accumulated depreciation and amortization	(33,790 )	(32,495 )
	\$19,844	\$21,493

The Company evaluates the recoverability of certain long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Estimates of future cash flows used to test recoverability of long-lived assets include separately identifiable undiscounted cash flows expected to arise from the use and eventual disposition of the assets. Where estimated future cash flows are less than the carrying value of the assets, impairment losses are recognized based on the amount by which the carrying value exceeds the fair value of the assets. During 2008, the Company's Sporting Goods segment recognized an impairment loss of \$2.6 million related to the Reynosa, Mexico facility and equipment. This loss is included in the long lived asset impairment charges line of the statement of operations for that year.

### Investments

Investments are composed of the following:

In Thousands	2010	2009
Non-marketable equity investments (equity method)	\$11,624	\$9,156

**Non-Marketable Equity Investments:** The Company has minority equity positions in companies strategically related to the Company's business, but does not have control over these companies. The accounting method employed is dependent on the level of ownership and degree of influence the Company can exert on operations. Where the equity interest is less than 20% and the degree of influence is not significant, the cost method of accounting is employed. Where the equity interest is greater than 20% but not more than 50%, the equity method of accounting is utilized. Under the equity method, the Company's proportionate share of net income (loss) is recorded in other income on the consolidated statement of income. The proportionate share of net income was \$2.0 million, \$1.6 million and \$1.1 million in 2010, 2009 and 2008, respectively. Total cash dividends received from these equity investments amounted to \$0, \$32 thousand, and \$49 thousand in 2010, 2009 and 2008, respectively. The Company considers whether the fair value of any of its equity investments have declined below their carrying value whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. If the Company considered any such decline to be other than temporary (based on various factors, including historical financial results, product development activities and overall health of the investments' industry), a write-down is recorded to estimated fair value. There was no impairment loss recognized on equity method investments in 2010, 2009 or 2008.

### Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over fair value of net tangible and identifiable intangible assets of acquired businesses. Intangible assets consist of patents, consulting agreements, non-compete agreements, customer

lists, and trademarks. Goodwill and trademarks are deemed to have indefinite lives and are not amortized, but are subject to impairment testing annually in accordance with guidance included in FASB ASC 350, Intangibles – Goodwill and Other. Other intangible assets are amortized using the straight-line method over the following lives: consulting agreements, the life of the agreement; non-compete agreements, the lesser of the term or 5 years; and patents, the lesser of the remaining life or 5 to 8 years. No impairment has been recognized on goodwill or intangible assets in 2010, 2009 or 2008.

#### Employee Incentive Plan

During 2007, the Company replaced two stock-based compensation plans with a new incentive plan more fully explained in Note 11. The Company accounts for this plan under the recognition and measurement principles of FASB ASC 505, Equity Based Payments.

#### Foreign Currency Translation

The functional currency for the foreign operations of Escalade is the local currency. The translation of foreign currencies into U.S. dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet dates and for revenue and expense accounts using a weighted average exchange rate during the year. The gains or losses resulting from the translation are included in Accumulated Other Comprehensive Income in the Consolidated Statements of Stockholders' Equity and are excluded from net income (loss). Gains or losses resulting from foreign currency transactions are included in selling, general and administrative expense in the Consolidated Statements of Operations and were insignificant in fiscal years 2010, 2009, and 2008.

#### Cost of Products Sold

Cost of products sold are comprised of those costs directly associated with or allocated to the products sold and include materials, labor and factory overhead.

#### Other Income (Expense)

The components of Other Income (Expense) are as follows:

In Thousands	2010	2009	2008
Income from non-marketable equity investments accounted for on the equity method	\$ 1,963	\$ 1,598	\$ 1,054
Dividend and interest income from marketable equity securities available for sale	—	48	264
Gain (loss) on sale of marketable equity securities available for sale	—	432	(505 )
Royalty income from patents	79	50	127
Impairment write-down on marketable securities available for sale	—	—	(884 )
Other	8	142	(90 )
	\$ 2,050	\$ 2,270	\$ (34 )

#### Income Taxes

Income tax in the consolidated statement of operations includes deferred income tax provisions or benefits for all significant temporary differences in recognizing income and expenses for financial reporting and income tax purposes. A valuation allowance is established if it is more likely than not that a deferred tax asset will not be realized.

#### Research and Development

Research and development costs are charged to expense as incurred. Research and development costs incurred during 2010, 2009 and 2008 were approximately \$1.9 million, \$2.0 million, and \$2.3 million, respectively.

#### Reclassifications

Certain reclassifications have been made to prior year financial statements to conform to the current year financial statement presentation. These reclassifications had no effect on net earnings.

#### New Accounting Pronouncements

In December 2009, FASB issued Accounting Standards Update 2009-17, Improvements to Financial Reporting by Enterprises with Variable Interest Entities, to incorporate the changes made by FASB Statement No. 167 into the FASB Codification. The guidance in this update was effective for periods beginning after November 15, 2009 and thus was effective for the Company's first quarter reporting in 2010. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In December 2009, FASB issued Accounting Standards Update 2010-02, Consolidation (Topic 810) – Accounting and Reporting for Decreases in Ownership of a Subsidiary – A Scope Clarification, which expands the disclosure requirements about deconsolidation of a subsidiary or derecognition of a group of assets. The guidance in this update was effective for periods beginning in the first interim or annual reporting period ending on or after December 15, 2009 and thus was effective for the Company’s first quarter reporting in 2010. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

#### Note 2 — Certain Significant Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and the reported amounts of revenues and expenses during the reporting period. These estimates and judgments are evaluated on an ongoing basis and are based on experience; current and expected future conditions; third party evaluations; and various other assumptions believed reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and liabilities. Actual results may differ from the estimates and assumptions used in the financial statements and related notes.

Listed below are certain significant estimates and assumptions related to the preparation of the consolidated financial statements:

##### Product Warranty

The Company provides limited warranties on certain of its products, for varying periods. Generally, the warranty periods range from 90 days to one year. However, some products carry extended warranties of seven-year, ten-year, and lifetime warranties. The Company records an accrued liability and reduction in sales for estimated future warranty claims based upon historical experience and management’s estimate of the level of future claims. Changes in the estimated amounts recognized in prior years are recorded as an adjustment to the accrued liability and sales in the current year. A reconciliation of the liability is as follows:

In Thousands	2010	2009	2008
Beginning balance	\$737	\$896	\$1,208
Additions	357	232	113
Deductions	(438 )	(391 )	(425 )
Ending balance	\$656	\$737	\$896

##### Inventory Valuation Reserves

The Company evaluates inventory for obsolescence and excess quantities based on demand forecasts based on specified time frames; usually one year. The demand forecast is based on historical usage, sales forecasts and current as well as anticipated market conditions. All amounts in excess of the demand forecast are deemed to be excess or obsolete and a reserve is established based on the anticipated net realizable value. A reconciliation of the reserve is as follows:

In Thousands	2010	2009	2008
Beginning balance	\$3,152	\$3,943	\$3,573
Additions	189	1,042	1,786
Deductions	(1,502 )	(1,833 )	(1,416 )

Ending balance	\$1,839	\$3,152	\$3,943
----------------	---------	---------	---------

#### Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due between 30 and 60 days after the issuance of the invoice. Accounts are considered delinquent when more than 90 days past due. Delinquent receivables are reserved or written off based on individual credit evaluation and specific circumstances of the customer. A reconciliation of the allowance is as follows:

In Thousands	2010	2009	2008
Beginning balance	\$1,485	\$1,114	\$1,087
Additions	654	1,224	525
Deductions	(935 )	(853 )	(498 )
Ending balance	\$1,204	\$1,485	\$1,114

#### Advertising Subsidies

The Company enters agreements with certain retailers to pay for direct advertising programs and/or provide in-store display units. These agreements are not based on retailer purchase volumes and do not obligate the retailer to continue carrying the Company's products. The Company determines the value of the advertising services based on its own research and history of providing such services. The Company expenses these costs in the period in which they are incurred as a reduction of sales. A reconciliation of the liability is as follows:

In Thousands	2010	2009	2008
Beginning balance	\$138	\$504	\$1,508
Additions	150	170	498
Deductions	(224 )	(536 )	(1,502 )
Ending balance	\$64	\$138	\$504

#### CO-OP Advertising

The Company offers co-operative advertising allowances to certain retailers to encourage product promotions. These agreements are typically based on a percentage of retailer purchases up to a maximum allowance and the Company is never directly involved with the media provider. The Company accrues the estimated cost of these programs based on the sales volume of the retailer and historical trends. As costs are accrued they are recorded as a reduction in sales. A reconciliation of the liability is as follows:

In Thousands	2010	2009	2008
Beginning balance	\$1,322	\$2,648	\$3,323
Additions	2,637	1,816	2,999
Deductions	(2,643 )	(3,142 )	(3,674 )
Ending balance	\$1,316	\$1,322	\$2,648

#### Volume Rebates

The Company has various rebate programs with its retailers that are based on purchase volume. Typically these programs are based on achieving specified sales volumes and the rebate is calculated as a percentage of purchases. Based on the terms of the agreement, purchase levels and historical trends the Company accrues the cost of these programs and records the same as a reduction in sales. A reconciliation of the liability is as follows:

In Thousands	2010	2009	2008
--------------	------	------	------

Edgar Filing: ESCALADE INC - Form 10-K/A

Beginning balance	\$926	\$939	\$862
Additions	1,023	1,582	1,673
Deductions	(1,259 )	(1,595 )	(1,596 )
Ending balance	\$690	\$926	\$939

16

---

### Catalog Allowances

A number of large office supply dealers operate through catalogs distributed to businesses globally. Product content is decided by the dealer each time a new catalog is issued, typically once a year. Catalog allowances are required by the dealer as an inducement to include the Company's products. The allowance is based on a fixed cost per page and/or a percentage of purchases by the dealer. The fixed portion of the allowance is often paid when the catalog is distributed and is recognized in the period incurred and the variable portion is accrued based on dealer purchases and historical trends. Catalog allowances are recorded as a reduction in sales. A reconciliation of the liability is as follows:

In Thousands	2010	2009	2008
Beginning balance	\$363	\$532	\$449
Additions	1,236	2,010	1,274
Deductions	(1,271 )	(2,179 )	(1,191 )
Ending balance	\$328	\$363	\$532

### Note 3 — Accrued Liabilities

Accrued liabilities consist of the following:

In Thousands	2010	2009
Employee compensation	\$4,696	\$3,419
Customer related allowances and accruals	3,982	4,867
Other accrued items	7,042	4,452
	\$15,720	\$12,738

### Note 4 — Operating Leases

The Company leases warehouse and office space under non-cancelable operating leases that expire at various dates through 2014. Terms of the leases, including renewals, taxes, utilities, and maintenance, vary by lease. Total rental expense included in the results of operations relating to all leases was \$1.5 million, \$1.7 million, and \$1.7 million in 2010, 2009, and 2008, respectively.

At December 25, 2010, minimum rental payments under non-cancelable leases with terms of more than one year were as follows:

In Thousands	Amount
2011	\$ 873
2012	348
2013	104
2014	66
2015	—
	\$ 1,391

## Note 5 — Acquired Intangible Assets and Goodwill

The carrying basis and accumulated amortization of recognized intangible assets are summarized in the following table:

In Thousands	2010		2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Patents	\$22,369	\$ 11,978	\$22,369	\$ 10,978
Consulting agreements	976	976	976	976
Non-compete agreements	2,197	2,073	2,197	2,015
Customer list	1,821	1,582	1,971	1,465
Trademarks	5,046	122	5,224	122
	\$32,409	\$ 16,731	\$32,737	\$ 15,556

Amortization expense was \$1.3 million, \$2.3 million and \$2.2 million for 2010, 2009 and 2008, respectively.

Estimated future amortization expense for each reporting segment is summarized in the following table:

In Thousands	2011	2012	2013	2014	2015	Thereafter
Sporting Goods	\$ 1,729	\$ 1,713	\$ 1,688	\$ 1,552	\$ 1,546	\$ 2,304
Information Security and Print Finishing	131	74	18	—	—	—
	\$ 1,860	\$ 1,787	\$ 1,706	\$ 1,552	\$ 1,546	\$ 2,304

The changes in the carrying amount of goodwill were:

In Thousands	Sporting Goods	Information Security and Print Finishing	Total
Balance at December 27, 2008	\$ 12,017	\$ 13,794	\$ 25,811
Purchase price adjustment	—	191	191
Foreign currency translation adjustment	—	213	213
Balance at December 26, 2009	12,017	14,198	26,215
Foreign currency translation adjustment	—	(818 )	(818 )
Balance at December 25, 2010	\$ 12,017	\$ 13,380	\$ 25,397

## Note 6 — Equity Interest Investments

The Company has a 50% interest in a joint venture, Stiga Sports AB (Stiga). The joint venture is accounted for under the equity method of accounting. Stiga, located in Sweden, is a global sporting goods company producing table tennis equipment and game products. Financial information for Stiga reflected in the table below has been translated from local currency to U.S. dollars using exchange rates in effect at the respective year-end for balance sheet amounts and using average exchange rates for income statement amounts. Certain differences exist between U.S. GAAP and local

GAAP in Sweden, and the impact of these differences is not reflected in the summarized information reflected in the table below. The most significant difference relates to the accounting for goodwill for Stiga which is amortized over eight years in Sweden but is not amortized for U.S. GAAP reporting purposes. The effect on Stiga's net assets resulting from the amortization of goodwill for the years ended 2010 and 2009 are addbacks of \$7.6 million and \$5.6 million, respectively. These net differences are comprised of cumulative goodwill adjustments of \$10.6 million offset by the related cumulative tax effect of \$3.0 million as of December 25, 2010 and cumulative goodwill adjustments of \$7.9 million offset by the related cumulative tax effect of \$2.3 million as of December 26, 2009. The income statement impact of these goodwill and tax adjustments and other individually insignificant U.S. GAAP adjustments for the years ended December 25, 2010, December 26, 2009, and December 27, 2008 are to increase total Stiga net income by approximately \$1.7 million, \$1.3 million, and \$1.7 million, respectively.

In addition, the Company has a 50% interest in two joint ventures, Escalade International, Ltd. in the United Kingdom, and Neoteric Industries Inc. in Taiwan. Escalade International Ltd. is a sporting goods wholesaler, specializing in table tennis, game tables and archery products. The income and assets of Neoteric have no material impact on the Company's financial reporting. The Company's 50% portion of net income for Escalade International for the years ended December 25, 2010, December 26, 2009, and December 27, 2008 was \$87 thousand, \$123 thousand, and \$58 thousand respectively, and is included in other income on the Company's statement of operations. Additional information regarding these entities is considered immaterial and has not been included in the combined totals listed below.

In accordance with Rule 8-03(b)(3) of Regulation S-X, summarized financial information for Stiga Sports AB balance sheets as of December 31, 2010 and 2009, and statements of operations for the years ended December 31, 2010, 2009 and 2008 is as follows:

In Thousands	2010	2009	
Current assets	\$ 19,384	\$ 15,085	
Non-current assets	11,338	11,826	
Total assets	30,722	26,911	
Current liabilities	9,599	7,508	
Non-current liabilities	8,918	9,864	
Total liabilities	18,517	17,372	
Net assets	\$ 12,205	\$ 9,539	
	2010	2009	2008
Net sales	\$ 30,826	\$ 25,833	\$ 27,519
Gross profit	13,953	12,166	11,295
Net income	2,044	1,615	244

#### Note 7 — Borrowings

On May 31, 2010 the Company entered into the Sixth Amendment to its Credit Agreement with its issuing bank, JP Morgan Chase Bank, N.A. (Chase). The Sixth Amendment amends the Credit Agreement dated as of April 30, 2009, which had a maturity date of May 31, 2010. The Amendment provides for a multi-year loan facility. As amended, the Credit Agreement now makes available to the Company a senior revolving credit facility in the maximum principal amount of up to \$27 million with a maturity date of May 31, 2012 and a term loan in the principal amount of \$10 million with a maturity date of May 31, 2015. The term loan agreement requires the Company to make repayment of the principal balance in equal installments of \$0.5 million per quarter beginning in September 2010. The Amendment also provides a Euro 2.0 million (approximately \$2.6 million) overdraft facility to replace the previous Euro 1.0 million (approximately \$1.3 million) overdraft facility and the revolving Euro credit facility. As of December 25, 2010 and December 26, 2009, the total amount outstanding on the overdraft facility was \$1.6 million and \$0.2 million, respectively. Such amounts are included in accrued liabilities on the consolidated balance sheets. A portion of the credit facility not in excess of \$5 million is available for the issuance of commercial or standby letters of credit to be issued by Chase.



## Short-Term Debt

Short-term debt at fiscal year-ends was as follows:

In Thousands	2010	2009
Senior secured revolving credit facility of \$27.0 million with a maturity of May 31, 2012. The loan bears an interest rate of the Alternative Base Rate plus or minus the applicable ABR spread, or LIBOR plus the applicable LIBOR Spread, determined quarterly and based on the Company's leverage ratio. Secured by substantially all assets of the Company. The interest rates at December 25, 2010 ranged between 2.5% and 3.0%.	\$6,707	\$22,067
Senior secured revolving credit facility of Euro 3.0 million (approximately \$4.1 million), the balance due on May 31, 2010 was eliminated with the execution of the Sixth Amendment to the Credit Agreement.	—	2,877
Short-term debt	4,700	2,700
	\$11,407	\$27,644

## Long-Term Debt

Long-term debt at fiscal year-ends was as follows:

In Thousands	2010	2009
Revolving term loan of \$10.0 million, executed on May 31, 2010 with a term of 5 years, with payments of \$0.5 million quarterly beginning with the calendar quarter ended September 30, 2010. The loan bears an interest rate of Alternative Base Rate plus or minus the applicable ABR Spread, or LIBOR plus the applicable LIBOR Spread, determined quarterly. The interest rate at December 25, 2010, was 2.76%.	\$9,500	\$—
Mortgage payable (Wabash, Indiana Adjustable Rate Economic Development Revenue Refunding Bonds), annual installments are optional, interest varies with short-term rates and is adjustable weekly based on market conditions, maximum rate is 10.00%, rate at December 25, 2010 is 0.72%, due September 2028, secured by plant facility, machinery and equipment, and a stand-by letter of credit	2,700	2,700
	12,200	2,700
Portion classified as short-term debt	(4,700 )	(2,700 )
	\$7,500	\$—

Maturities of long-term debt outstanding at December 25, 2010 are as follows: \$4.7 million in 2011, \$2.0 million in 2012, \$2.0 million in 2013, \$2.0 million in 2014 and \$1.5 million in 2015.

## Note 8 — Earnings Per Share

The shares used in the computation of the Company's basic and diluted earnings per common share are as follows:

In Thousands	2010	2009	2008
Weighted average common shares outstanding	12,726	12,632	12,637
Dilutive effect of stock options	515	239	47
Weighted average common shares outstanding, assuming dilution	13,241	12,871	12,684
Number of anti-dilutive stock options	—	30	391

Weighted average common shares outstanding, assuming dilution, includes the incremental shares that would be issued upon the assumed exercise of stock options outstanding.

## Note 9 — Employee Benefit Plans

The Company has an employee profit-sharing salary reduction plan, pursuant to the provisions of Section 401(k) of the Internal Revenue Code, for non-union employees. The Company's contribution is a matching percentage of the employee contribution as determined by the Board of Directors annually. The Company's expense for the plan was \$0.18 million, \$0.13 million and \$0.54 million for 2010, 2009 and 2008, respectively.

## Note 10 — Deferred Compensation Plan

In October 1985, the Board of Directors approved the adoption of a Contributory Deferred Compensation Plan pursuant to which some recipients of incentive compensation could elect to defer receipt thereof. For each dollar of deferred compensation, the Company provided a 75% matching amount. All deferrals allowed under this plan have been made and amounts deferred earn interest at the rate of 9%. Mr. Robert Griffin, Chairman of the Board, was the only remaining participant in the Plan at the beginning of 2010. During 2010, the entire balance owed to Mr. Griffin was disbursed in cash. The payment of this liability was recognized as an expense for tax purposes in the current year.

## Note 11 — Stock Compensation Plans

In April 2007, Shareholders approved the Escalade, Incorporated 2007 Incentive Plan ("2007 Incentive Plan"), which is an incentive plan for key employees, directors and consultants with various equity-based incentives as described in the plan document. The 2007 Incentive Plan is a replacement for the 1997 Incentive Stock Option Plan and the 1997 Director Stock Compensation and Option Plan which expired at the end of April 2007. All options issued and outstanding under the expired plans will remain in effect until exercised, expired or forfeited.

The 2007 Incentive Plan is administered by the Board of Directors or a committee thereof, which is authorized to determine, among other things, the key employees, directors or consultants who will receive awards under the plan, the amount and type of award, exercise prices or performance criteria, if applicable, and vesting schedules. Subject to various restrictions contained in the plan document, the total number of shares of common stock which may be issued pursuant to awards under the Plan may not exceed 1,405,491 shares.

## Restricted Stock Units

In 2009, 2008, and 2007, the Company granted restricted stock units to certain officers and directors of the Company at fair market value on the date of grant. The restricted stock units granted to employees of the Company vest over

three to four years and are dependent on certain market criteria. The restricted stock units granted to directors vest immediately or within two years. All restricted stock units are payable in shares of the Company's common stock upon vesting, subject to the deferral election arrangement, and are subject to forfeiture if on the vesting date the employee is not employed or the director no longer holds a position with the Company.

The Company issued no restricted stock units to employees or directors in 2010, and no restricted stock units to employees in 2009 and 54,103 restricted stock units to directors in 2009. The following table presents a summary of non-vested restricted stock units granted to employees and directors as of December 25, 2010, and changes during the year ended December 25, 2010:

	Number of Shares	Weighted-Average Grant Date Fair Value
Non-vested restricted stock units as of December 26, 2009	185,250	\$ 5.76
Granted	—	\$ —
Vested	—	\$ —
Forfeited	(102,542 )	\$ 5.75
Non-vested restricted stock units as of December 25, 2010	82,708	\$ 5.78
Vested but unsettled	73,840	
Outstanding restricted stock units as of December 25, 2010	156,548	

When vesting is dependent on certain market criteria, the fair value of restricted stock units is determined by the use of Monte Carlo techniques. The market price of the Company's stock on the grant date is used to value restricted stock units where vesting is not contingent on market criteria. In 2010, the Company recorded the impact of pre-vesting forfeitures of certain restricted stock units. The impact of these pre-vesting forfeitures was to reduce the stock compensation expense by \$259 thousand. In 2010 and 2009, the Company recognized (\$48) thousand and \$504 thousand, respectively in compensation expense related to restricted stock units and as of December 25, 2010 and December 26, 2009, there was \$35 thousand and \$354 thousand, for 2010 and 2009, respectively of unrecognized compensation expense related to restricted stock units.

#### Stock Options

Total compensation expense recorded in the statement of operations for 2010, 2009 and 2008 relating to stock options was \$224 thousand, \$84 thousand and \$414 thousand, respectively.

At the February 23, 2010 meeting of the Board of Directors, the Board voted to approve director stock options of 30,000, and employee incentive stock options of 299,000. The director and employee options have a one year vesting and four year-tiered vesting, respectively, and all options expire in five years.

The following table summarizes option activity for each of the three years ended 2010:

	Incentive Stock Options		Director Stock Options	
	Granted	Outstanding	Granted	Outstanding
2010	299,000	877,500	30,000	51,524
2009	682,000	791,000	30,000	51,600
2008	—	366,500	—	24,367

The fair value of each option grant award is estimated on the grant date using the Black-Scholes-Merton option valuation model using the following assumptions:

Edgar Filing: ESCALADE INC - Form 10-K/A

	2010	2009	2008
Risk-free interest rates	1.36%	1.15% to 1.38%	—
Dividend yields	0%	0%	—
Volatility factors of expected market price of common stock	97.64% to 116.63%	81.34% to 94.93%	—
Weighted average expected life of the options	1-4 years	1-3 years	—

The following table summarizes stock option transactions for the three years ended 2010:

	2010		2009		2008	
	Shares	Option Price	Shares	Option Price	Shares	Option Price
Outstanding at beginning of year	842,600	\$0.64 to \$13.40	390,867	\$6.99 to \$19.21	446,343	\$6.99 to \$19.21
Issued during year	329,000	\$2.56	712,000	\$0.64 to \$0.89	—	—
Canceled or expired	(167,576)		(260,267)		(10,726)	
Exercised during year	(75,000)	\$0.64 to \$0.89	—		(44,750)	\$6.99 to \$9.03
Outstanding at end of year	929,024	\$0.64 to \$11.26	842,600	\$0.64 to \$13.40	390,867	\$6.99 to \$19.21
Exercisable at end of year	87,524		191,850		314,117	
Weighted-average fair value of options granted during the year	\$ 1.80		\$ 0.38		\$ —	

The following table summarizes information about stock options outstanding at December 25, 2010:

Range of Exercise Prices	Number of Shares	Options Outstanding		Options Exercisable	
		Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
\$0.64 - \$0.89	522,000	3.3 years	\$ 0.64	5,000	\$ 0.89
\$2.56	324,500	4.2 years	\$ 2.56	—	\$ —
\$9.35 - \$11.26	82,524	0.3 years	\$ 10.97	82,524	\$ 10.97
	929,024			87,524	

Note 12 — Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) and related tax effects were as follows:

In Thousands	2010	2009	2008
Realization of previously unrealized gains on available-for-sale investments net of tax of \$0, \$0, and \$210 in 2010, 2009 and 2008, respectively	\$—	\$—	\$( 320 )
Change in foreign currency translation adjustment	(845 )	1,642	(2,344 )
	—	—	(35 )

Change in unrealized loss on interest rate swap agreement net of tax of \$0, \$0, and \$23, in 2010, 2009 and 2008, respectively	\$ (845	)	\$ 1,642	\$ (2,699	)
--	---------	---	----------	-----------	---

The components of accumulated other comprehensive income, net of tax, were as follows:

In Thousands	2010	2009	2008
Foreign currency translation adjustment	3,921	4,766	3,124
	\$ 3,921	\$ 4,766	\$ 3,124

#### Note 13 — Provision for Taxes

Income before taxes and the provision for taxes consisted of the following:

In Thousands	2010	2009	2008
Income (loss) before taxes:			
United States of America (USA)	\$10,919	\$3,359	\$(10,106 )
Non USA	(1,843 )	(754 )	(74 )
	\$9,076	\$2,605	\$(10,180 )
Provision for taxes:			
Current			
Federal	\$118	\$(906 )	\$(2,575 )
State	180	(685 )	804
International	(194 )	364	575
	104	(1,227 )	(1,196 )
Deferred			
Federal	2,802	1,686	(774 )
State	59	964	(714 )
International	52	(475 )	—
	2,913	2,175	(1,488 )
	\$3,017	\$948	\$(2,684 )

The Company has not provided for USA deferred taxes or foreign withholding taxes on undistributed earnings for non-USA subsidiaries where the Company intends to reinvest these earnings indefinitely in operations outside the USA.

The provision for income taxes was computed based on financial statement income. A reconciliation of the provision for income taxes to the amount computed using the statutory rate follows:

In Thousands	2010	2009	2008
Income tax at statutory rate	\$3,086	\$886	\$(3,461 )
Increase (decrease) in income tax resulting from			
Permanent differences (investment income, dividends, and captive insurance earnings)	(368 )	(162 )	117
State tax expense, net of federal effect	158	184	(125 )
Effect of foreign tax rates	484	(188 )	391
Other	(343 )	228	394
Recorded provision for income taxes	\$3,017	\$948	\$(2,684 )



The provision for income taxes was computed based on financial statement income. In accordance with FASB ASC 740, the Company has recorded the following changes in uncertain tax positions:

In Thousands	2010	2009
Balance, beginning of year	\$536	\$954
Additions for current year tax positions	—	—
Additions for prior year tax positions	—	—
Settlements	(263 )	—
Reductions settlements	—	—
Reductions for prior year tax positions	(53 )	(418 )
Balance, end of year	\$220	\$536

Interest costs and penalties related to income taxes are classified as interest expense and selling, general and administrative costs, respectively in the Company's financial statements. The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and multiple state and foreign jurisdictions. The Company is subject to future examinations by federal, state and other tax authorities for all years after 2006.

The components of the net deferred tax assets are as follows:

In Thousands	2010	2009
<b>Assets</b>		
Employee benefits	\$58	\$29
Valuation reserves	1,727	2,034
Deferred compensation	—	507
Property and equipment	—	24
Stock based compensation	268	469
Federal and state credits	375	507
Net operating loss carry forward	7,584	6,914
Total assets	10,012	10,484
<b>Liabilities</b>		
Unrealized equity investment income	(1,627 )	(1,225 )
Goodwill and intangible assets	(2,184 )	(1,631 )
Property and equipment	(218 )	—
Total liabilities	(4,029 )	(2,856 )
<b>Valuation Allowance</b>		
Beginning balance	(6,855 )	(1,301 )
Increase (decrease) during period	229	(5,554 )
Ending balance	(6,626 )	(6,855 )
	\$(643 )	\$773

Deferred tax assets are included in the consolidated balance sheets as follows:

In Thousands	2010	2009
Deferred income tax asset - current	\$1,502	\$1,999
Deferred income tax asset (liability) – long-term	(2,145 )	(1,226 )
	\$(643 )	\$773

The Company has U.S. federal unused net operating loss carry-forwards of approximately \$1.8 million and state unused net operating losses of approximately \$7.3 million. All operating loss carry-forwards expire in various amounts through 2029. In addition, the Company has foreign unused net operating loss carry-forwards of approximately \$19.9 million of which an estimated \$18.5 million has been reserved as the Company does not expect to be able to utilize these carryforwards.

## Note 14 — Operating Segment and Geographic Information

The following table presents certain operating segment information.

In Thousands	2010	2009	2008
<b>Sporting Goods</b>			
Net revenue	\$85,815	\$76,807	\$98,039
Operating income (loss)	9,171	4,610	(6,250 )
Interest expense	1,655	2,673	1,568
Provision (benefit) for taxes	2,993	715	(3,054 )
Net income (loss)	4,601	1,273	(5,428 )
Identifiable assets	68,047	67,528	78,593
Non-marketable equity investments (equity method)	—	—	—
Depreciation & amortization	2,461	3,217	3,784
Capital expenditures	517	792	2,261
<b>Information Security and Print Finishing</b>			
Net revenue	34,841	39,192	50,647
Operating income	926	1,780	3,930
Interest expense	203	(208 )	(256 )
Provision for taxes	913	988	2,037
Net income (loss)	(187 )	1,077	1,835
Identifiable assets	37,713	40,105	44,306
Non-marketable equity investments (equity method)	321	341	336
Depreciation & amortization	1,114	1,576	1,755
Capital expenditures	1,261	640	582
<b>All Other</b>			
Net revenue	—	—	—
Operating income (loss)	(1,908 )	(4,390 )	(5,801 )
Interest expense	(695 )	(800 )	713
Provision (benefit) for taxes	(889 )	(755 )	(1,667 )
Net income (loss)	1,645	(693 )	(3,903 )
Identifiable assets	21,793	19,605	24,802
Non-marketable equity investments (equity method)	11,303	8,815	6,584
Depreciation & amortization	755	1,172	—
Capital expenditures	—	462	6,641
<b>Total</b>			
Net revenue	120,656	115,999	148,686
Operating income (loss)	8,189	2,000	(8,121 )
Interest expense	1,163	1,665	2,025
Provision (benefit)for taxes	3,017	948	(2,684 )
Net income (loss)	6,059	1,657	(7,496 )
Identifiable assets	127,553	127,238	147,701
Non-marketable equity investments (equity method)	11,624	9,156	6,920
Depreciation & amortization	4,330	5,965	5,539
Capital expenditures	1,778	1,894	9,484

Each operating segment is individually managed and has separate financial results that are reviewed by the Company's management. Each segment contains closely related products that are unique to the particular segment. There were no changes to the composition of segments in 2010. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

The Sporting Goods segment consists of home entertainment products such as table tennis tables and accessories; basketball goals; pool tables and accessories; outdoor playsets; soccer and hockey tables; archery equipment and accessories; and fitness, arcade and darting products. Customers include retailers, dealers and wholesalers located throughout the United States and Europe.

The Information Security and Print Finishing segment consists of products such as high-security data shredders, disintegrators and deguassers and office machinery used in the office and graphic arts environment. Office environment products include folding machines; and paper trimmers and cutters. Customers include end-users, as well as, retailers, wholesalers, catalogs, specialty dealers and business partners.

All other segments consist of general and administrative expenses not specifically related to the operating business segments and includes investment income from equity investments.

Interest expense is allocated to operating segments based on working capital usage and the provision for taxes is allocated based on a combined federal and state statutory rate of 36% adjusted for actual taxes on foreign income. Permanent tax adjustments and timing differences are included in the all other segment.

Identifiable assets are principally those assets used in each segment. The assets in the all other segment are principally cash and cash equivalents; deferred tax assets; and investments.

The Company has one customer in 2010 in the Sporting Goods segment who accounted for 15% of consolidated total revenues and one customer in 2009 and 2008 who accounted for 15% and 6% of consolidated total revenues, respectively. No other customers accounted for 10% or more of consolidated revenues. Within the Sporting Goods segment these customers accounted for 21%, 22% and 9% of total revenues in 2010, 2009 and 2008, respectively.

As of December 25, 2010, approximately 14 employees of the Company's labor force were covered by a collective bargaining agreement that expires April 30, 2012.

Raw materials for Escalade's various product lines consist of wood, particleboard, slate, standard grades of steel, steel tubing, plastic, vinyl, steel cables, fiberglass and packaging. Escalade relies upon suppliers in Europe and Brazil for its requirement of billiard balls and slate utilized in the production of home pool tables and upon various Asian manufacturers for certain of its table tennis needs and other items. Escalade sources some of its game table product line in China.

Revenues by geographic region/country were as follows:

In Thousands	2010	2009	2008
North America	\$ 100,921	\$ 95,723	\$ 122,530
Europe	11,486	13,033	19,566
Other	8,249	7,243	6,590
	\$ 120,656	\$ 115,999	\$ 148,686

Revenues are attributed to country based on location of customer and are for continuing operations.

Identified assets by geographic region/country were as follows:

In Thousands	2010	2009	2008
North America	\$ 103,277	\$ 100,643	\$ 119,417
Europe	24,276	26,595	28,284
	\$ 127,553	\$ 127,238	\$ 147,701



## Note 15 — Summary of Quarterly Results

In thousands, except per share data (unaudited)	March 20	July 10	October 2	December 25
<b>2010</b>				
Net sales	\$25,169	\$35,737	\$28,565	\$31,185
Operating income	1,409	3,450	2,359	971
Net income (loss)	802	1,862	1,172	2,223
Basic earnings per share	\$0.06	\$0.15	\$0.09	\$0.18

In thousands, except per share data (unaudited)	March 21	July 11	October 3	December 26
<b>2009</b>				
Net sales	\$24,958	\$35,641	\$26,358	\$29,042
Operating income (loss)	(628 )	1,374	612	642
Net income (loss)	(439 )	366	618	1,112
Basic earnings per share	\$(0.03 )	\$0.03	\$0.05	\$0.08

## Note 16 — Acquisitions

All of the Company's acquisitions have been accounted for using the purchase method of accounting.

## 2008

In March 2008, in addition to the 50% ownership already held by the Company, the Company acquired the remaining 50% stock shares of Action Group, which is a dealer of office supplies in South Africa. The total price of \$125 thousand was paid in cash using the Company's revolving credit lines and was composed of customer lists and goodwill.

In June 2008, the Company acquired 100% of the stock shares of Safe Tech Sweden AB, which is a distributor of office supplies. The total price of \$342 thousand was paid in cash using the Company's revolving credit lines and was composed of customer lists, goodwill and other assets.

## Note 17 — Commitments and Contingencies

The Company has obtained a letter of credit for the benefit of a certain mortgage holder. At December 25, 2010, the balance of the letter of credit was \$2.7 million. It is to be used in the event of a default in either interest or principal payments.

In the second quarter of 2010, the Company was made aware of a potential financial obligation relating to an 8,600 square foot facility the Company is sub-leasing in Spain. At this time, management is unable to estimate the potential exposure related to this matter, if any, but does not believe this will create a material adverse impact on the Company's consolidated financial conditions.

The Company is involved in litigation arising in the normal course of its business. The Company does not believe that the disposition or ultimate resolution of existing claims or lawsuits will have a material adverse effect on the business or financial condition of the Company.



The Company has entered into various agreements whereby it is required to make royalty and license payments. At December 25, 2010, the Company had future estimated minimum non-cancelable royalty and license payments as follows:

In Thousands	Amount
2011	\$ 430
2012	530
2013	350
2014	375
2015	375
Thereafter	1,125
	\$ 3,185

#### Note 18 — Fair Values of Financial Instruments

The following methods were used to estimate the fair value of all financial instruments recognized in the accompanying balance sheets at amounts other than fair values.

##### Cash and Cash Equivalents and Time Deposits

Fair values of cash and cash equivalents and time deposits approximate cost due to the short period of time to maturity.

##### Notes Payable and Long-term Debt

The Company believes the carrying value of short-term debt, including current portion of long-term debt, and long-term debt adequately reflects the fair value of these instruments.

The following table presents estimated fair values of the Company's financial instruments in accordance with FASB ASC 480 at December 25, 2010 and December 26, 2009.

In Thousands	2010 Carrying Amount	Fair Value	2009 Carrying Amount	Fair Value
<b>Financial assets</b>				
Cash and cash equivalents	\$ 1,536	\$ 1,536	\$ 3,039	\$ 3,039
Time deposits	\$ 1,250	\$ 1,250	\$ 750	\$ 750
<b>Financial liabilities</b>				
Note payable and Short-term debt	\$ 9,407	\$ 9,407	\$ 27,644	\$ 27,644
Current portion of Long-term debt	\$ 2,000	\$ 2,000	\$ —	\$ —
Long-term debt	\$ 7,500	\$ 7,500	\$ —	\$ —

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.

ESCALADE, INCORPORATED

By:

/s/ Robert J. Keller		June 16, 2011
Robert J. Keller		
President and Chief Executive 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 and on the dates indicated.

/s/ Robert E. Griffin	Chairman and Director	June 16, 2011
Robert E. Griffin		
/s/ Edward E. Williams	Director	June 16, 2011
Edward E. Williams		
/s/ Richard D. White	Director	June 16, 2011
Richard D. White		
/s/ George Savitsky	Director	June 16, 2011
George Savitsky		
/s/ Richard Baalman, Jr.	Director	June 16, 2011
Richard Baalman, Jr.		
/s/ Patrick Griffin	Director and President Martin Yale Global	June 16, 2011
Patrick Griffin		
/s/ Robert J. Keller	Director and President and Chief Executive Officer (Principal Executive Officer)	June 16, 2011
Robert J. Keller		
/s/ Deborah J. Meinert	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	June 16, 2011
Deborah J. Meinert		