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FORM 10-K405

ESCALADE INC - ESCA

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Annual report filed under Regulation S-K Item 405 (Discontinued)

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 25, 1999
COMMISSION FILE NUMBER 0-6966

ESCALADE, INCORPORATED

(Exact name of registrant as specified in its charter)

INDIANA

(State of incorporation)

13-2739290

(IRS EIN)

817 MAXWELL AVENUE, EVANSVILLE, INDIANA 47717

(Address of principal executive office)

(812) 467-1200

(Registrant's telephone number)

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

Securities registered pursuant to Section 12(g) of the Act
COMMON STOCK, NO PAR VALUE

(Title of class)

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

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

Aggregate market value of voting stock held by nonaffiliates of the registrant as of March 10, 2000: \$33,103,314

The number of shares of Registrant's common stock (no par value) outstanding as of March 10, 2000: 2,918,178

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, 2000 are incorporated by reference into Part III of this Report.

Index to Exhibits is found on page 15.

ESCALADE, INCORPORATED AND SUBSIDIARIES

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PART I

ITEM 1--BUSINESS

GENERAL

Escalade, Incorporated (Escalade or Company) is a diversified company engaged in the manufacture and sale of sporting goods products and office and graphic arts products. Escalade and its predecessors have produced sporting goods products for over 70 years and have produced office and graphic arts products for over 40 years.

Escalade is the successor to The Williams Manufacturing Company, an Ohio-based manufacturer and retailer of women's and children's footwear formed in 1922. Through a series of acquisitions commencing in the 1970's, the Company has diversified its business. The Company currently manufactures sporting goods products in Evansville, Indiana and Tijuana, Mexico and manufactures office and graphic arts products in Wabash, Indiana, Los Angeles, California and Tijuana, Mexico.

In 1972, the Company merged with Martin Yale Industries, Inc. (Martin Yale), an Illinois manufacturer of office and graphic arts products and leisure time items such as toys and hobby and craft items. In 1973, the Company acquired both Indian Industries, Inc. (Indian), an Indiana manufacturer of archery equipment and table tennis tables, and Harvard Table Tennis, Inc., a Massachusetts manufacturer of table tennis accessories. Escalade discontinued the Williams Manufacturing footwear operations in 1976 and sold Martin Yale's leisure time product line to an unaffiliated party in 1979. In 1980, the Company purchased Harvard Sports, Inc. (formerly Crown Recreation (West), Inc.), a California manufacturer of table tennis tables and home pool tables. In 1983, the Company closed Harvard Table Tennis, Inc. and consolidated it with Harvard Sports, Inc. (Harvard).

Escalade has diversified within both the sporting goods products and office and graphic arts products industries, principally through the introduction of new product lines and acquisitions of related assets and businesses. Escalade expanded its sporting goods business in 1982 with the introduction of basketball backboards, goals and poles. In 1988, the Company acquired the business machine division assets of Swingline, Inc., further expanding the range of products offered within the office machine and equipment product lines. In 1989, the Company started limited manufacturing in Tijuana, Mexico under a shelter program known as "maquiladora". In 1990, the Company built a new manufacturing and office facility in Wabash, Indiana and consolidated the manufacturing of office and graphic arts products into the new facility. In 1992, the Company

established a European distribution office and warehouse based in the United Kingdom under the name of Escalade International, Limited and then in 1999 the Company sold 50% of the stock of Escalade International to an investment group who assumed responsibility for running the day-to-day operations. In 1994, the Company purchased certain assets of Data-Link Corporation which manufactured products to apply postage and other stamps. In 1997, the Company purchased Master Products Manufacturing Company, Inc. (Master Products), a manufacturer of paper punches and catalog rack systems. In 1999, the Company acquired certain assets of Mead Hatcher which manufactured keyboard drawers, computer storage, copyholders, media retention systems and posting trays. Also, in 1999, the Company purchased the assets of Zue Corporation which manufactured high quality basketball systems.

Escalade's sporting goods products are produced by Indian and Harvard and are sold through a single consolidated sales and marketing group, Escalade Sports. Escalade's office and graphic arts products are produced by Martin Yale and Master Products and are sold through a single consolidated sales and marketing group, Martin Yale.

The following table presents the percentages contributed to Escalade's net sales by each of its business segments:

FISCAL YEAR	1999	1998	1997
Sporting goods	61%	67%	73%
Office and graphic arts products	39	33	27
Total net sales	100%	100%	100%

For additional segment information, see the notes to consolidated financial statements.

SPORTING GOODS

Escalade manufactures and sells a variety of sporting goods such as table tennis tables and accessories, archery equipment, home pool tables and accessories, combination bumper pool and card tables, game tables, basketball backboards, goals, poles and portables, darts, and dart cabinets. Some of Escalade's domestic sporting goods shipments are made from National City, California, which primarily services the Company's U. S. Western marketing region, but most of such shipments are made from Evansville, Indiana, which primarily serves the rest of the United States. The majority of foreign shipments are made through Escalade FSC Inc., a foreign sales corporation established by the Company in 1994.

Escalade produces and sells sporting goods under the Indian, Harvard, Xi, Ping Pong, Stiga, Goalrilla and Goalith brand names. Escalade also manufactures various sporting goods under private label for Sears Roebuck & Co. (Sears) and various other customers. Many of Escalade's products are sold to Sears, Escalade's largest customer, which accounted for approximately 46% of Escalade's sporting goods item net sales in 1999. One other customer accounted for more than 10% of Escalade's sporting goods net sales in 1999 but not more than 10% of consolidated sales.

Certain of the Company's sporting goods products are subject to the regulation of the Consumer Product Safety Commission. The Company believes that it is in compliance with such regulations.

In October 1997, the Company retained CIBC Oppenheimer Corp. (CIBC) to assist in exploring potential opportunities to enhance stockholder value through transactions involving the Company's sporting goods operations, including a possible sale. No transaction was completed in 1998 and the Company has abandoned plans to sell its sporting goods operations.

In December 1998, the Company adopted a plan to discontinue its distribution operations. Those operations were performed by Escalade International, Limited a foreign subsidiary located in the United Kingdom. The Company's other subsidiaries are all manufacturing operations. On July 8, 1999, the Company completed a transaction to sell 50% of the stock of Escalade International to an

investment group who assumed responsibility for running the day-to-day operations. The sale was for \$500,000 with \$50,000 cash paid and notes receivable of \$450,000.

The estimated loss on the disposal of Escalade International, Limited was \$1,222,279 including a provision of \$250,000 for operating losses during phaseout. The actual loss on the sale was \$1,118,892 which included \$213,057 in operating losses up to the time of sale. 1999 shows a profit of \$103,387 which was the amount by which the reserve for loss on this transaction exceeded actual losses. Since only 50% was sold, the operations are not considered discontinued and the financial statements have been revised to eliminate discontinued operations. Going forward, the Company's ownership value in Escalade International of \$500,000 will be shown as an investment and will be accounted for under the equity method.

In December 1999, the Company purchased the assets of Zue Corporation which manufactured high quality basketball systems.

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OFFICE AND GRAPHIC ARTS PRODUCTS

Escalade's office and graphic arts products include paper trimmers, paper folding machines, paper drills, collators, decollators, bursting machines, letter openers, paper joggers, checksigners, stamp affixers, paper shredders, paper punches, paper cutters, catalog rack systems, bindery carts, business card slitters, thermography machines, keyboard drawers, computer storage, copyholders, media retention systems, posting trays and related accessories. Escalade's office and graphic arts products business is conducted through Martin Yale and Master Products.

In 1986, the Company introduced a combination checksigner and bursting machine, which automatically imprints facsimile signatures on payroll checks and then separates each check for distribution. The Company also further diversified its office equipment product lines by its August 1988 purchase of the business machine division assets of Swingline, Inc. consisting primarily of a line of forms handling equipment including decollators, bursters and checksigners and a line of shredders and other products, by its 1994 purchase of certain assets of Data-Link Corporation consisting primarily of products which apply postage and other stamps, by its 1997 purchase of Master Products, a manufacturer of paper punches and catalog rack systems, by its 1998 purchase of certain assets of Steele Industries consisting primarily of its line of business card slitters and thermography machines and by its 1999 purchase of certain assets of Mead Hatcher consisting of keyboard drawers, computer storage, copyholders, media retention systems and posting trays.

Escalade produces and sells office and graphic arts products under the Martin Yale brand name, the Premier(R) trademark and the Master Products brand name. The Company also manufactures various office and graphic arts products under private label for original equipment manufacturers. Three customers individually accounted for more than 10% of Escalade's office and graphic arts products sales but not more than 10% of consolidated sales.

RELATIONSHIP WITH SEARS

The Company has supplied sporting goods to Sears for over 30 years beginning with sales of archery equipment by Indian to Sears. Sears currently purchases for resale a wide variety of Escalade's sporting goods. Sales to Sears accounted for approximately 28% in 1999, 25% in 1998 and 24% in 1997 of Escalade's consolidated sales. Even though the Company has no long-term contracts with Sears, the Company believes that sales to Sears will continue and that relations with Sears are good.

Escalade was awarded the coveted Sears "Partners in Progress Award" for 1999 and has been recognized by Sears for its outstanding service in eleven of the last

14 years and in 21 of the last 27 years. Sears has awarded Escalade the Sears "Partners in Progress Award" during those years based upon quality, service and product innovation. Sears makes this award to less than 80 suppliers each year. During this period, Sears had more than 10,000 suppliers. In 1987, Sears further recognized the Company by awarding Escalade the Sears 1986 "Source of the Year Award" in the recreation-automotive group.

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MARKETING AND PRODUCT DEVELOPMENT

Escalade has developed its existing product lines to adapt to changing conditions. Escalade believes that it is prepared to react to changing market and economic developments primarily by continuing the quality/price structure of the Company's product lines and by conducting ongoing research and development of new products. Escalade is committed to being customer focused.

For many of its sporting goods products, Escalade offers its customers a choice, based on quality and price, of its line of "good, better and best" items. Such products are priced in relation to their quality which enables the Company to sell its goods through a variety of department stores, mass merchandisers, wholesale clubs, catalog showrooms, discount houses, general sporting goods stores, specialty sporting goods stores and hardware chains. As a result of such quality/price structure, Escalade is able to meet the quality/price objectives of the consumers served by such retail channels.

Escalade sells its office and graphic arts products through office machine dealers, office supply houses and office product catalogs. Certain of Escalade's office products, such as paper trimmers and paper folders, are marketed in a quality/price range designed to accommodate customer needs. Lower cost items are generally intended for light duty office applications, whereas higher cost items are more rugged or more sophisticated, and are intended for use in heavy duty or commercial applications.

Escalade conducts much of its marketing efforts through a network of independent sales representatives in the office and graphic arts industries. Marketing efforts in the sporting goods business are coordinated through a marketing department as well as through a network of Company and independent sales representatives.

The Company engaged in ongoing research and development activities for new products in each of its business segments. Escalade spent approximately \$1,450,000 in 1999, \$1,500,000 in 1998 and \$1,400,000 in 1997 for research and development activities.

COMPETITION

Escalade is subject to competition with various manufacturers of each product line produced or sold by Escalade. The Company is not aware of any other single company that is engaged in both the same industries as Escalade or that produces the same range of products as Escalade within such industries. Nonetheless, competition exists for many Escalade products within both the sporting goods and office and graphic arts industries and some competitors are larger and have substantially greater resources than the Company. Escalade believes that its long-term success depends on its ability to strengthen its relationship with existing customers, to attract new customers and to develop new products that satisfy the quality and price requirements of sporting goods and office and graphic arts customers.

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LICENSES, TRADEMARKS AND BRAND NAMES

Escalade Sports has an agreement and contract with Sweden Table Tennis AB for the exclusive right and license to distribute and produce table tennis equipment under the brand name STIGA for the United States and Canada.

Escalade is the owner of several registered trademarks and brand names. For its sporting goods, the Company holds the Ping-Pong(R), Harvard(R) and Goliath(R), registered trademarks and utilizes the Indian, Indian Archery, Indian Xi and Goalrilla brand names. The Company permits limited uses of the Ping-Pong(R) trademark by other manufacturers pursuant to various licensing agreements. The Company also owns the Premier(R) registered trademark for its office and graphic arts products, in addition to manufacturing such products under the Martin Yale and Master Products brand names.

SEASONALITY

The backlog of unshipped orders by industry segment is shown below at the Company's 1999, 1998 and 1997 fiscal year end. All orders in backlog at year end are generally shipped during the following year. The backlog includes all orders received but not shipped. Escalade's sporting goods business is seasonal and, therefore, the backlog is subject to fluctuations.

YEARS ENDED DECEMBER 25, DECEMBER 26
AND DECEMBER 27

	1999	1998	1997
Orders received but not shipped			
Sporting goods	\$1,912,800	\$1,266,400	\$4,375,600
Office and graphic arts products	632,000	438,000	570,100

EMPLOYEES

The Company employs between 550 and 725 employees, consisting of between 200 and 325 people at Indian's Evansville, Indiana facilities, between 100 and 150 at Harvard's National City, California and Tijuana, Mexico facilities, approximately 125 employees at Martin Yale's Wabash, Indiana facilities and approximately 125 at Master Products' Los Angeles, California and Tijuana, Mexico facilities. All hourly rated employees at Evansville are represented by the International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers AFL-CIO, whose contract expires April 30, 2000.

Escalade believes that its employee relations are satisfactory.

SOURCES OF SUPPLIES

Raw materials for Escalade's various product lines consist of wood, particle board, slate, standard grades of steel, steel tubing, plastic vinyl, steel cables, fiberglass and packaging. Escalade relies upon European suppliers 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.

The Company believes that these sources will continue to provide adequate supplies as needed. All other materials needed for the Company's various operations are available in adequate quantities from a variety of domestic and foreign sources.

ITEM 2--PROPERTIES

The Company operates the following facilities:

LOCATION	SIZE	LEASED OR OWNED
Evansville, Indiana (1)	346,000 sq. ft.	Owned
National City, California (1)	34,039 sq. ft.	Leased
Tijuana, Mexico (1)	50,000 sq. ft.	Owned
Wabash, Indiana (2)	141,000 sq. ft.	Owned
Los Angeles, California (2)	72,312 sq. ft.	Owned
Tijuana, Mexico (2)	15,000 sq. ft.	Leased

- (1) Sporting goods facilities
(2) Office products facilities

The Company leases warehousing and office space at its National City, California facilities and has a five-year option to extend the lease. The lease rate ranges from \$11,920 per month in year one to \$13,025 per month in year five of the extension period. The Company also shares in common area expenses not to exceed 8(cents) per sq. ft. per month. The lease expires March 31, 2003.

The Company's Wabash facilities are held subject to a mortgage financed by Economic Development Revenue Bonds. The 141,000 square foot facility is a pre-engineered metal building supported by structured steel and concrete block consisting of 21,000 square feet warehousing, 6,000 square feet office and 114,000 square feet manufacturing.

The Company also leases warehousing space next to its Evansville facility for \$17,730 per month. The lease expires on October 31, 2000. The Company has three two-year renewal options followed by two five-year renewal options.

The Company leases space in Tijuana, Mexico for its office products operations for \$62,646 per year. The lease expires on July 31, 2002.

The Company rents additional space in Tijuana, Mexico for its sporting goods operations for \$2,010 per month.

The Company believes that its facilities are in excellent condition and suitable for their respective operations. The Evansville, Wabash and Tijuana sites also contain several undeveloped acres which could be utilized for expansion.

The Company believes that all of its facilities are in compliance with applicable environment regulations and is not subject to any proceeding by any federal, state or local authorities regarding such matter. The Company provides regular maintenance and service on its plants and machinery as required.

ITEM 3--LEGAL PROCEEDINGS

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 such claims or lawsuits will have a material adverse affect on the business or financial condition of the Company.

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

None.

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

The Company's common stock is traded under the symbol "ESCA" on the Nasdaq National Market. The following table sets forth, for the calendar periods indicated, the high and low sales prices of the Common Stock as reported by the Nasdaq National Market:

PRICES	HIGH	LOW

1999		
First quarter ended March 20, 1999	\$21.00	\$17.00
Second quarter ended July 10, 1999	18.00	14.75
Third quarter ended October 2, 1999	18.38	15.63
Fourth quarter ended December 25, 1999	17.63	13.56
1998		
First quarter ended March 21, 1998	\$19.88	\$14.00
Second quarter ended July 11, 1998	25.25	19.38
Third quarter ended October 3, 1998	25.50	18.50
Fourth quarter ended December 26, 1998	22.13	16.00

The closing market price on March 10, 2000 was \$17.13 per share.

On February 24, 2000, the Company announced an offer to purchase up to 700,000 shares of its common stock at a price of \$14.50 to \$18 per share through a Dutch Auction tender offer. The offer will expire on Friday, March 24, 2000 unless extended.

In the fourth quarter of 1998, on December 21, 1998, the Company announced that Escalade's Board of Directors declared a special cash dividend of \$1.00 per share to shareholders of record January 8, 1999. The dividend was declared at Escalade's Regular Board Meeting, December 19, 1998. The dividend was paid on January 22, 1999.

In the fourth quarter of 1997, the Company announced its offer to purchase up to 1,000,000 shares of its common stock at a price of \$11 to \$14 per share. Pursuant to such offer, the Company purchased 117,766 shares of its common stock at \$14 per share in December 1997.

There were approximately 315 holders of record of the Company's Common Stock at March 10, 2000. The approximate number of stockholders, including those held by depository companies for certain beneficial owners, was 750.

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ITEM 6--SELECTED FINANCIAL DATA (In thousands, except per share data)

AT AND FOR YEARS ENDED	DECEMBER 25, 1999	December 26, 1998	December 27, 1997	December 28, 1996	December 30, 1995

INCOME STATEMENT DATA					
Net sales					
Sporting goods	\$52,767	\$63,072	\$66,666	\$74,077	\$73,858
Office and graphic arts products	33,407	30,486	24,836	19,132	17,321
Total net sales	86,174	93,558	91,502	93,209	91,179
Net income	6,100	6,136	6,361	5,247	448
Weighted average shares	3,038	3,095	3,110	3,850	4,134

PER SHARE DATA

Source: ESCALADE INC, 10-K405, March 22, 2000

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Basic earnings per share	\$2.01	\$1.98	\$2.05	\$1.36	\$1.11
Cash dividends	0	1.00	0	0	0
BALANCE SHEET DATA					
Working capital	14,899	15,763	15,478	13,309	17,069
Total assets	66,850	63,489	66,145	54,430	57,767
Short-term bank debt	11,570	10,100	14,075	13,675	16,732
Long-term bank debt	10,700	6,400	10,700	5,500	6,266
Total stockholders' equity	29,438	26,702	23,501	19,305	23,338

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

RESULTS OF OPERATIONS

1999 COMPARED TO 1998

In 1999, net sales decreased 7.9%, or \$7,384,000 to \$86,174,000 from \$93,558,000 in 1998.

Sporting goods net sales decreased by \$10,305,000, or 16.3% from \$63,072,000 to \$52,767,000. 72% of this decrease was mainly in game parlor which includes table tennis, pool and game tables and accessories and was due to a decrease in units sold. 28% was due to the disposal of Escalade International, Limited.

Office and graphic arts machines and equipment net sales increased by \$2,921,000, or 9.6% to \$33,407,000 from \$30,486,000. Most of this increase was due to the Mead Hatcher acquisition on June 21, 1999.

Cost of sales of \$60,038,000 as a percentage of net sales was 69.7% in 1999 as compared to \$62,626,000, or 66.9% in 1998. This increase in cost of sales was in sporting goods and was mainly due to lower sales volume reducing factory expense absorption and some product labeling and warranty issues.

Selling, administrative and general expenses in 1999 were \$15,524,000, or 18% of net sales as compared to \$17,041,000, or 18.2% in 1998. Decreases in selling, general and administrative expenses in the sporting goods segment were offset by increases in the office and graphic arts machines and equipment segment. These increases were due to Y2K expenses and catalog allowances.

Interest expense in 1999 was \$616,000 as compared to \$1,118,000 in 1998, a decrease of \$502,000, or 55.1%. This decrease in interest expense was due to lower borrowing levels in 1999.

The income tax provision for 1999 was \$3,542,525 for an effective rate of 36.7%.

Net income for the year was \$6,100,000 as compared to \$6,136,000 in 1998. Lower operating profit in 1999 was offset by lower interest expense, no loss on terminated sporting goods sale and a small gain as opposed to a loss on disposal of Escalade International as compared to 1998. Consequently, the net income levels are similar in both years.

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

RESULTS OF OPERATIONS

1998 COMPARED TO 1997

In 1998, net sales increased 2.2%, or \$2,056,000 to \$93,558,000 from \$91,502,000 in 1997.

Sporting goods net sales decreased by \$3,594,000, or 5.4% from \$66,666,000 to \$63,072,000. This decrease was mainly in game parlor which includes table tennis, pool and game tables and accessories and was due to a decrease in units sold.

Office and graphic arts machines and equipment net sales increased by \$5,650,000, or 22.7%, to \$30,486,000 from \$24,836,000. Most of this increase was due to the acquisition of Master Products.

Cost of sales of \$62,626,000 as a percentage of net sales was 66.9% in 1998 as compared to \$61,717,000, or 67.4% in 1997.

Selling, administrative and general expenses in 1998 were \$17,041,000, or 18.2%, of net sales as compared to \$17,398,000, or 19% in 1997. This decrease as a percentage of net sales was mainly in the office and graphic arts machines and equipment segment. Consolidation of some sales, marketing and administrative functions was the reason for the decrease in these expenses as a percentage of net sales.

Interest expense in 1998 was \$1,118,000 as compared to \$1,277,000 in 1997, a decrease of \$159,000, or 12.5%. This decrease in interest expense was due to slightly lower borrowing levels in 1998.

The Company incurred expenses totaling \$427,000 relating to the potential sale of Escalade Sports. The Company terminated its plans to sell Escalade Sports.

The income tax provision for 1998 was \$4,791,000 for an effective rate of 43.8%.

In December 1998, the Company adopted a plan to discontinue its distribution operations. Those operations were performed by Escalade International, Limited, a foreign subsidiary located in the United Kingdom. The Company's other subsidiaries are all manufacturing operations. On July 8, 1999, the Company completed a transaction to sell 50% of the stock of Escalade International to an investment group who assumed responsibility for running the day-to-day operations. The sale was for \$500,000 with \$50,000 cash paid and notes receivable of \$450,000. The estimated loss on the disposal of Escalade International, Limited was \$1,222,279 including a provision of \$250,000 for operating losses during phaseout.

Net income for the year was \$6,136,000 as compared to \$6,361,000 in 1997. This decrease in net income was primarily due to the loss on disposal of Escalade International, Limited of \$1,222,279.

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LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES

The Company's net cash provided by operating activities was \$14,871,899, \$8,605,601 and \$8,784,231 in 1999, 1998 and 1997. Inventory management provided (used) cash of \$1,655,781, \$(10,009) and \$272,909 in 1999, 1998 and 1997. Accounts receivable provided (used) cash of \$5,971,315, \$(561,035) and \$(2,113,236) in 1999, 1998 and 1997.

INVESTING ACTIVITIES

The Company's net cash used by investing activities was \$12,780,536, \$1,429,596 and \$10,651,115 in 1999, 1998 and 1997. The Company used \$1,104,897, \$1,067,546 and \$1,597,055 in 1999, 1998 and 1997 to purchase property and equipment. In 1997, the Company used \$8,958,745 for the purchase of certain assets of Master Products, net of cash acquired. In 1999, the Company used \$7,969,672 to purchase certain assets of Zue Corporation and \$3,481,170 to purchase certain assets of Mead Hatcher.

FINANCING ACTIVITIES

Net cash provided (used) by financing activities in 1999, 1998 and 1997 was \$(675,720), \$(8,082,003) and \$1,793,961. In 1998, the Company paid \$7,800,000 on long-term debt. At year end, the short-term debt had decreased \$475,000 from 1997. In 1999, the Company paid \$6,000,000 on long-term debt and borrowed \$10,000,000 additional long-term debt for acquisitions.

The Company's working capital requirements are funded by cash flow from operations and a domestic short-term line of credit. The maximum amount that could be drawn under its domestic line of credit at year end was \$15,000,000, of which \$9,569,672 was used. The domestic line of credit was paid down to zero as of January 25, 2000.

The Company declared no cash dividends during 1997 and 1999. On December 21, 1998, the Company announced that Escalade's Board of Directors declared a special cash dividend of \$1.00 per share to shareholders of record January 8, 1999. The dividend was declared at Escalade's Regular Board Meeting, December 19, 1998 and was paid on January 22, 1999.

EFFECT OF INFLATION

The Company cannot accurately determine the precise effects of inflation; however, there were some increases in sales and costs due to inflation in 1999. The Company attempts to pass on increased costs and expenses through price increases when necessary. The Company is working on reducing expense levels, improving manufacturing technologies and redesigning products to keep these costs under control.

YEAR 2000 COMPLIANCE

The Company's sporting goods division, Escalade Sports, has completed the conversion and testing of its critical business systems to determine whether such systems will be able to properly process data for the year 2000. Escalade Sports employees first reviewed the underlying software codes for year 2000 compatibility, and then converted the codes where necessary to allow years to be read using four digits rather than two digits. Escalade Sports employees then tested the converted code to determine whether the affected business system would operate without interruption when data using the year 2000 was input. Based on these processes, the Company believes that Escalade Sports' internal software systems are currently year 2000 compliant and have so notified the customers of Escalade Sports where appropriate.

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Escalade Sports has also completed the conversion and testing of its business and manufacturing equipment to prepare for the year 2000. Escalade Sports has requested year 2000 compliance assurances from its customers, vendors and other third parties such as utility companies.

Martin Yale completed the conversion and testing phase of its critical business systems for year 2000 compatibility in the third quarter of 1999. Outside third parties worked with Martin Yale employees in preparing for the year 2000. Martin Yale requested year 2000 compliance assurances from its customers, vendors and other third parties, such as utility companies.

As of the end of its fourth quarter of 1999, the Company had incurred approximately \$525,000 in connection with preparing for the year 2000. The Company estimates that its actual expenditures in this area were 80% attributable to internal costs and external fees for conversion of systems. The

remaining 20% of year 2000 expenses were attributable to new software and equipment. The Company funded these expenses from working capital. To the extent that the Company utilized internal resources to remedy potential year 2000 problems, the Company has foregone evaluating and upgrading its systems that it otherwise would have undertaken in the ordinary course of business.

The Company believes that its operations, including those of Escalade Sports and Martin Yale, timely met all requirements necessary to be year 2000 compliant. At this time, the Company believes it is year 2000 compliant, has not experienced any material year 2000 problems and does not expect it will be material adversely affected by year 2000 issues.

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

None.

ITEM 8--FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by Item 8 are set forth in Part IV, Item 14.

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

None.

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PART III

ITEM 10--DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information required under this item with respect to Directors and Executive Officers is contained in the registrant's Proxy Statement relating to its annual meeting of stockholders scheduled to be held on April 29, 2000 under the captions "Certain Beneficial Owners" and "Election of Directors" and is incorporated herein by reference.

ITEM 11--EXECUTIVE COMPENSATION

Information required under this item is contained in the registrant's Proxy Statement relating to its annual meeting of stockholders scheduled to be held on April 29, 2000 under the caption "Executive Compensation" and is incorporated herein by reference, except that the information required by Items 402(k) and (l) of Regulation S-K which appear within such caption under the sub-headings "Compensation and Stock Option Committees" and "Financial Performance" are specifically not incorporated by reference into this Form 10-K or into any other filing by the registrant under the Securities Act of 1933 or the Securities Exchange Act of 1934.

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

Information required under this item is contained in the Registrant's Proxy Statement relating to its annual meeting of stockholders scheduled to be held on April 29, 2000 under the caption "Certain Beneficial Owners" and is incorporated herein by reference.

ITEM 13--CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

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PART IV

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

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

(1) FINANCIAL STATEMENTS

Independent Auditor's Report
Consolidated financial statements of Escalade, Incorporated and subsidiaries:

Consolidated balance sheet--December 25, 1999
and December 26, 1998

Consolidated statement of income--fiscal years ended
December 25, 1999, December 26, 1998 and
December 27, 1997

Consolidated statement of stockholders' equity--fiscal
years ended December 25 1999, December 26, 1998 and
December 27, 1997

Consolidated statement of cash flows--fiscal years ended
December 25, 1999, December 26, 1998 and December 27,
1997

Notes to consolidated financial statements

(2) FINANCIAL STATEMENT SCHEDULES

Independent Auditor's Report on financial statement schedule
For the three-year period ended December 25, 1999:
Schedule II--Valuation and qualifying accounts

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 (a)
- 3.2 By-Laws of Escalade, Incorporated (a)
- 4.1 Form of Escalade, Incorporated's common stock certificate (a)
- 10.3 Licensing agreement between Sweden Table Tennis AB and Indian Industries, Inc. dated January 1, 1995 (d)
- 10.8 Federal trademark registration 283,766 for Ping-Pong(R)bats and rackets (a)
- 10.9 Federal trademark registration 283,767 for Ping-Pong(R)balls (a)
- 10.10 Federal trademark registration 294,408 for Ping-Pong(R) tables and parts (a)
- 10.11 Federal trademark registration 520,270 for Ping-Pong(R) game (a)
- 10.12 Federal trademark registration 1,003,289 for Mr. Table Tennis(R) table tennis equipment (a)
- 10.13 Federal trademark registration 1,187,832 for Harvard(R)table tennis equipment (a)
- 10.14 Federal trademark registration 1,442,274 for Mini Court (R) (a)

- 10.15 Federal trademark registration 1,292,167 for Premier(R)table tennis tables and accessories (a)
- 10.16 Federal trademark registration 1,456,647 for Mini Pool(R) (a)

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(3) EXHIBITS (continued)

- 10.17 Trademark Assignment--Federal trademark registration 1,348,890 for Sandmar(R)office machines (b)
- 10.18 Agreement dated April 28, 1997 between Indian Industries, Inc. and International Union of Electronic, Electrical, Salaried, Machine and Furniture Workers, AFL-CIO Local No. 848 (e)
- 10.21 Amendments to credit agreement dated May 31, 1996 between Escalade, Incorporated and Bank One, Indianapolis, National Association dated December 8, 1999 and February 17, 2000
- 10.32 Loan agreement dated September 1, 1998 between Martin Yale Industries, Inc. and City of Wabash, Indiana (g)
- 10.33 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) (g)
- 10.34 Real Estate Sales Contract dated September 17, 1990 between Martin Yale Industries, Inc. and Fritkin-Jones Design Group, Inc. (c)
- 10.36 Stock purchase agreement dated June 17, 1997 between Martin Yale Industries, Inc. and James Crean International, G.V. regarding the purchase of Master Products Manufacturing Company, Inc. (e)
- 10.37 Asset Purchase Agreement dated June 26, 1998 by and among Jen Sports, Inc., Sportcraft, Ltd. and Escalade, Incorporated to sell substantially all of the assets of Escalade Sports. (h)
- 10.38 Termination Agreement dated November 25, 1998 by and among Jen Sports, Inc., Sportcraft, Ltd. and Escalade, Incorporated to sell substantially all of the assets of Escalade Sports. (i)
- 10.39 Offer to Purchase Common Stock--Tender Offer Statement dated February 24, 2000 (j)
- 21 Subsidiaries of the Registrant
- 23 Consent of Olive LLP
- 27 Financial Data Schedule

EXECUTIVE COMPENSATION PLANS AND ARRANGEMENTS

- 10.24 The Harvard Sports/Indian Industries, Inc. 401(k) Plan as amended and merged in 1993 (d)
- 10.26 Martin Yale Industries, Inc. 401(k) Retirement Plan as amended in 1993 (d)
- 10.27 Incentive Compensation Plan for Escalade, Incorporated and its subsidiaries (a)
- 10.29 Example of contributory deferred compensation agreement between Escalade, Incorporated and certain management employees allowing for deferral of compensation (a)
- 10.30 1997 Director Stock Compensation and Option Plan (f)
- 10.31 1997 Incentive Stock Option Plan (f)

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- (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 1988 Annual Report on Form 10-K
 - (c) Incorporated by reference from the Company's 1990 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 Second Quarter Report on Form 10-Q
 - (f) Incorporated by reference from the Company's 1997 Proxy Statement
 - (g) Incorporated by reference from the Company's 1998 Third Quarter Report on Form 10-Q
 - (h) Incorporated by reference from the Company's 1998 Form 8-K filed July 8, 1998
 - (i) Incorporated by reference from the Company's 1998 Amended Form 8-K filed December 1, 1998
 - (j) Incorporated by reference from the Company's Schedule TO Tender Offer Statement filed February 24, 2000
- (B) Reports on Form 8-K--There was a report on Form 8-K filed on December 22, 1999 reporting that on December 8, 1999 Escalade's wholly owned subsidiary, Indian Industries, Inc. acquired substantially all of the assets of Zue Corporation for cash. Zue was a manufacturer of high quality basketball systems.

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INDEPENDENT AUDITOR'S REPORT

To the Stockholders and Board of Directors
Escalade, Incorporated
Evansville, Indiana

We have audited the accompanying consolidated balance sheet of Escalade, Incorporated and subsidiaries as of December 25, 1999 and December 26, 1998 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 25, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Escalade, Incorporated and subsidiaries at December 25, 1999 and December 26, 1998 and the results of their operations and their cash flows for each of the

three years in the period ended December 25, 1999 in conformity with generally accepted accounting principles.

OLIVE LLP

Evansville, Indiana
February 3, 2000

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ESCALADE, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

DECEMBER 25 AND DECEMBER 26	1999	1998
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,756,041	\$ 340,398
Receivables, less allowances of \$761,363 and \$581,830	24,772,584	30,791,608
Inventories	12,432,354	12,647,354
Prepaid expenses	126,305	129,735
Deferred income tax benefit	1,248,270	1,002,064
Total current assets	40,335,554	44,911,159
Property, plant and equipment	9,390,022	10,103,690
Other assets	5,395,678	2,844,111
Goodwill, net of accumulated amortization of \$1,084,630 and \$615,509	11,728,707	5,630,066
	\$66,849,961	\$63,489,026
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Notes payable--bank	\$ 9,569,672	\$ 7,800,000
Current portion of long-term debt	2,000,000	2,300,000
Trade accounts payable	2,967,276	2,959,282
Accrued liabilities	9,590,171	11,642,828
Federal income tax payable	1,309,493	1,324,416
Dividends payable		3,121,718
Total current liabilities	25,436,612	29,148,244
Other liabilities		
Long-term debt	10,700,000	6,400,000
Deferred compensation	1,275,345	1,165,969
Deferred income tax liability		72,647
	11,975,345	7,638,616
Stockholders' equity		
Preferred stock		
Authorized--1,000,000 shares, no par value, none issued		
Common stock		
Authorized--10,000,000 shares, no par value		
Issued and outstanding--2,918,178 and 3,097,357 shares	2,918,178	6,072,824
Retained earnings	26,318,825	20,387,917
Accumulated other comprehensive income	201,001	241,425
	29,438,004	26,702,166

See notes to consolidated financial statements.

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ESCALADE, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME

YEARS ENDED DECEMBER 25, DECEMBER 26 AND DECEMBER 27	1999	1998	1997
Net Sales	\$86,174,390	\$93,557,971	\$91,501,865
Costs, Expenses and Other Income			
Cost of products sold	60,037,740	62,626,061	61,716,502
Selling, administrative and general expenses	15,524,377	17,041,492	17,397,633
Loss on terminated sporting goods sale		427,315	
Amortization of goodwill	469,121	398,286	217,223
Interest	615,564	1,117,851	1,276,883
Loss on disposal of assets	64,287	207,687	319,066
Other income	(75,773)	(410,252)	(475,580)
(Gain) loss on disposal of Escalade International	(103,387)	1,222,279	
	76,531,929	82,630,719	80,451,727
Income Before Income Taxes	9,642,461	10,927,252	11,050,138
Provision for Income Taxes	3,542,525	4,791,463	4,689,487
NET INCOME	\$ 6,099,936	\$ 6,135,789	\$ 6,360,651
Per Share Data			
Basic earnings per share	\$2.01	\$1.98	\$2.05
Diluted earnings per share	\$2.00	\$1.97	\$2.02

See notes to consolidated financial statements.

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ESCALADE, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	COMMON STOCK		COMPREHENSIVE INCOME	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
	SHARES	AMOUNT				
BALANCES AT JANUARY 1, 1997	3,084,449	\$8,291,516		\$11,013,195		\$19,304,711
Comprehensive income						
Net income			\$6,360,651	6,360,651		6,360,651
Unrealized gains on securities, net of tax			246,992		\$246,992	246,992
Comprehensive income			\$6,607,643			
Exercise of stock options	84,808	433,808				433,808
Purchase of stock	(118,566)	(1,656,368)				(1,656,368)
Put option to retire warrants		(1,189,129)				(1,189,129)

BALANCES AT DECEMBER 27, 1997	3,050,691	5,879,827	17,373,846	246,992	23,500,665
Comprehensive income					
Net income			\$6,135,789	6,135,789	6,135,789
Unrealized losses on securities, net of tax			(5,567)	(5,567)	(5,567)
Comprehensive income			\$6,130,222		
Stock issued under the Director					
Stock Option Plan	6,638	65,550			65,550
Exercise of stock options	51,279	341,216			341,216
Purchase of stock	(11,251)	(213,769)			(213,769)
Payment of dividend			(3,121,718)		(3,121,718)
BALANCES AT DECEMBER 26, 1998	3,097,357	6,072,824	20,387,917	241,425	26,702,166
Comprehensive income					
Net income			\$6,099,936	6,099,936	6,099,936
Unrealized losses on securities, net of tax			(40,424)	(40,424)	(40,424)
Comprehensive income			\$6,059,512		
Exercise of stock options	25,768	189,958			189,958
Stock issued under the Director					
Stock Option Plan	4,256	89,376			89,376
Purchase of stock	(209,203)	(3,433,980)	(169,028)		(3,603,008)
BALANCES AT DECEMBER 25, 1999	2,918,178	\$2,918,178	\$26,318,825	\$201,001	\$29,438,004

See notes to consolidated financial statements.

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ESCALADE, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 25, DECEMBER 26 AND DECEMBER 27	1999	1998	1997
OPERATING ACTIVITIES			
Net income	\$ 6,099,936	\$6,135,789	\$ 6,360,651
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	2,757,986	2,796,004	2,381,201
Provision for doubtful accounts	577,150	371,672	474,050
Deferred income taxes	(591,379)	(153,633)	1,303,683
Provision for deferred compensation	109,376	99,996	98,183
Loss on disposals of assets	64,287	207,687	319,066
Change in cash surrender value, net of loans and premiums	(36,186)	30,510	(36,000)
Changes in			
Accounts receivable	5,971,315	(561,035)	(2,113,236)
Inventories	1,655,781	(10,009)	272,909
Prepays	3,430	106,765	96,969
Other assets	(377,312)	33,362	(89,397)
Income tax payable	(14,923)	(225,584)	450,928
Accounts payable and accrued expenses	(1,347,562)	(225,923)	(734,776)
Net cash provided by operating activities	14,871,899	8,605,601	8,784,231
INVESTING ACTIVITIES			
Premiums paid for life insurance	(150,000)	(297,000)	
Purchase of property and equipment	(1,104,897)	(1,067,596)	(1,597,055)
Purchase of long-term investments	(74,797)	(65,000)	(95,315)
Purchase of certain Master Products assets, net of cash acquired			(8,958,745)
Purchase of certain Zue Corporation assets	(7,969,672)		
Purchase of certain Mead Hatcher assets	(3,481,170)		
Net cash used by investing activities	(12,780,536)	(1,429,596)	(10,651,115)
FINANCING ACTIVITIES			
Net increase (decrease) in notes payable--bank	1,769,672	(475,000)	3,120,650
Proceeds from exercise of stock options	279,334	406,766	433,808
Reduction of long-term debt	(6,000,000)	(7,800,000)	(10,300,000)
Purchase of stock and warrants	(3,603,008)	(213,769)	(2,845,497)
Proceeds from long-term debt	10,000,000		11,500,000

Deferred compensation paid			(115,000)
Cash dividends paid	(3,121,718)		

Net cash provided (used) by financing activities	(675,720)	(8,082,003)	1,793,961

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,415,643	(905,998)	(72,923)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	340,398	1,246,396	1,319,319

CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,756,041	\$ 340,398	\$ 1,246,396
	=====		
SUPPLEMENTAL CASH FLOWS INFORMATION			
Interest paid	\$ 627,904	\$1,120,229	\$ 1,302,577
Income taxes paid, net	4,256,320	4,775,283	3,819,632
Fixed assets in accounts payable		31,954	35,253

See notes to consolidated financial statements.

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ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 -- NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Escalade, Incorporated (Company) is primarily engaged in the manufacture and sale of sporting goods and office and graphic arts products. The Company is located in Evansville, Indiana and has five manufacturing facilities, one in Evansville, Indiana; Wabash, Indiana and Los Angeles, California and two in Tijuana, Mexico. The Company sells products to customers throughout the United States and provides foreign shipments of sporting goods through a foreign sales corporation. The consolidated financial statements include the accounts of all significant subsidiaries. Intercompany transactions have been eliminated.

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of bank deposits in federally insured accounts. For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments; if any, purchased with an original maturity of three months or less to be cash equivalents.

INVENTORIES

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

INVESTMENTS

The Company has long-term marketable equity securities, which are included in other assets on the consolidated balance sheet and are recorded at fair value with unrealized gains and losses reported, net of tax, in accumulated other comprehensive income.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost. Depreciation and amortization are computed by the straight-line and double declining balance methods.

The estimated useful lives used in computing depreciation are as follows:

YEARS

Buildings

20-30

Leasehold improvements	4-8
Machinery and equipment	5-15
Tooling, dies and molds	2-4

The cost of maintenance and repairs are charged to income as incurred; significant renewals and improvements are capitalized. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and the resulting gains or losses are recognized in income for the period.

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ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

FINANCIAL INSTRUMENTS

The carrying values of all of the Company's financial instruments approximate their fair values.

EARNINGS PER SHARE

Earnings per share have been computed based upon the weighted average common shares outstanding during each year.

FISCAL YEAR END

The Company's fiscal year ends on the Saturday nearest December 31, within the calendar year.

BAD DEBTS

The Company uses the reserve method of accounting for bad debts on receivables.

PRODUCT WARRANTY

The Company provides for the estimated cost of its warranty obligations at the time of the sale.

EMPLOYEE BENEFITS

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. It is the Company's policy to fund costs accrued on a current basis.

INCOME TAXES

Income tax in the consolidated statement of income includes deferred income tax provisions or benefits for all significant temporary differences in recognizing income and expenses for financial reporting and income tax purposes.

RESEARCH AND DEVELOPMENT

Research and development costs are charged to income as incurred. The research and development costs incurred during 1999, 1998 and 1997 were approximately \$1,450,000, \$1,500,000 and \$1,400,000.

INTANGIBLE ASSETS

The Company has various intangible assets including consulting and noncompetition agreements and goodwill. Amortization is computed using the straight-line method over the following lives:

YEARS

Consulting agreements	1
Non-compete agreements	5
Goodwill	15

REVENUE RECOGNITION

Revenue from the sale of the Company's products is recognized as products are shipped to customers.

SELF INSURANCE

The Company has elected to act as a self-insurer for certain costs related to

employee health and accident benefit programs. Costs resulting from non-insured losses are charged to income when incurred. The Company has purchased insurance which limits its exposure for individual claims and which limits its aggregate exposure to \$1,100,000.

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ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

NOTE 2 -- INVENTORIES

Inventories consist of the following:

DECEMBER 25 AND DECEMBER 26	1999	1998

Finished products	\$ 5,184,896	\$ 5,717,096
Work in process	3,183,855	3,442,410
Raw materials and supplies	4,063,603	3,487,848
	-----	-----
	\$ 12,432,354	\$ 12,647,354
	=====	=====

NOTE 3 -- PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

DECEMBER 25 AND DECEMBER 26	1999	1998

Land	\$ 712,705	\$ 757,210
Buildings and leasehold improvements	10,387,479	10,733,231
Machinery and equipment	22,416,055	23,952,194
	-----	-----
Total cost	33,516,239	35,442,635
Accumulated depreciation and amortization	(24,126,217)	(25,338,945)
	-----	-----
	\$ 9,390,022	\$ 10,103,690
	=====	=====

NOTE 4 -- LINE OF CREDIT

The Company has an unsecured line of credit for short-term borrowings. The line-of-credit arrangement is based upon a written agreement and can be withdrawn at the banks' option. At December 25, 1999, the line of credit for short-term borrowings aggregated \$15,000,000, of which \$9,569,672 was borrowed. The interest rate on the line of credit is at the Bank One Indianapolis, N.A. prime rate. A LIBOR option is also available to use for the interest rate. At December 31, 1999, \$9,569,672 of this line of credit was at a LIBOR option rate of 7.48% This line of credit is subject to the same restrictive covenants as the long-term debt as discussed in Note 5.

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ESCALADE, INCORPORATED AND SUBSIDIARIES
 NOTES TO FINANCIAL STATEMENTS

NOTE 5 -- LONG-TERM DEBT

DECEMBER 25 AND DECEMBER 26	1999	1998
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%, current rate is 4.85%, due September 2028, secured by plant facility, machinery and equipment, and letter of credit	\$ 2,700,000	\$2,700,000
Term loan, due in quarterly installments of \$500,000, interest varies from prime to London Interbank Offered Rate (LIBOR) plus 1.75%, secured by equipment, inventory, accounts receivable, general intangibles and securities. Paid in 1999		6,000,000
Term loan, due in annual installments of \$2,000,000 on March 31, interest varies from prime to London Interbank Offered Rate (LIBOR) plus 1.25%, unsecured	10,000,000	
	12,700,000	8,700,000
Portion classified as current	(2,000,000)	(2,300,000)
	\$10,700,000	\$6,400,000

Maturities of long-term indebtedness for the ensuing five years are: 2000, \$2,000,000; 2001, \$2,000,000; 2002, \$2,000,000; 2003, \$2,000,000; 2004, \$2,000,000 and thereafter, \$2,700,000.

The mortgages payable and term loan agreements contain certain restrictive covenants, of which the more significant include maintenance of specified net worth and maintenance of specified ranges of debt service and leverage ratios.

NOTE 6 -- INVESTMENTS

	AMORTIZED COST	GROSS UNREALIZED GAINS	APPROXIMATE MARKET VALUE
DECEMBER 25, 1999			
Available for sale			
Marketable equity securities (included in other assets)	\$912,013	\$335,001	\$1,247,014
DECEMBER 26, 1998			
Available for sale			
Marketable equity securities (included in other assets)	\$755,486	\$402,375	\$1,157,861

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ESCALADE, INCORPORATED AND SUBSIDIARIES
 NOTES TO FINANCIAL STATEMENTS

NOTE 7 -- STOCK OPTIONS AND WARRANTS

There were no options outstanding at year end from the 1984 Stock Option Plan (Plan). The date for granting options under this Plan expired on October 26, 1994 and the date for exercising options expired on September 26, 1999. At the Company's 1997 annual meeting, the stockholders approved two new Stock Option Plans reserving 300,000 common shares for issuance under an Incentive Stock Option Plan (ISO) and 100,000 common shares for issuance under a Director Stock Option Plan (DSO). During 1999, there were 37,000 options granted under the ISO and there were 74,786 options outstanding at year end under this plan. During 1999, there were 2,128 options granted and 5,447 options outstanding at year end under the DSO.

Under the Company's ISO, which is accounted for in accordance with Accounting

Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, the Company grants selected executives and other key employees stock option awards which vest over four years of continued employment. The exercise price of each option, which has a five-year life, was equal to the market price of the Company's stock on the date of grant; therefore, no compensation expense was recognized. Options are exercisable commencing one year from the date of issuance to the extent vested.

Although the Company has elected to follow APB Opinion No. 25, Statement of Financial Accounting Standards (SFAS) No. 123 requires pro forma disclosures of net income and earnings per share as if the Company had accounted for its employee stock options under that statement. The fair value of each option grant was estimated on the grant date using an option pricing model with the following assumptions:

	1999	1998	1997
Risk-free interest rates	5.00%	4.75%	6.00%
Dividend yields	0%	0%	0%
Volatility factors of expected market price of common stock	36%	51%	49%
Weighted average expected life of the options	5 YEARS	5 years	5 years

Under SFAS No. 123, compensation cost is recognized in the amount of the estimated fair value of the options and amortized to expense over the options' vesting period. The pro forma effect on net income and earnings per share of this statement is as follows:

		1999	1998	1997
Net income	As reported	\$6,099,936	\$6,135,789	\$6,360,651
	Pro forma	5,982,255	6,076,755	6,363,257
Basic earnings per share	As reported	\$2.01	\$1.98	\$2.05
	Pro forma	1.97	1.96	2.04
Diluted earnings per share	As reported	\$2.00	\$1.97	\$2.02
	Pro forma	1.97	1.95	2.02

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ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

Stock option transactions are summarized as follows:

	1999		1998		1997	
	SHARES	OPTION PRICE	Shares	Option Price	Shares	Option Price
Outstanding at beginning of year	70,450	\$5.50 TO 18.75	101,821	\$6.30 to 9.88	168,311	\$3.26 to 7.25
Issued during year	39,128	\$17.69 TO 21.00	22,569	\$9.88 to 18.75	25,000	\$9.88
Canceled or expired	(3,577)		(2,661)		(6,682)	
Exercised during year	(25,768)	\$5.50 TO 9.88	(51,279)	\$3.26 to 9.88	(84,808)	\$3.26 to 7.25
Outstanding at end of year	80,233	\$9.88 TO 21.00	70,450	\$5.50 to 18.75	101,821	\$6.30 to 9.88
Exercisable at end of year	16,890		30,297		63,113	

Weighted-average fair value

of options granted during
the year

\$7.10

\$9.83

\$4.99

The following table summarizes information about fixed stock options outstanding at December 25, 1999:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING AT 12/25/99	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT 12/25/99	WEIGHTED-AVERAGE EXERCISE PRICE
\$ 9.88	23,155	2.6 years	\$ 9.88	12,405	\$ 9.88
18.75	17,950	3.2	18.75	4,485	18.75
17.69	37,000	4.2	17.69		17.69
21.00	2,128	3.3	21.00		21.00
\$9.88 to 21.00	80,233	3.5	15.76	16,890	12.24

The incentive stock options granted in 1999 and 1998 are exercisable at the rate of 25% over each of the four years beginning in 2000 and 1999.

2,128 Director Stock Options were issued during the year 1999 at an option price of \$21.00 and can be exercised after April 24, 2000 with an expiration date of April 23, 2003.

To acquire all of the common stock of Marcy Fitness Products, Inc., the Company exchanged 272,112 Escalade warrants with an exercise price of \$9.13 per share. The warrants were exercisable until August 19, 1999. During 1997, these warrants were put to the Company and retired at \$13.50 per share for a total cost of \$1,189,129.

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ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

NOTE 8 -- STOCKHOLDERS' EQUITY TRANSACTIONS

During 1997, the Company conducted a Dutch Auction self-tender offer whereby it purchased 117,766 shares of its common stock at \$14.00 per share.

The Company paid no cash dividends during 1997 and 1999. On December 21, 1998, the Company announced that Escalade's Board of Directors declared a special cash dividend of \$1.00 per share to shareholders of record January 8, 1999. The dividend was declared at Escalade's Regular Board Meeting, December 19, 1998. The dividend was paid on January 22, 1999.

NOTE 9 -- EARNINGS PER SHARE

Earnings per share (EPS) were computed as follows:

YEAR ENDED DECEMBER 25, 1999	INCOME	WEIGHTED AVERAGE SHARES	PER SHARE AMOUNT
Net Income	\$6,099,936		
Basic Earnings per Share			
Income available to common stockholders	6,099,936	3,038,282	\$2.01
Effect of Dilutive Securities			

Stock options		5,180	
Diluted Earnings Per Share			
Income available to common stockholders and assumed conversions	\$6,099,936	3,043,462	\$2.00
YEAR ENDED DECEMBER 26, 1998			
Net Income	\$6,135,789		
Basic Earnings per Share			
Income available to common stockholders	6,135,789	3,094,638	\$1.98
Effect of Dilutive Securities			
Stock options		18,741	
Diluted Earnings Per Share			
Income available to common stockholders and assumed conversions	\$6,135,789	3,113,379	\$1.97
YEAR ENDED DECEMBER 27, 1997			
Net Income	\$6,360,651		
Basic Earnings per Share			
Income available to common stockholders	6,360,651	3,109,514	\$2.05
Effect of Dilutive Securities			
Stock options		35,328	
Diluted Earnings Per Share			
Income available to common stockholders and assumed conversions	\$6,360,651	3,144,842	\$2.02

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ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

Warrants to purchase 272,112 shares of common stock at \$9.13 per share were outstanding at December 28, 1996 and during a portion of the year ended December 27, 1997 but were not included in the computation of diluted EPS because the warrants' exercise price was greater than the average market price of the common shares.

NOTE 10 -- OPERATING LEASES

The Company leases warehousing and office space at its National City, California facilities and has a five-year option to extend the lease. The lease rate ranges from \$11,920 per month in year one to \$13,025 per month in year five of the extension period. The Company also shares in common area expenses not to exceed 8(cen) per sq. ft. per month. The lease expires March 31, 2003.

The Company also leases warehousing space next to its Evansville facility for \$17,730 per month. The lease expires on October 31, 2000. The Company has three two-year renewal options followed by two five-year renewal options.

The Company also leases manufacturing space in Tijuana, Mexico for \$5,220 per month. The lease expires on July 31, 2002.

At December 25, 1999, the minimum rental payments under noncancelable leases with terms of more than one year are as follows:

YEARS ENDING	AMOUNT
2000	\$386,208
2001	213,298
2002	191,714
2003	39,077

	\$830,297
	=====

The following schedule shows the composition of total rental expense for operating leases except those with terms of a month or less:

	1999	1998	1997
Rentals	\$448,516	\$469,650	\$611,405

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ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

NOTE 11 -- INCOME TAXES

Provision for income taxes consists of the following:

YEARS ENDED DECEMBER 25, DECEMBER 26 AND DECEMBER 27	1999	1998	1997
Current			
Federal	\$3,255,081	\$3,888,985	\$3,435,532
State	878,823	1,056,111	803,547
	4,133,904	4,945,096	4,239,079
Deferred			
Federal	(497,779)	(121,668)	365,830
State	(93,600)	(31,965)	84,578
	(591,379)	(153,633)	450,408
	\$3,542,525	\$4,791,463	\$4,689,487

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:

YEARS ENDED DECEMBER 25, DECEMBER 26 AND DECEMBER 27	1999	1998	1997
Income tax at statutory rate	\$3,278,437	\$3,715,266	\$3,757,047
Increase (decrease) in income tax resulting from			
Recurring permanent differences (goodwill amortization, dividend exclusion and non- deductible officers' life insurance expense)	55,662	(76,770)	25,893
State tax expense, net of federal effect	518,247	675,936	586,163
Benefit of foreign subsidiary loss not recognized		558,280	369,996
Other	(309,821)	(81,249)	(49,612)
Provision for income taxes recorded	\$3,542,525	\$4,791,463	\$4,689,487

At December 25, 1999, a cumulative deferred tax asset of \$1,520,796 is included in current assets and other assets. At December 26, 1998, a cumulative deferred tax asset of \$929,417 is included in current assets and other liabilities.

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ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

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

DECEMBER 25 AND DECEMBER 26	1999	1998

ASSETS		
Employee benefits	\$ 584,559	\$ 429,186
Valuation reserves	681,472	527,677
Goodwill	94,352	94,869
Deferred compensation	480,490	395,800
	-----	-----
Total assets	1,840,873	1,447,532

LIABILITIES		
Depreciation	(186,076)	(357,165)
Unrealized gain on securities available for sale	(134,001)	(160,950)
	-----	-----
Total liabilities	(320,077)	(518,115)
	-----	-----
	\$ 1,520,796	\$ 929,417
	=====	=====

NOTE 12 -- 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 \$273,763, \$316,155 and \$339,931 for 1999, 1998 and 1997.

NOTE 13 -- VOLUNTARY EMPLOYEE BENEFITS ASSOCIATION TRUST (VEBA)

The Company established a VEBA as a tax-exempt organization to provide life, medical, disability and other similar welfare benefits permitted pursuant to Internal Revenue Code Section 501(c)(9) for its employees.

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ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

NOTE 14 -- SEGMENT INFORMATION AND CONCENTRATIONS

YEARS ENDED DECEMBER 25, DECEMBER 26 AND DECEMBER 27	1999	1998	1997

	(In Thousands)		
Sales to unaffiliated customers			
Sporting goods	\$52,767	\$63,072	\$66,666
Office and graphic arts products	33,407	30,486	24,836
	-----	-----	-----
Total consolidated	\$86,174	\$93,558	\$91,502
	=====	=====	=====
Operating profit			
Sporting goods	\$ 4,200	\$ 6,875	\$ 7,435

Office and graphic arts products	7,277	7,442	5,244
Corporate	(865)	(427)	(291)

Total consolidated	10,612	13,890	12,388
Consolidated other income	76	410	475

	10,688	14,300	12,863
Consolidated interest expense	616	1,118	1,277
Consolidated loss on disposal of assets	64	208	319
Consolidated amortization of goodwill	469	398	217
Consolidated loss on terminated sporting goods sale		427	
Consolidated (gain) loss on disposal of Escalade International	(103)	1,222	

Consolidated income from operations before income taxes	\$ 9,642	\$10,927	\$11,050
=====			
Identifiable assets			
Sporting goods	\$37,208	\$39,819	\$40,904
Office and graphic arts products	23,971	20,770	21,815
Corporate	5,671	2,900	3,427

Total assets	\$66,850	\$63,489	\$66,146
=====			
Depreciation and amortization charged to operations			
Sporting goods	\$ 1,154	\$ 1,207	\$ 1,214
Office and graphic arts products	1,604	1,589	1,167

Total consolidated	\$ 2,758	\$ 2,796	\$ 2,381
=====			
Capital expenditures			
Sporting goods	\$ 862	\$ 699	\$ 582
Office and graphic arts products	276	372	923

	\$ 1,138	\$ 1,071	\$ 1,505
=====			

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ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

The Company operates principally in two industries, sporting goods and office and graphic arts products. The Company sells its products primarily to retailers and wholesalers located throughout the United States. Operations in the sporting goods industry consist of production and sale of table tennis tables and accessories, archery equipment, home pool tables and accessories, combination bumper pool and card tables, game tables, basketball backboards, goals, poles and portables, darts and dart cabinets. Operations in the office and graphic arts products industry consist of production and sale of paper trimmers, paper folding machines, paper drills, collators, decollators, bursting machines, letter openers, paper joggers, checksigners, stamp affixers, paper shredders, paper punches, paper cutters, catalog rack systems, bindery carts, business card slitters, thermography machines, keyboard drawers, computer storage, copyholders, media retention systems, posting trays and related accessories.

Operating profit is total revenue less operating expenses. In computing operating profit, neither interest expense nor income taxes have been deducted.

Identifiable assets are principally those assets used in each industry. Corporate assets are principally cash and cash equivalents, deferred taxes, marketable equity securities and the cash surrender value of life insurance.

In 1999, 1998 and 1997, approximately 46% (28% of consolidated sales), 38% (25% of consolidated sales) and 33% (24% of consolidated sales) of the sporting goods were sold to Sears, Roebuck & Co. At December 25, 1999 and December 26, 1998, accounts receivable included \$9,117,867 and \$16,328,252 due from Sears, Roebuck & Co.

Approximately 29% of the Company's labor force is covered by a collective bargaining agreement. Management acknowledges that there usually will be differences between Company offers and union demands during negotiations. However, management has no reason to expect such differences to result in protracted conflict. The current contract expires in 2000.

Consolidated assets include approximately \$2.3 million of assets located in the United Kingdom and Mexico.

ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

NOTE 15 -- CERTAIN SIGNIFICANT ESTIMATES

Management's estimates that influence the financial statements are normally based on knowledge and experience about past and current events and assumptions about future events. The following estimates affecting the financial statements are particularly sensitive because of their significance, and it is at least reasonably possible that a change in these estimates will occur in the near term:

Product warranty reserves--based on an analysis of customers' product return histories, current status, sales volume and management's expectations from new products introduced into the market.

Customer allowance reserves--based on agreements for customer purchase rebates and shared advertising, and prior year's shipments.

Inventory valuation reserves--based on estimates of costs of inventory amounts overstocked or obsolete in excess of realizable value.

NOTE 16 -- ADDITIONAL INFORMATION

DECEMBER 25 AND DECEMBER 26	1999	1998

Accrued Liabilities		
Employees' compensation	\$2,478,862	\$ 3,758,290
Payroll taxes and taxes withheld from employees' compensation	191,926	257,331
Taxes other than taxes on income	342,960	646,692
Accrued interest	129,950	111,484
Customer volume discounts payable	5,193,302	4,059,848
Other accrued items	1,253,171	2,809,183
	-----	-----
	\$9,590,171	\$11,642,828
	=====	=====

NOTE 17 -- 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. Amounts deferred earn interest at the rate of 9%. Such amounts are not intended to be recognized for tax purposes until receipt. All deferrals allowed under this plan have been made. Participants have no vested rights in deferred amounts credited to their accounts and are general creditors of the Company until such amounts are actually paid.

ESCALADE, INCORPORATED AND SUBSIDIARIES
 NOTES TO FINANCIAL STATEMENTS

NOTE 18 -- COMMITMENTS AND CONTINGENCIES

At December 25, 1999, standby letters of credit aggregated \$199,470 of which the Company was obligated in the amount of \$49,470 relating to the purchase of certain raw materials and finished goods from suppliers.

Additionally, the Company has obtained a letter of credit for the benefit of the mortgage holders. At December 25, 1999, the balance of the letter of credit was \$2,733,750. It is to be used in the event of a default in either interest or principal payments.

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.

NOTE 19 -- SUMMARY OF QUARTERLY RESULTS

	(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)			
	MARCH 21	JULY 11	OCTOBER 3	DECEMBER 26
1999				
Net sales	\$12,978	\$17,086	\$21,296	\$34,814
Gross profit	4,085	5,151	6,861	10,039
Net income	434	412	1,723	3,531
Basic earnings per share	.14	.13	.57	1.20
1998				
Net sales	\$15,783	\$19,077	\$22,178	\$36,519
Gross profit	4,917	5,294	7,723	12,997
Net income	585	338	2,072	3,141
Basic earnings per share	.19	.11	.67	1.01

During 1999, the Company reduced its outstanding shares by 179,179 shares. These reductions occurred at various times throughout the year. Consequently, if the four quarters earnings per share are added together, they are different than the actual earnings per weighted average share for the year.

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ESCALADE, INCORPORATED AND SUBSIDIARIES
 NOTES TO FINANCIAL STATEMENTS

NOTE 20 -- DISPOSAL OF ESCALADE INTERNATIONAL, LIMITED

In December 1998, the Company adopted a plan to discontinue its distribution operations. Those operations were performed by Escalade International, Limited, a foreign subsidiary located in the United Kingdom. The Company's other subsidiaries are all manufacturing operations. On July 8, 1999, the Company completed a transaction to sell 50% of the stock of Escalade International to an investment group who assumed responsibility for running the day-to-day operations. The sale was for \$500,000 with \$50,000 cash paid and notes receivable of \$450,000.

The estimated loss on the disposal of Escalade International, Limited was \$1,222,279 including a provision of \$250,000 for operating losses during phaseout. The actual loss on the sale was \$1,118,892 which included \$213,057 in operating losses up to the time of sale. 1999 shows a profit of \$103,387 which was the amount by which the reserve for loss on this transaction exceeded actual losses. Since only 50% was sold, the operations are not considered discontinued

and the financial statements have been revised to eliminate discontinued operations. Going forward, the Company's ownership value in Escalade International of \$500,000 will be shown as an investment and will be accounted for under the equity method.

NOTE 21 -- ACQUISITIONS

ACQUISITION OF MEAD HATCHER

On June 21, 1999, Martin Yale, the Company's office and graphic arts products subsidiary, acquired certain assets of Mead Hatcher for cash. The purchased assets include all of Mead Hatcher's manufactured products consisting of keyboard drawers, computer storage, copyholders, media retention systems, and posting trays along with all associated tooling and production machinery necessary to manufacture the products. The purchase price was \$3,481,170. The acquisition was accounted for as a purchase and the excess of cost over the fair value of net assets acquired was \$1,417,594, which is being amortized over 15 years on the straight-line method. Martin Yale relocated the manufacturing of these products to its Los Angeles, California facility. It is estimated that annual sales of these products will be approximately \$6,000,000.

ACQUISITION OF ZUE CORPORATION

On December 8, 1999, Indian Industries, the Company's sporting goods subsidiary, acquired substantially all of the assets of Zue Corporation for cash. Zue was a manufacturer of high quality basketball systems located in Noblesville, Indiana. The Zue product line will complement Indian's product line and the manufacturing operations were relocated to Indian's Evansville, Indiana facility. The cost of the purchase was \$7,969,672. The acquisition was accounted for as a purchase and the excess of cost over the fair value of net assets acquired was \$5,150,172, which is being amortized over 15 years on the straight-line method.

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ESCALADE, INCORPORATED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS

NOTE 22 -- OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31	1999		
	BEFORE-TAX AMOUNT	TAX BENEFIT	NET-OF-TAX AMOUNT
Unrealized holding losses arising during the year	\$ (67,374)	\$26,950	\$ (40,424)
YEAR ENDED DECEMBER 31	1998		
	BEFORE-TAX AMOUNT	TAX BENEFIT	NET-OF-TAX AMOUNT
Unrealized holding losses arising during the year	\$ (9,278)	\$3,711	\$ (5,567)

NOTE 23 -- SUBSEQUENT EVENTS

On January 5, 2000, Indian Industries acquired certain assets of the table tennis business of Lifetime Products, Inc., a Utah corporation, who wished to discontinue its table tennis business. Those assets consisted mainly of machinery, equipment and tooling and are being relocated to Indian's Evansville, Indiana facility. The cost of the purchase was \$1,400,000, which was paid on January 5, 2000 plus an amount to be determined later for inventory.

It is estimated that this acquisition accompanied by the Zue Corporation acquisition by Indian Industries will increase sporting goods sales by

\$10,000,000 to \$12,000,000 in 2000.

On February 24, 2000, the Company announced an offer to purchase up to 700,000 shares of its common stock at a price of \$14.50 to \$18 per share through a Dutch Auction tender offer. The offer will expire on Friday, March 24, 2000 unless extended.

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INDEPENDENT AUDITOR'S REPORT

Stockholders and Board of Directors
Escalade, Incorporated
Evansville, Indiana

We have audited the consolidated financial statements of Escalade, Incorporated as of December 25, 1999 and December 26, 1998 and for each of the three years in the period ended December 25, 1999 and have issued our report thereon dated February 3, 2000; such consolidated financial statements and report are included elsewhere in this Form 10-K. Our audits also included the consolidated financial statement schedules of Escalade, Incorporated listed in Item 14. These consolidated financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

OLIVE LLP

Evansville, Indiana
February 3, 2000

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ESCALADE, INCORPORATED AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

COL. A	COL. B	COL. C	COL. D	COL. E	
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	ADDITIONS		BALANCE AT END OF PERIOD
			CHARGED TO OTHER ACCOUNTS-- DESCRIBE	DEDUCTIONS-- DESCRIBE (2)	
Allowance for doubtful accounts and discounts (1)					
Fiscal year ended December 25, 1999	\$581,830	\$577,150	\$397,617	\$761,363	
Fiscal year ended December 26, 1998	893,434	371,672	683,276	581,830	
Fiscal year ended December 27, 1997	681,606	474,050	262,222	893,434	

(1) Deducted from related assets

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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\C. W. "Bill" Reed March 10, 2000

C. W. "Bill" Reed
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\C. W. Reed Chief Executive Officer and Director (Principal Executive Officer) March 10, 2000

C. W. Reed

\s\Robert E. Griffin Chairman and Director March 10, 2000

Robert E. Griffin

\s\John R. Wilson Secretary and Treasurer (Principal Financial and Accounting Officer) March 10, 2000

John R. Wilson

\s\Blaine E. Matthews, Jr. Director March 10, 2000

Blaine E. Matthews, Jr.

\s\A. Graves Williams, Jr. Director March 10, 2000

A. Graves Williams, Jr.

\s\Gerald J. Fox Director March 10, 2000

Gerald J. Fox

\s\Keith P. Williams Director March 10, 2000

Keith P. Williams

\s\Yale Blanc Director March 10, 2000

Yale Blanc

\s\Robert D. Orr Director March 10, 2000

Robert D. Orr

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SEVENTH AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT

ESCALADE, INCORPORATED, an Indiana corporation (the "Company"), and BANK ONE, INDIANA, National Association, a national banking association (the "Bank") being parties to that certain Amended and Restated Credit Agreement dated as of May 31, 1996 as amended from time to time (collectively the "Agreement"), hereby agree to amend the Agreement by this Seventh Amendment to Amended and Restated Credit Agreement (the "Seventh Amendment"), on the terms and subject to the conditions set forth as follows:

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

2. TERM LOAN: Section 2.c. of the Agreement is hereby amended and restated in its entirety, to read as follows:

c. THE TERM LOAN. The Bank will make a term loan (the "Term Loan") to the Company contemporaneously with the execution of this Agreement on the following terms and subject to the following conditions:

(i) AMOUNT. The principal amount of the Term Loan shall be Ten Million and No/100 Dollars (\$10,000,000) or so much thereof as shall be advanced for the purposes set forth herein.

(ii) THE TERM NOTE. The obligation of the Company to repay the Term Loan shall be evidenced by a promissory note (the "Term Note") in the form of EXHIBIT A. The principal of the Term Loan shall be repayable in equal annual installments of \$2,000,000 each, due and payable on the last day of each March commencing March 31, 2000. On March 31, 2004, the entire remaining principal amount of the Term Loan shall be due and payable, together with all accrued and unpaid interest. Subject to the contemporaneous payment of any Prepayment Premium which would become due on account of any proposed prepayment, the principal of the Term Loan may be prepaid at any time in whole or in part, provided that any partial prepayment shall be in an amount which is an integral multiple of \$250,000.00 and provided, further, that any partial prepayment shall be applied to the principal installments payable on the Term Loan in the inverse order of their maturities.

(iii) INTEREST ON THE TERM LOAN. The unpaid principal balance from time to time of the Term Loan shall bear interest from the date the Loan is made prior to the maturity of the Term Note at a rate per annum equal to the Prime Rate plus the Applicable Spread, except that at the option of the Company exercised from time to time as provided in Section 2.d(i) of the Agreement, interest may accrue prior to maturity on the entire outstanding balance of the Term Loan or on any portion thereof which is in excess of \$1,000,000.00 and as to which no Optional Rate previously selected remains in effect at a LIBOR-based Rate for a period of 30, 60, 90 or 180 days; provided that no Optional Rate may be elected for a period extending beyond the scheduled final maturity of the Term Loan. After maturity, whether scheduled maturity or maturity by virtue of acceleration on account of the occurrence of an Event of Default, interest will accrue on the Term Loan at a rate per annum equal to the Prime Rate plus the Applicable Spread plus two percent (2%), except that as to any portion of the Loan for which the Company may have elected an Optional Rate for a period of time that has not expired at maturity, such portion shall, during the remainder of such period, bear interest at the greater of the Prime Rate plus the Applicable Spread plus two percent (2%) per annum or the Optional Rate then in effect plus two percent (2%) per annum. Prior to maturity, interest shall be due and payable on the last Banking Day of each month in addition to any installment of principal which may be due and payable on such date. After maturity, interest shall be payable as accrued and without demand.

(iv) USE OF PROCEEDS OF THE TERM LOAN, REDUCTION OF PRINCIPAL AMOUNT. The proceeds of the Term Loan shall be used to finance the purchase by the Company of the assets of Zue Corporation, associated acquisition costs and other general corporate purposes.

(v) COMMITMENT FEE. In consideration of the Bank's agreement to advance new funds to the Company, the Company shall pay a Commitment Fee in the amount of \$25,000 which shall be paid on or before closing.

3. AFFIRMATIVE COVENANTS. Sections 5.g(i) and (iii) of the Agreement are hereby amended to read in their entirety as follows:

(i) TANGIBLE NET WORTH. The Company shall maintain its Tangible Net Worth, determined on a consolidated basis, of not less than \$26,000,000 at all times.

(ii) DEBIT SERVICE COVERAGE. For each period of four consecutive fiscal quarters ending during the periods indicated in the table below, the Company shall maintain a debt service coverage ratio (hereinafter defined), determined on a consolidated basis, of not less than that indicated in the table below.

Period -----	Ratio -----
from the date of this Amendment and through December 30, 2000	1.10 to 1.0
At all times thereafter	1.20 to 1.0

For purposes of this covenant, the phrase "debt service coverage ratio" means the ratio of (A) the sum of consolidated net income before taxes plus interest expense plus depreciation and amortization expense plus non-recurring and extraordinary charges, plus up to \$2,000,000 of such items described herein resulting from the Zue Corporation asset acquisition effective as of December 25, 1999, and provided that such amount added herein as a result of such acquisition, shall be reduced by 25% as of each fiscal quarter end hereafter, all for the period for which the ratio is being determined, over (B) the sum of scheduled Term Loan and other debt payments plus interest expense plus cash income taxes plus capital expenditure which were not financed, plus stock repurchases and cash dividends paid, all for the period for which such ratio is being determined.

4. NEGATIVE COVENANT. Section 6.a of the Agreement, entitled "Restricted Payments" is hereby deleted effective at fiscal year end December 25, 1999.

5. WAIVER. The Bank hereby agrees to waive the failure by the Company to comply with Section 6.a of the Agreement with respect to past or future stock repurchases, provided that the aggregate amount of stock purchases for the fiscal year ending December 25, 1999 shall not exceed \$4,000,000. Such waiver of the Company's noncompliance relates only to the covenant expressly waived herein for the time period set forth and shall not be construed as a waiver of any other violations of this or any other covenant.

6. REPRESENTATIONS AND WARRANTIES. In order to induce the Bank to enter into this Seventh Amendment, the Company represents and warrants to the Bank that:

a. The execution and delivery of this Seventh Amendment, the execution

and delivery of all of the other documents executed in connection herewith, and the performance by the Company and the Guarantors of their obligations under this Seventh Amendment and all of the documents executed in connection herewith are within the corporate power of the Company and each Guarantor, have been duly authorized by all necessary corporate action, have received any required governmental or regulatory agency approvals and do not and will not contravene or conflict with any provision of law or of the Articles of Incorporation or Bylaws of the Company or any Guarantor or of any agreement binding upon the Company or any Guarantor or any of its property.

b. This Seventh Amendment and all of the documents executed by the Company and the Guarantors in connection herewith are the legal, valid and binding obligations of the Company and the Guarantors, enforceable against the Company and the Guarantors in accordance with their respective terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws enacted for the relief of debtors generally and other similar laws affecting the enforcement of creditors' rights generally or by equitable principles which may affect the availability of specific performance and other equitable remedies.

c. The representations and warranties contained in Section 3 of the Agreement are true and correct as of the date hereof except that the representations contained in Section 3.d. of the Agreement shall be deemed to refer to the latest financial statements furnished by the Company to the Bank.

d. No Event of Default or Unmatured Event of Default has occurred and is continuing as of the date of this Seventh Amendment, except as specifically waived herein.

7. CONDITIONS PRECEDENT. This Seventh Amendment shall become effective upon the Bank's receipt of the following, contemporaneously with the execution of this Seventh Amendment, each duly executed, dated and in form and substance satisfactory to the Bank:

- a. This Seventh Amendment;
- b. The Term Loan Note;
- c. The Commitment Fee of \$25,000;
- d. Receipt of payment of the reasonable legal fees and expenses of Bank's counsel at closing or immediately upon receipt by Borrower of an invoice therefor;
- e. Borrowing resolutions of the Board of Directors of Borrower; and
- f. Such other documents as the Bank may reasonably request.

8. PRIOR AGREEMENTS. The Agreement, as amended by this Seventh Amendment, supersedes all previous agreements and commitments made or issued by the Bank, related to all of the subjects of the Agreement, as amended by this Seventh Amendment, and any oral or written proposals or commitments made or issued by the Bank.

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9. AFFIRMATION. Except as expressly amended by this Seventh Amendment, all of the terms and conditions of the Agreement and each of the Loan Documents remains in full force and effect.

Executed and delivered on this 8TH day of DECEMBER, 1999.

ESCALADE, INCORPORATED

By: \S\JOHN R. WILSON

John R. Wilson,
Chief Financial Officer

BANK ONE, INDIANA, NATIONAL
ASSOCIATION

By: \S\STEVEN J. KRAKOSKI, VP

STEVEN J. KRAKOSKI, VP

(Printed Name and Title)

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EIGHTH AMENDMENT TO
AMENDED AND RESTATED CREDIT AGREEMENT

ESCALADE, INCORPORATED, an Indiana corporation (the "Company"), and BANK ONE, INDIANA, National Association, a national banking association (the "Bank") being parties to that certain Amended and Restated Credit Agreement dated as of May 31, 1996 as amended from time to time (collectively the "Agreement"), hereby agree to amend the Agreement by this Eighth Amendment to Amended and Restated Credit Agreement (the "Eighth Amendment"), on the terms and subject to the conditions set forth as follows-

1. DEFINITIONS.

a. Term used in this Eighth Amendment with their initial letter capitalized which are not defined herein shall have the meaning ascribed to them in the Agreement.

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

"CONSOLIDATED EBITDA" shall mean, with respect to any period of time, an amount equal to the sum of (i) the consolidated net income of the Company and the Subsidiaries determined with respect to such time period; plus (ii) to the extent deducted in determining such consolidated net income, an amount equal to the consolidated income tax, depreciation, amortization and interest expense of the Company and the Subsidiaries and determined with respect to such time period; plus (iii) \$2,000,000 of such items described in (i) and (ii) above and such adjustments as agreed to by the Bank resulting from the Zue Corporation asset acquisition effective as of December 25, 1999, provided that such amount added herein as a result of such acquisition, shall be reduced by 25% as of each fiscal quarter end hereinafter.

2. REVOLVING LOAN. Section 2.a(i) is hereby amended to change the amount of Advances which can be made under the Revolving Loan to amounts not exceeding Twelve Million and no/100 Dollars (\$12,000,000.00) in the aggregate at any time outstanding. The obligation to repay the Revolving Loan shall be evidenced by a promissory note in the form of EXHIBIT A to this Eighth Amendment.

3. AFFIRMATIVE COVENANTS. Section 5.g(iii) of the Agreement is hereby amended to read in its entirety as follows:

(iii) DEBT SERVICE COVERAGE. For each period of four consecutive fiscal quarters ending during the periods indicated in the table below, the Company shall maintain a debt service coverage ratio (hereinafter defined), determined on a consolidated basis, of not less than that indicated in the table below.

Period -----	Ratio -----
effective December 25, 1999 and through December 30,2000	1.10 to 1.0
At all times thereafter	1.20 to 1.0

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For purposes of this covenant, the phrase "debt service coverage ratio" means the ratio of (A) the sum of consolidated net income before taxes plus interest expense plus depreciation and amortization expense plus non-recurring and extraordinary charges, all for the period for which the ratio is being determined, over (B) the sum of scheduled Term Loan and other debt payments plus interest expense plus cash income taxes plus capital expenditure which were not financed, plus stock repurchases and cash dividends paid, all for the period for which such ratio is being determined.

4. REPRESENTATIONS AND WARRANTIES. In order to induce the Bank to enter into this Eighth Amendment, the Company represents and warrants to the Bank that:

a. The execution and delivery of this Eighth Amendment, the execution and delivery of all of the other documents executed in connection herewith, and the performance by the Company and the Guarantors of their obligations under this Eighth Amendment and all of the documents executed in connection herewith are within the Corporate power of the Company and each Guarantor, have been duly authorized by all necessary corporate action, have received any required governmental or regulatory agency approvals and do not and will not contravene or conflict with any provision of law or of the Articles of Incorporation or Bylaws of the Company or any Guarantor or of any agreement binding upon the Company or any Guarantor or any of its property.

b. This Eighth Amendment and all of the documents executed by the Company and the Guarantors in connection herewith are the legal, valid and binding obligations of the Company and the Guarantors, enforceable against the Company and the Guarantors in accordance with their respective terms, except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws enacted for the relief of debtors generally and other similar laws affecting the enforcement of creditors' rights generally or by equitable principles which may affect the availability of specific performance and other equitable remedies.

c. The representations and warranties contained in Section 3 of the Agreement are true and correct as of the date hereof except that the representations contained in Section 3.d. of the Agreement shall be deemed to refer to the latest financial statements furnished by the Company to the Bank.

d. No Event of Default or Unmatured Event of Default has occurred and is continuing as of the date of this Eighth Amendment, except as specifically waived herein.

5. CONDITIONS PRECEDENT. This Eighth Amendment shall become effective upon the Bank's receipt of the following, contemporaneously with the execution of this Eighth Amendment, each duly executed, dated and in form and substance satisfactory to the Bank:

- a. This Eighth Amendment;
- b. The Revolving Loan Note;
- c. Receipt of payment of the reasonable legal fees and expenses of Bank's

counsel at closing or immediately upon receipt by Borrower of an invoice therefor;

- d. Borrowing resolutions of the Board of Directors of Borrower; and
- e. Such other documents as the Bank may reasonably request.

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6. PRIOR AGREEMENTS. The Agreement, as amended by this Eighth Amendment, supersedes all previous agreements and commitments made or issued by the Bank, related to all of the subject matter of the Agreement, as amended by this Eighth Amendment, and any oral or written proposals or commitments made or issued by the Bank.

7. AFFIRMATION. Except as expressly amended by this Eighth Amendment, all of the terms and conditions of the Agreement and each of the Loan Documents remains in full force and effect.

Executed and delivered on this 17TH day of FEBRUARY 2000.

ESCALADE, INCORPORATED

By: \S\JOHN R. WILSON

John R. Wilson, Secretary

BANK ONE, INDIANA, NATIONAL
ASSOCIATION

By: \S\STEVEN J. KRAKOSKI, VP

\S\STEVEN J. KRAKOSKI, VP

(Printed Name and Title)

ESCALADE, INCORPORATED AND SUBSIDIARIES

LIST OF SUBSIDIARIES AT DECEMBER 25, 1999

PARENT	STATE OF OTHER JURISDICTION OF INCORPORATION	PERCENT OF VOTING SECURITIES OWNED BY PARENT
Escalade, Incorporated	Indiana	
Subsidiaries		
Indian Industries, Inc. (1)	Indiana	100%
Martin Yale Industries, Inc. (1)	Indiana	100%
Harvard Sports, Inc. (1)	California	100%
Master Products Manufacturing Company, Inc. (1)	California	100%

(1) Each subsidiary company so designated has been included in Consolidated Financial Statements for all periods following its acquisition. See Notes to Consolidated Financial Statements.

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INDEPENDENT AUDITOR'S CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 33-16279, 333-52475 and 333-52477 of Escalade, Incorporated (Company) on Form S-8 of our report dated February 3, 2000 on the consolidated financial statements of the Company appearing in the Company's Annual Report on Form 10-K for the year ended December 25, 1999.

OLIVE LLP

Evansville, Indiana
March 21, 2000

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<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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