ESCALADE INC
Form 10-K
March 27, 2009

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

Form 10-K

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

For the Fiscal Year Ended December 27, 2008

Or

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

For the transition period from _____________ to _____________

Commission File Number 0-6966

ESCALADE, INCORPORATED

(Exact name of registrant as specified in its charter)

Indiana	**13-2739290**
(State of incorporation)	(I.R.S. EIN)
817 Maxwell Ave, Evansville, Indiana	**47711**
(Address of Principal Executive Office)	(Zip Code)

812-467-4449
(Registrant s Telephone Number)

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

Common Stock, No Par Value	The NASDAQ Stock Market LLC
(Title of Class)	(Name of Exchange on Which Registered)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (do not check if a smaller reporting company)	Smaller reporting company x

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12 b-2 of the Exchange Act).
Yes o No x

Aggregate market value of common stock held by nonaffiliates of the registrant as of July 12, 2008 based on the closing sale price as reported on the NASDAQ Global Market: $41,257,654

The number of shares of Registrant s common stock (no par value) outstanding as of February 20, 2009: 12,616,042

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 24, 2009 are incorporated by reference into Part III of this Report.

Escalade, Incorporated and Subsidiaries

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Part I

ITEM 1 BUSINESS

General

Escalade, Incorporated (Escalade or Company) operates in two business segments: sporting goods and office products. Escalade and its predecessors have more than 75 years of manufacturing and selling experience in these two industries.

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

	2008	2007	2006
Sporting goods	66%	70%	71%
Office Products	34%	30%	29%
Total net sales	100%	100%	100%

For additional segment information, see Note 13 Operating Segment and Geographic Information in the consolidated financial statements.

Sporting Goods

Headquartered in Evansville, Indiana, Escalade Sports manufactures and distributes widely recognized brands in family game room and outdoor sporting goods products through traditional department stores, mass merchandise retailers, and sporting goods specific retailers. Escalade is the world s largest producer of table tennis tables. Some of the Company s most recognized brands include:

Product Segment	Brand Names
Table Tennis	Ping-Pong®, STIGA®
Pool Tables and Accessories	Mizerak , , Mosconi ,
Basketball Backboards and Goals	Goalrilla , Goaliath®, Silverback
Game Tables (Hockey and Soccer)	Harvard Game®, Rhino , Atomic
Archery	Trophy Ridge®, Bear Archery®
Fitness	The STEP®, USWeight
Play Systems	Woodplay®, Oasis

Sears historically was one of Escalade Sports largest customers and accounted for 18% and 19% of total consolidated revenues in 2007 and 2006 respectively. In 2008, sales to Sears accounted for 6% of total consolidated revenues, representing a decline of 12% from 2007. Although Escalade had been a preferred supplier of sporting goods products to Sears for more than 30 years and had won numerous awards from Sears for delivering outstanding products and services, the Company never had a long-term supplier contract with Sears. In 2008, the Company was unable to negotiate satisfactory terms for continued sales of table tennis and billiard tables, which products represented approximately 50% of total sales to Sears in 2007.

Escalade Sports manufactures in the U.S.A. and Mexico; and imports product from China, where the Company employs a number of contract manufacturers.

Certain products produced by Escalade Sports are subject to regulation by the Consumer Product Safety Commission. The Company believes it is in full compliance with all applicable regulations.

Office Products

Operating as Martin Yale, the office products business has a worldwide presence with manufacturing facilities in North America and Europe. Besides the sales offices located at each manufacturing plant, Martin Yale has sales offices in the United Kingdom, France, Spain, China, Italy, South Africa and Sweden.

Martin Yale products include: data shredders, paper trimmers, paper folding machines, paper drills, collators, bursting machines, letter openers, and office related products such as keyboard drawers and paper hole punches. Martin Yale brands include Martin Yale , Premier®, Master , Mead Hatcher , Intimus®, and Paper Monster®.

Martin Yale products are sold throughout office products retailers, wholesalers and catalog distributors. No single Martin Yale customer accounted for more than 10% of Office Product sales during 2008.

Marketing and Product Development

In both the sporting goods and office product business segments, Escalade has rigorously developed strategic plans to enhance and promote product branding. The Company constantly evaluates the quality-to-price paradigm of its customers, and then designs and redesigns its products to achieve the best fit. Marketing efforts are then initiated through its retail partners in the form of advertising and other promotion allowances. In general, the Company does not directly advertise to end-users.

In order to meet customer needs, each operating segment conducts its own independent research and development efforts to design new products and enhance already existing products. On a consolidated basis, the Company incurred research and development costs of approximately $2.3 million, $2.3 million and $2.2 million in 2008, 2007 and 2006, respectively.

Competition

Escalade is subject to competition with various manufacturers in 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 product 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, attract new customers and develop new products that satisfy the quality and price requirements of sporting goods and office product customers.

Licenses, Trademarks and Brand Names

The Company 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. The company also owns several registered trademarks and brand names including but not limited to Ping-Pong®, Fred Bear®, Goalrilla™, The Step®, and Wood Play® which are used in the Sporting Goods business segment and Premier® and Intimus® which are used in the Office Products business segment.

Backlog and Seasonality

Sales are based primarily on standard purchase orders and in most cases orders are shipped within the same month received. Unshipped orders at the end of the fiscal year (backlog), were not material, and therefore not an indicator of future results. Consumer demand for sporting goods is seasonal and driven by holiday season demand. Over the past three years approximately 58% of sporting goods sales came in the second half of the year. The Company expects sporting goods sales to continue to be seasonal in the future. Demand for Office Products has not been seasonal and is not expected to be so in the future.

Employees

The number of employees at December 27, 2008 and December 29, 2007 for each business segment were as follows:

	2008	2007
Sporting Goods		
USA	277	475
Mexico	214	149
	491	624
Office Products		
USA	106	111
Europe	134	115
Asia	8	14
	248	240
Total	739	864

The I.U.E./C.W.A. (United Electrical Communication Workers of America, AFL-CIO) represent hourly rated employees at the Escalade Sports Evansville, Indiana distribution center; approximately 30 employees at December 27, 2008. A 3-year labor contract was negotiated and renewed in April 2006; the new agreement expires on April 30, 2009. Management believes it has satisfactory relations with its employees.

Sources of Supplies

Raw materials for Escalade s various product lines consist of wood, steel, plastics, fiberglass and packaging. Escalade relies upon suppliers in various countries and upon various third party Asian manufacturers for certain of its game tables and non-security paper shredders. The Company believes that these sources will continue to provide adequate supplies as needed and that all other materials needed for the Company s various operations are available in adequate quantities from a variety of domestic and foreign sources.

SEC Reports

The Company s internet site (www.escaladeinc.com) makes available free of charge to all interested parties the Company s annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and all amendments to those reports, as well as all other reports and schedules filed electronically with the Securities and Exchange Commission (the Commission), as soon as reasonably practicable after such material is electronically filed with or furnished to the Commission. Interested parties may also find reports, proxy and information statements and other information on issuers that file electronically with the Commission at the Commission s internet site (http://www.sec.gov).

ITEM 1A RISK FACTORS

Sales declined in 2008 and could continue to decline in 2009.

Overall sales in both sporting goods and office products declined in 2008 due to a variety of factors, including consumer uncertainty generated by the poor economy in the United States and globally and lower than expected sell through on game room products such as table tennis and billiards. Sales may further decline in 2009. Recovering or replacing these declining or lost sales will be a significant challenge. The Company cannot provide any assurance that it will be able to recover or replace all or any portion of these declining or lost sales.

Sales to Escalade Sports largest customer declined significantly in 2008 and sales to this customer will continue to decline in 2009.

Sears historically was one of Escalade Sports largest customers and accounted for 18% and 19% of total consolidated revenues in 2007 and 2006 respectively. In 2008, sales to Sears accounted for 6% of total consolidated revenues, representing a decline of 12% from 2007. Although Escalade Sports had been a preferred supplier of sporting goods products to Sears for more than 30 years and had won numerous awards from Sears for delivering outstanding products and services, the Company never had a long-term supplier contract with Sears. In 2008, Escalade Sports was unable to negotiate satisfactory terms for continued sales of table tennis and billiard tables, which products represented approximately 50% of total sales to Sears in 2007. The Company stopped supplying those products to Sears in the second half of 2008, and does not expect to resume sales of those products to Sears in 2009. In addition, the Company cannot provide any assurance that it will continue to supply any other products to Sears and, therefore, sales to Sears will decline further in 2009 and in the future. Although the Company has achieved placement with other large mass-retail customers that will partially offset this lost business, it cannot provide any assurance that the Company will be able to recover or replace all or any portion of these declining or lost sales to Sears.

Markets are highly competitive and the Company may not continue to compete successfully.

The market for sporting goods and office products is highly fragmented and intensely competitive. Escalade competes with a variety of regional, national and international manufacturers for customers, employees, products, services and other important aspects of the business. In sporting goods, the Company has historically sold a large percentage of our sporting goods products to mass merchandisers, and has increasingly attempted to expand sales to specialty retail and dealer markets. Similarly, the Company has traditionally sold office products to office products retailers and specialty machine dealers. In addition to competition for sales into those distribution channels, vendors also must compete in sporting goods with large format sporting goods stores, traditional sporting goods stores and chains, and warehouse clubs, discount stores and department stores, and in office products with office supply superstores, computer and electronics superstores, contract stationers, and others. Some of the current and potential competitors are larger than Escalade and have substantially greater financial resources that may be devoted to sourcing, promoting and selling their products, and may discount prices more heavily than the Company can afford.

If the Company is unable to predict or react to changes in consumer demand, it may lose customers and sales may decline.

Success depends in part on the ability to anticipate and respond in a timely manner to changing consumer demand and preferences regarding sporting goods and office products. Products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to change. The Company often makes commitments to manufacture products months in advance of the proposed delivery to customers. If Escalade misjudges the market for products, sales may decline significantly. The Company may have to take significant inventory markdowns on unpopular products that are overproduced and/or miss opportunities for other products that may rise in popularity, both of which could have a negative impact on profitability. A major shift in consumer demand away from sporting goods or office products could also have a material adverse effect on business, results of operations and financial condition.

Business is seasonal and annual results are dependent on the success of second half sales.

Sporting goods business is seasonal in nature with the highest sales and operating income historically occurring during the third and fourth fiscal quarters due largely to the holiday selling season. In 2008, the holiday selling season was substantially slower than in recent years and approximately 52% of sporting goods sales came in the second half of the year. Any decrease in second half sales, whether because of a slow holiday selling season, the general deterioration of the economy or otherwise, could have a material adverse effect on business, financial condition and operating results for the entire fiscal year.

Quarterly operating results are subject to fluctuation.

Operating results have fluctuated from quarter to quarter in the past, and the Company expects that they will continue to do so in the future. Earnings may not continue to grow at rates similar to the growth rates achieved in recent years and may fall short of either a prior fiscal period or market expectations. Factors that could cause these quarterly fluctuations include the following: international, national and local general economic and market conditions; the size and growth of the overall sporting goods and office products markets; intense competition among manufacturers, marketers, distributors and sellers of products; demographic changes; changes in consumer preferences; popularity of particular designs, categories of products and sports; seasonal demand for products; the size, timing and mix of purchases of products; fluctuations and difficulty in forecasting operating results; ability to sustain, manage or forecast growth and inventories; new product development and introduction; ability to secure and protect trademarks, patents and other intellectual property; performance and reliability of products; customer service; the loss of significant customers or suppliers; dependence on distributors; business disruptions; increased costs of freight and transportation to meet delivery deadlines; changes in business strategy or development plans; general risks associated with doing business outside the United States, including, without limitation: exchange rates, import duties, tariffs, quotas and political and economic instability; changes in government regulations; any liability and other claims asserted against the Company; ability to attract and retain qualified personnel; and other factors referenced or incorporated by reference in this Form 10-K and any other filings with the Securities and Exchange Commission.

The Company is currently in default of certain financial covenants in its Credit Agreement with JPMorgan Chase Bank, N.A. and is in the process of restructuring the terms of the Credit Agreement.

As of the end of Escalade s 2008 fiscal second, third and fourth quarters, the Company was out of compliance with certain financial covenants (leverage ratio and debt service ratio) set forth in our $30,000,000 credit facility (the Credit Agreement) with JPMorgan Chase Bank, N.A. (Chase). On January 15, 2009 a letter was received from Chase, which notified Escalade that Chase considers the Company s failure to comply with each of the leverage ratio covenant and the debt service covenant to be an Existing Default under the Credit Agreement. Chase is not currently exercising its rights upon a default, but reserved its right to exercise any and all of its rights and remedies with respect to the Existing Defaults and has not waived any such rights and remedies.

Effective March 24, 2009 the Company entered into a commitment letter with JP Morgan Chase Bank, N.A (Chase) that provides for a secured, senior revolving credit facility in the maximum amount up to $50,000,000 and, through Chase s London branch, a secured, senior revolving credit facility in the maximum amount of up to 3,000,000 Euros upon certain terms and conditions. The new credit facility is expected to have a maturity date of May 17, 2010. A portion of the credit facility not in excess of $3,500,000 will be available for the issuance of commercial or standby letters of credit to be issued by Chase. While this commitment letter does not waive the current financial covenant defaults, it provides that such defaults will be waived upon execution of the definitive new credit agreement documents. The Company anticipates finalizing the new credit agreement by April 15, 2009, although there can be no assurances that such agreement will be entered into or, if completed, that it will be executed by that date.

Operating results may be impacted by changes in the economy that impact business and consumer spending.

In general, sales depend on discretionary spending by consumers. A deterioration of current economic conditions such as the deterioration experienced in both the United States and the global economy in 2008 adversely impacted sales in 2008 and continuing economic downturn could result in further declines in revenues and impair growth in 2009. Severely negative economic conditions could greatly impair the ability and willingness of consumers to buy products. Operating results are directly impacted by the health of the North American, European and Asian economies. Business and financial performance may be adversely affected by current and future economic conditions, including unemployment levels, energy costs, interest rates, recession, inflation, the impact of natural disasters and terrorist activities, and other matters that influence business and consumer spending.

If the national and global financial crisis intensifies, potential disruptions in the credit markets may adversely affect business, including the availability and cost of short-term funds for liquidity requirements and ability to meet long-term commitments, which could adversely affect results of operations, cash flows and financial condition.

If internal funds are not available from operations we may be required to rely on the banking credit and equity markets to meet financial commitments and short-term liquidity needs. Even if the Company is able to successfully restructure the credit facility as discussed above, disruptions in the capital and credit markets, as experienced during 2008, could adversely affect its ability to borrow pursuant to the Credit Agreement with Chase or to borrow from other financial institutions. Access to funds under the Credit Agreement or pursuant to arrangements with other financial institutions is dependent on Chase s or other financial institutions ability to meet funding commitments. Financial institutions, including Chase, may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience high volumes of borrowing requests from other borrowers within a short period of time.

Longer term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives or failures of significant financial institutions could adversely affect access to the liquidity needed for business. Any disruption could require the Company to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for our business needs can be arranged. Such measures could include deferring capital expenditures and reducing or eliminating future share repurchases, dividend payments or other discretionary uses of cash.

The current financial crisis in the United States and globally may have significant effects on customers and suppliers that would result in material adverse effects on business, operating results and stock price.

The current financial crisis in the United States and globally and the concern that the worldwide economy may enter into a prolonged recessionary period may materially adversely affect customers access to capital or willingness to spend capital on products and/or their levels of cash liquidity with which to pay for products that they will order or have already ordered from the Company. In addition, the current financial crisis may materially adversely affect suppliers access to capital and liquidity with which to maintain their inventories, production levels and/or product quality, could cause them to raise prices, lower production levels or result in their ceasing operations. Continuing adverse economic conditions in our markets would also likely negatively impact business, which could result in: (1) reduced demand for products; (2) increased price competition for products; (3) increased risk of excess or obsolete inventories; (4) increased risk of collectability of cash from customers; (5) increased risk in potential reserves for doubtful accounts and write-offs of accounts receivable; (6) reduced revenues and (7) higher operating costs as a percentage of revenues.

All of the foregoing potential consequences of the current financial crisis are difficult to forecast and mitigate. As a consequence, operating results for a particular period are difficult to predict, and, therefore, prior results are not necessarily indicative of future results to be expected in future periods. Any of the foregoing effects could have a material adverse effect on business, results of operations and financial condition and could adversely affect stock price.

Negative economic conditions could prevent us from accurately forecasting demand for our products which could adversely affect our operating results or market share.

The current negative economic conditions and market instability in the United States and globally makes it increasingly difficult for the Company, customers and suppliers to accurately forecast future product demand trends, which could cause the Company to produce excess products that can increase inventory carrying costs and result in obsolete inventory. Alternatively, this forecasting difficulty could cause a shortage of products, or materials used in products, that could result in an inability to satisfy demand for products and a loss of market share.

The Company may pursue strategic acquisitions, which could have an adverse impact on our business.

The Company has grown in part over the years, through acquisitions of complementary companies or businesses, which have been part of the strategic plan and may continue to pursue acquisitions in the future from time to time. Acquisitions may result in difficulties in assimilating acquired companies, and may result in the diversion of capital and management s attention from other business issues and opportunities. The Company may not be able to successfully integrate operations that it acquires, including their personnel, financial systems, distribution, and operating procedures. If the Company fails to successfully integrate acquisitions, business could suffer. In addition, the integration of any acquired business, and their financial results, may adversely affect operating results. Escalade will consider acquisitions in the future, but we currently do not have any agreements with respect to any such acquisitions.

Growth may strain resources, which could adversely affect business and financial performance.

Both the sporting goods and office products businesses have grown over the past several years through strategic acquisitions. Growth places additional demands on management and operational systems. If the Company is not successful in continuing to support operational and financial systems, expanding the management team and increasing and effectively managing customers and suppliers, growth may result in operational inefficiencies and ineffective management of the business, which could adversely affect the business and financial performance.

Ability to expand business will be dependent upon the availability of adequate capital.

The rate of expansion will also depend on the availability of adequate capital, which in turn will depend in large part on cash flow generated by the business and the availability of equity and debt capital. Escalade can make no assurances that it will be able to obtain equity or debt capital on acceptable terms or at all, especially considering the current disruptions in the credit markets.

Failure to improve operational efficiency and reduce administrative costs could have a material adverse effect on liquidity, financial position and results of operations.

The Company s ability to improve profit margins is largely dependent on the success of initiatives to streamline infrastructure, improve operational efficiency and reduction of administrative costs at every level of the Company. Failure to implement these initiatives successfully, or the failure of such initiatives to result in improved profitability, could have a material adverse effect on liquidity, financial position and results of operations.

Business may be adversely affected by the actions of and risks associated with third-party suppliers.

The raw materials that the Company purchases for manufacturing operations and many of the products that it sells are sourced from a wide variety of third-party suppliers. The Company cannot control the supply, design, function or cost of many of the products that are offered for sale and are dependent on the availability and pricing of key materials and products. Disruptions in the availability of raw materials used in production of these products may adversely affect sales and result in customer dissatisfaction. In addition, global sourcing of many of the products sold is an important factor in our financial performance. The ability to find qualified suppliers and to access products in a timely and efficient manner is a significant challenge, especially with respect to goods sourced outside the United States. Political instability, the financial instability of suppliers, merchandise quality issues, trade restrictions, tariffs, currency exchange rates, transport capacity and costs, inflation and other factors relating to foreign trade are beyond the Company s control.

Historically, instability in the political and economic environments of the countries in which the Company or its suppliers obtain products and raw materials has not had a material adverse effect on operations. However, the Company cannot predict the effect that future changes in economic or political conditions in such foreign countries may have on operations. In the event of disruptions or delays in supply due to economic or political conditions in foreign countries, such disruptions or delays could adversely affect results of operations unless and until alternative supply arrangements could be made. In addition, products and materials purchased from alternative sources may be of lesser quality or more expensive than the products and materials currently purchased abroad.

Deterioration in relationships with suppliers or in the financial condition of suppliers could adversely affect liquidity, financial position and results of operations.

Access to materials, parts and supplies is dependent upon close relationships with suppliers and the ability to purchase products from the principal suppliers on competitive terms. The Company does not enter into long-term supply contracts with these suppliers, and has no current plans to do so in the future. These suppliers are not required to sell to the Company and are free to change the prices and other terms. Any deterioration or change in the relationships with, or in the financial condition of our significant suppliers, could have an adverse impact on the ability to procure materials and parts necessary to produce products for sale and distribution. If any of the significant suppliers terminated or significantly curtailed its relationship with the Company or ceased operations, the Company would be forced to expand relationships with other suppliers, seek out new relationships with new suppliers or risk a loss in market share due to diminished product offerings and availability. Any change in one or more of these suppliers willingness or ability to continue to supply the Company with their products could have an adverse impact on liquidity, financial position and results of operations.

Escalade may be subject to product liability claims and the Company s insurance may not be sufficient to cover damages related to those claims.

The Company may be subject to lawsuits resulting from injuries associated with the use of sporting goods equipment and office products that it sells. The Company may incur losses relating to these claims or the defense of these claims. There is a risk that claims or liabilities will exceed our insurance coverage. In addition, the Company may be unable to retain adequate liability insurance in the future. In addition, the Company is subject to regulation by the Consumer Product Safety Commission and similar state regulatory agencies. If the Company fails to comply with government and industry safety standards, it may be subject to claims, lawsuits, fines and adverse publicity that could have a material adverse effect on our business, results of operations and financial condition.

Intellectual property rights are valuable, and any inability to protect them could reduce the value of products.

The Company obtains patents, trademarks and copyrights for intellectual property, which represent important assets to the Company. If the Company fails to adequately protect intellectual property through patents, trademarks and copyrights, our intellectual property rights may be misappropriated by others, invalidated or challenged, and our competitors could duplicate the Company s products or may otherwise limit any competitive design or manufacturing advantages. The Company believes that success is likely to depend upon continued innovation, technical expertise, marketing skills and customer support and services rather than on legal protection of intellectual property rights. However, the Company intends to aggressively assert its intellectual property rights when necessary.

The Company is subject to risks associated with laws and regulations related to health, safety and environmental protection.

Products, and the production and distribution of products, are subject to a variety of laws and regulations relating to health, safety and environmental protection. Laws and regulations relating to health, safety and environmental protection have been passed in several jurisdictions in which the Company operates in the United States and abroad. Although the Company does not anticipate any material adverse effects based on the nature of operations and the thrust of such laws, there is no assurance such existing laws or future laws will not have a material adverse effect on business, results of operations and financial condition.

International operations expose the Company to the unique risks inherent in foreign operations.

The Company has operations in Mexico and Europe, and relies on Asian suppliers for various raw materials and products. Foreign operations encounter risks similar to those faced by U.S. operations, as well as risks inherent in foreign operations, such as local customs and regulatory constraints, control over product quality and content, foreign trade policies, competitive conditions, foreign currency fluctuations and unstable political and economic conditions. The 2003 acquisition of Schleicher & Company, International AG in Germany and the Company s business relationships in Asia have increased our exposure to these foreign operating risks, which could have an adverse impact on international income and worldwide profitability.

The Company could be adversely affected by changes in currency exchange rates and/or the value of the United States dollar.

The Company is exposed to risks related to the effects of changes in foreign currency exchange rates and the value of the United States dollar. Changes in currency exchange rates and the value of the United States dollar can have a significant impact on earnings from international operations. While the Company carefully watches and attempts to manage exposure to fluctuation in currency exchange rates, these types of changes can have material adverse effects on business, results of operations and financial condition.

Failure to improve and maintain the quality of internal controls over financial reporting could materially and adversely affect the ability to provide timely and accurate financial information, which could harm the Company s reputation and share price.

Management is responsible for establishing and maintaining adequate internal controls over financial reporting for the Company to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Management cannot be certain that weaknesses and deficiencies in internal controls will not arise or be identified or that the Company will be able to correct and maintain adequate controls over financial processes and reporting in the future. Any failure to maintain adequate controls or to adequately implement required new or improved controls could harm operating results or cause failure to meet reporting obligations in a timely and accurate manner. Ineffective internal controls over financial reporting could also cause investors to lose confidence in reported financial information, which could adversely affect the trading price of the Company s common stock.

Disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. However, management, including the Chief Executive Officer and Chief Financial Officer, does not expect that disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Failure to effectively implement the global integrated information system (SURGE) could cause incorrect information or delays in getting information which could adversely affect the performance of the Company.

The Company began an integrated information systems evaluation process in the fourth quarter of 2007 which resulted in the selection of Oracle as its vendor. In 2008, the Company spent $6.6 million establishing the foundation and network for a system wide-roll out. The project experienced some delays and the system went live in the North American Office Products and one business entity within Sporting Goods in the beginning of 2009. Thus far in 2009 the Company has spent an additional $0.8 million dollars. For the remainder of 2009, the Company will not expand the new system to the other operational business entities and the decision of when to recommence the integrated system implementation has not been made. There can be no assurance the Company will have the necessary funds (estimated to be in excess of $2.0 million) or the staff to fully avail itself of the control features inherent in the system design. Without such utility, the Company management is faced with cumbersome and time consuming effort to manually consolidate information. Such inefficiencies and delays could cause sales and profit to decline and or could affect relationships with key customers and/or suppliers.

The preparation of financial statements requires the use of estimates that may vary from actual results.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States and the other countries in which the Company does business requires Management to make significant estimates that may affect financial statements. Due to the inherent nature of making estimates, actual results may vary substantially from such estimates, which could materially adversely affect out business, financial condition, and results of operations. For more information on our critical accounting estimates, please see the Critical Accounting Estimates section of this Form 10-K.

Changes in accounting standards could impact reported earnings and financial condition.

The accounting standard setters, including the Financial Accounting Standards Board, the International Accounting Standards Board, the Securities & Exchange Commission and the Public Company Accounting Oversight Board, periodically change the financial accounting and reporting standards that govern the preparation of our consolidated financial statements. These changes can be hard to predict and apply and can materially affect how the Company records and reports its financial condition and results of operations. In some cases, the Company could be required to apply a new or revised standard retrospectively, which may result in the restatement of prior period financial statements.

Effective tax rate may fluctuate.

We are a multi-national, multi-channel provider of sporting goods and office products. As a result, the Company s effective tax rate is derived from a combination of applicable tax rates in the various countries, states and other jurisdictions in which the Company operates. The effective tax rate may be lower or higher than our tax rates have been in the past due to numerous factors, including the sources of income, any agreement with taxing authorities in various jurisdictions, the tax filing positions taken in various jurisdictions and changes in the political environment in the jurisdictions in which the Company operates. We base estimates of an effective tax rate at any given point in time upon a calculated mix of the tax rates applicable to the Company and to estimates of the amount of business likely to be done in any given jurisdiction. The loss of one or more agreements with taxing jurisdictions, a change in the mix of business from year to year and from country to country, changes in rules related to accounting for income taxes, changes in tax laws and any of the multiple jurisdictions in which the Company operates, or adverse outcomes from tax audits that the Company may be subject to in any of the jurisdictions in which the Company operates, could result in an unfavorable change in the effective tax rate which could have an adverse effect on business and results of our operations.

The Company is currently not in compliance with NASDAQ requirements for continued listing of common stock.

The Company s common stock is currently not in compliance with NASDAQ rules for continued listing on the NASDAQ Global Market and is at risk of being delisted. The Company s common stock has not maintained a minimum $1.00 per share bid price for the prior 30 consecutive business days as required by NASDAQ Marketplace Rule 4450(a)(5). Additionally, the Company s common stock is currently at risk of not complying with NASDAQ Marketplace Rule 4450(a)(2) relating to continued listing on the NASDAQ Global Market. In accordance with Marketplace Rule 4450(a), companies must, among other requirements, maintain a market value of publicly held shares of at least $5,000,000. Although the market value of the Company s publicly held shares currently exceeds $5,000,000, the Company cannot provide any assurance it we will be able to meet this requirement in the future.

However, NASDAQ has suspended enforcement of the bid price and market value of publicly held shares requirements through July 20, 2009. If NASDAQ had not suspended enforcement of these requirements the Company likely would have received a notice of failure to comply with Marketplace Rule 4450(a)(5) and would have 180 days to regain compliance. If and when the suspension of the enforcement of the bid price or market value requirement is lifted by NASDAQ, there is no guarantee that the Company will be able to meet this bid price or market value of publicly held shares requirement. This may subject the Company to the risk of being delisted and would result in decreased liquidity of common stock.

The Company is considering the potential for voluntary delisting of its common stock with NASDAQ if the Company remains eligible for suspending its SEC reporting obligations under the Securities Exchange Act of 1934, as amended.

The Company has been subject to the periodic reporting obligations imposed by the Securities Exchange Act of 1934, as amended, since it went public in 1972. In complying with those reporting obligations and the additional requirements imposed upon public companies pursuant to the Sarbanes-Oxley Act of 2002, the Company incurs significant annual out-of-pocket costs. In addition, the time and attention required of management to comply with all such requirements is substantial. As a small public company, particularly in light of recent economic conditions, the Company has not been able to take full advantage of the potential benefits of being public yet must continue to satisfy all of the requirements to remain a public company. The rules and regulations of the SEC allow a public reporting company to suspend its public company reporting obligations if the company has no securities listed on a national stock exchange, has 300 or fewer stockholders of record and meets certain other requirements. If the Company were to delist its common stock from NASDAQ, whether voluntarily or involuntarily, the Company believes that it then would be eligible to suspend its reporting obligations under the Securities Exchange Act of 1934, as amended, because the Company currently has less than 300 stockholders of record. The Company s Board of Directors and management are in the process of exploring the advantages and disadvantages to the Company and its stockholders if the Company would no longer be a public reporting company. No final decisions have been made in this regard, but such actions would have a material impact on stockholders if taken.

The market price of common stock is likely to be highly volatile as the stock market in general can be highly volatile.

The public trading of common stock is based on many factors, which could cause fluctuation in the Company s stock price. These factors may include, among other things:

- General economic and market conditions;
- Actual or anticipated variations in quarterly operating results;
- Lack of research coverage by securities analysts;
- If securities analysts provide coverage, our inability to meet or exceed securities analysts estimates or expectations;
- Conditions or trends in our industry;
- Changes in the market valuations of other companies in our industry;
- Announcements by us or our competitors of significant acquisitions, strategic partnerships, divestitures, joint ventures or other strategic initiatives;
- Capital commitments;
- Additional or departures of key personnel;
- Sales and repurchases of our common stock; and
- The potential delisting of the Company s common stock from NASDAQ and the potential to cease being a public reporting company as discussed in the two risk factors set forth immediately above this risk factor.

Many of these factors are beyond the Company s control. These factors may cause the market price of the Company s common stock to decline, regardless of operating performance.

Information security may be compromised.

Through sales and marketing activities, the Company collects and stores certain information that customers provide to purchase products or services or otherwise communicate and interact with the Company. Despite instituted safeguards for the protection of such information, we cannot be certain that all of the systems are entirely free from vulnerability to attack. Computer hackers may attempt to penetrate the network security and, if successful, misappropriate confidential customer or business information. In addition, an employee, a contractor or other third party with whom we do business may attempt to circumvent the Company s security measures in order to obtain such information or inadvertently cause a breach involving such information. Loss of customer or business information could disrupt operations, damage the Company s reputation, and expose the Company to claims from customers, financial institutions, payment card associations and other persons, any of which could have an adverse effect on business, financial condition and results of operations. In addition, compliance with tougher privacy and information security laws and standards may result in significant expense due to increased investment in technology and the development of new operational processes.

Terrorist attacks or acts of war may seriously harm business.

Among the chief uncertainties facing the nation and the world and, as a result, business is the instability and conflict in the Middle East. Obviously, no one can predict with certainty what the overall economic impact will be as a result of these circumstances. Terrorist attacks may cause damage or disruption to the Company, employees, facilities and customers, which could significantly impact net sales, costs and expenses and financial condition. The potential for future terrorist attacks, the national and international responses to terrorist attacks, and other acts of war and hostility may cause greater uncertainty and cause business to suffer in ways the Company currently cannot predict.

These risks are not exhaustive.

Other sections of this Form 10-K may include additional factors which could adversely impact business and financial performance. Moreover, the Company operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all risk factors, nor can the Company assess the impact of all factors on business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

ITEM 1B UNRESOLVED STAFF COMMENTS

None.

ITEM 2 PROPERTIES

At December 27, 2008, the Company operated from the following locations:

Location	Square Footage	Owned or Leased	Use
Sporting Goods			
Evansville, Indiana, USA	359,000	Owned	Distribution; sales and marketing; administration
Evansville, Indiana, USA	82,500	Leased	Warehousing
Olney, Illinois, USA	108,500	Leased	Manufacturing and distribution
Gainesville, Florida, USA	154,000	Owned	Manufacturing and distribution
Rosarito, Mexico	66,500	Owned	Manufacturing and distribution
Rosarito, Mexico	108,200	Leased	Manufacturing
Reynosa, Mexico	126,800	Owned	Manufacturing and distribution
Raleigh, N. Carolina, USA	69,800	Leased	Manufacturing and distribution
Jacksonville, Florida, USA	18,000	Leased	Sales and marketing
Office Products			
Wabash, Indiana, USA	141,000	Owned	Manufacturing and distribution; sales and marketing; administration
Sanford, N. Carolina, USA	2,100	Leased	Sales and marketing
Markdorf, Germany	70,300	Owned	Manufacturing and distribution; sales and marketing; administration
Paris, France	1,335	Leased	Distribution; sales and marketing
Crawley, UK	8,300	Leased	Sales and marketing
Barcelona, Spain	8,600	Leased	Distribution; sales and marketing
Johannesburg, South Africa	4,800	Leased	Distribution; sales and marketing

At the end of 2008, the Company did not have any idle facilities. The Company made the decision to consolidate the Mexican production facilities into the Rosarito, Mexico location. The Reynosa facility is on the market to be sold and has been classified as held for sale in the Company s financial statements. The Company believes that its facilities are in satisfactory and suitable for their respective operations. The Company also believes that it is in compliance with all applicable environmental regulations and is not subject to any proceeding by any federal, state or local authorities regarding such matters. 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, but 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.

The Company is not aware of any probable or levied penalties against the Company relating to the American Jobs Creation Act.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Part II

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 Global 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 Global Market (formerly the NASDAQ National Market):

Prices	**High**	**Low**
2008		
Fourth quarter ended December 27, 2008	$ 2.54	$ 0.48
Third quarter ended October 4, 2008	5.40	2.51
Second quarter ended July 12, 2008	9.14	4.80
First quarter ended March 22, 2008	9.39	8.00
2007		
Fourth quarter ended December 29, 2007	$ 9.90	$ 8.78
Third quarter ended October 6, 2007	9.95	8.06
Second quarter ended July 14, 2007	10.01	8.85
First quarter ended March 24, 2007	10.78	8.98

The closing market price on February 20, 2009 was $0.40 per share.

Depending on profitability and cash flows from operations, the Board of Directors issues annual dividends. Based on the Company s 2008 performance, the Board has not declared a dividend in 2009. Dividends issued/declared during 2008 and 2007 are as follows:

Record Date	Payment Date	Amount per Common Share
March 9, 2007	March 16, 2007	$ 0.22
March 14, 2008	March 21, 2008	$ 0.25

There were approximately 218 holders of record of the Company s Common Stock at February 20, 2009. The approximate number of stockholders, including those held by depository companies for certain beneficial owners, was 652.

SHAREHOLDER RETURN PERFORMANCE GRAPH

Set forth below is a line graph comparing the yearly percentage change in the cumulative total shareholder return on the Company s common stock with that of the cumulative total return on the NASDAQ US Stock Market Index and the NASDAQ Non-Financial Stocks Index for the five year period ended December 27, 2008. The following information is based on an investment of $100, on January 1, 2003, in the Company s common stock, the NASDAQ US Stock Market Index and the NASDAQ Non-Financial Stocks Index, with dividends reinvested.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN

	2003	2004	2005	2006	2007	2008
Escalade Common Stock	100	79	70	65	57	5
NASDAQ US Stock Index	100	109	111	122	132	64
NASDAQ Non-Financial Stock Index	100	108	110	121	137	63

The above performance graph does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Company filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates the performance graph by reference therein.

ISSUER PURCHASES OF EQUITY SECURITIES

Period		(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
Shares purchases prior to 10/04/2008 under the current repurchase program.		982,916	$ 8.84	982,916	$ 2,273,939
Fourth quarter purchases:					
10/05/2008	11/01/2008	None	None	None	No Change
11/02/2008	11/30/2008	None	None	None	No Change
12/01/2008	12/27/2008	None	None	None	No Change
Total share purchases under the current program		982,916	$ 8.84	982,916	$ 2,273,939

The Company has one stock repurchase program which was established in February 2003 by the Board of Directors and which initially authorized management to expend up to $3,000,000 to repurchase shares on the open market as well as in private negotiated transactions. In each of February 2005 and 2006, August 2007 and February 2008 the Board of Directors increased the remaining balance on this plan to its original level of $3,000,000. The repurchase plan has no termination date and there have been no share repurchases that were not part of a publicly announced program.

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

At and For Years Ended	December 27, 2008	December 29, 2007	December 30, 2006	December 31, 2005	December 25, 2004
Income Statement Data					
Net sales					
Sporting goods	$ 98,039	$ 129,788	$ 136,733	$ 120,996	$ 141,644
Office Products	50,647	55,788	54,732	62,319	76,040
Total net sales	148,686	185,576	191,465	183,315	217,684
Net income (loss)	(7,496)	9,255	8,495	12,916	8,180
Weighted-average shares	12,684	12,901	13,012	13,055	12,980
Per Share Data					
Basic earnings (loss) per share	$ (0.59)	$ 0.72	$ 0.65	$ 0.99	$ 0.63
Cash dividends	$ 0.25	$ 0.22	$ 0.20	$ 0.15	$ 0.12
Balance Sheet Data					
Working capital	4,842	31,442	33,125	42,350	36,852
Total assets	147,701	152,016	150,715	124,860	134,969
Short-term bank debt	46,525	13,033	10,336	1,066	11,638
Long-term bank debt		19,135	22,609	18,487	15,542
Total stockholders equity	78,790	91,742	85,715	76,623	71,034

Fiscal year s 2005, 2006, 2007 and 2008 were adversely impacted by lower sales to Sears, a major sporting goods customer.

Fiscal year 2007 was positively impacted by the sale of rights to license potential future intellectual property.

Fiscal year 2006 was adversely impacted by the completion of a plan to rationalize certain products in the Office Products business.

Fiscal year 2005 the rationalization of certain products lowered sales in the Office Products business.

Fiscal year 2004 was negatively impacted by restructuring charges and a goodwill impairment loss.

ITEM 7 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
The following section should be read in conjunction with Item 1: Business; Item 1A: Risk Factors; Item 6: Selected Financial Data; and Item 8: Financial Statements and Supplementary Data.

Forward-Looking Statements

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

Overview

Escalade, Incorporated (Escalade or Company) manufactures and distributes products for two industries: Sporting Goods and Office Products. Within these industries the Company has successfully built a market presence in niche markets. This strategy is heavily dependent on expanding the customer base, barriers to entry, brand recognition and excellent customer service. A key strategic advantage is the Company s established relationships with major customers that allow the Company to bring new products to the market in a cost effective manner while maintaining a diversified product line and wide customer base. In addition to strategic customer relations, the Company has substantial manufacturing and import experience that enable it to be a low cost supplier.

A majority of the Company s products are in markets that are experiencing low growth rates. Where the Company enjoys a commanding market position, such as table tennis tables in the Sporting Goods segment and paper folding machines in the Office Products segment, revenue growth is expected to be roughly equal to general growth/decline in the economy. However, in markets that are fragmented and where the Company is not the dominant leader, such as archery in the Sporting Goods segment and data security shredders in the Office Products segment, the Company anticipates growth. To enhance internal growth, the Company has a strategy of acquiring companies or product lines that complement or expand the Company s product lines. A key objective is the acquisition of product lines with barriers to entry that the Company can take to market through its established distribution channels or through new market channels. Significant synergies are achieved through assimilation of acquired product lines into the existing company structure. Management believes that key indicators in measuring the success of this strategy are revenue growth, earnings growth and the expansion of channels of distribution. The following table sets forth the percentage growth in revenues and net income over the past three years:

	2008	2007	2006
Net revenue			
Sporting Goods	-24.5%	-5.1%	13.0%
Office Products	-9.2%	1.9%	-12.2%
Total	-19.9%	-3.1%	4.4%
Net Income	-181.0%	9.0%	-34.2%

Results of Operations

The following schedule sets forth certain consolidated statement of income data as a percentage of net revenue for the periods indicated:

	2008	2007	2006
Net revenue	100.0%	100.0%	100.0%
Cost of products sold	75.4%	70.8%	72.0%
Gross margin	24.6%	29.2%	28.0%
Selling, administrative and general expenses	26.8%	20.8%	20.6%
Impairment of assets	1.8%	0.0%	0.0%
Amortization	1.5%	1.4%	1.2%
Operating income (loss)	-5.5%	7.0%	6.2%

Consolidated Revenue and Gross Margin

Continued sales declines to mass market retail customers in the Sporting Goods business resulted in an overall decline of 24% in consolidated net revenues for 2008 compared to 2007. These declines in the mass market retail channel offset gains in the specialty retail and dealer channels. Revenues from the Office Products business decreased 9% in 2008 compared to 2007 due principally to changes in foreign exchange rates.

The overall gross margin in 2008 decreased in comparison to 2007 due to a combination of factors. Excess manufacturing capacity in the Sporting Goods business resulted in significant unfavorable manufacturing overhead variances. To remedy this, the Company has initiated a plan to reduce the number of manufacturing facilities. The first step in this process, closing the Evansville, Indiana factory has been completed and the Company has begun the second step which involves consolidating the Company s Mexican operations into one facility. The company ceased manufacturing operations in its Reynosa, Mexico facility on February 27, 2009 and will consolidate all Mexican operations into the Rosarito, Mexico facility. Other factors that negatively impacted gross margins include rising raw material prices (steel, particleboard and plastic resins); increased cost of goods imported from China, and the weak U.S. dollar. The Company has initiated efforts to mitigate these cost increases by raising selling prices. However, these actions will have a delayed effect due to the timing of customer catalog pricing and sales contracts.

Consolidated Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses (SG&A) were $ 39.9 million in 2008 compared to $38.5 million in 2007, an increase of $1.4 or 3.6%. In 2008, sales were much less than plan during the second half of the year, thus the ratio of fixed SG&A cost on declining sales base coupled with the one-time cost of $1.5 million associated with severance pay and the closing of two manufacturing plants in 2008 resulted in SG&A expenses as a percent of sales to be significantly greater than the prior year (26.8% versus 20.8%). To offset the SG&A increase, the Company implemented many costs saving initiatives including the reduction of staff by 20%, the voluntary reduction of officer and director salaries by 10% and other cost saving initiatives whose full result will not be felt until 2009. Additionally the reduction in SG&A costs in the Sporting Goods business is associated with the lack of a profit improvement bonus accrual based on the Company s lack of profitability. SG&A cost in the Office Products division remained relatively stable with a reduction in profit improvement bonus accrual offset by an increase in currency exchange in Europe. The increase in corporate administration costs is primarily attributed to computer software support for a new ERP system, employee relocation costs and stock options, offset by lower staff and salaries cited above.

Other Income

Other income decreased in 2008 compared to 2007 as a result of losses on the sale and impairment of securities totaling ($1.4) million in 2008 compared with a $1.5 million gain from the one-time sale of rights to license potential future intellectual property in 2007.

Provision for Income Taxes

The effective income tax rate in 2008 was higher relative to 2007 primarily due to taxation on repatriated earnings from the Company s foreign operations. Excluding the effects of this repatriation, the effective tax rate for 2008 would have been 29.6% compared to 29.6% and 25.9% in 2007 and 2006, respectively. The Company expects future effective tax rates to approximate the effective tax rate achieved in 2008 excluding the effect of repatriated earnings.

Sporting Goods

Net sales, operating income (loss), and net income (loss) for the Sporting Goods business segment for the three years ended December 27, 2008 were as follows:

In Thousands	2008	2007	2006
Net Revenue	$ 98,039	$ 129,788	$ 136,733
Operating income (loss)	(6,250)	7,745	7,835
Net income (loss)	(5,428)	5,341	3,562

Net revenue declined 24% in 2008 compared to 2007. Sales to the Company s mass market retail customers declined roughly 33% in 2008 compared to 2007 and reflect two factors: a general slowdown in the US economy which is adversely affecting mass retailers in general and a continued industry wide decline in consumer demand for game tables.

The Company continues to aggressively pursue opportunities with its mass market retail customers, but sales to this channel are expected to continue to decline. To counteract this trend, the Company continues to pursue a strategy of expanding certain product offerings and distribution through specialty retailers and dealers. Sales to these channels now comprise 45% of total revenues compared to 38% last year. Growth anticipated in the specialty retail and distributor channels are not expected to completely overcome expected significant declines in mass market retail channels, including diminished sales to Sears. Consequently the Company anticipates total 2009 sales for the Sporting Goods segment to be down from 2008.

Sales in 2007 were lower than 2006 due primarily to a reduction in sales to the mass market.

The gross margin ratio in 2008 decreased compared to 2007 due to continued pricing pressures from mass market retailers, higher material prices, factory absorption variances and product mix. As a result, operating income (loss) as a percentage of net revenue decreased to -6.4% in 2008 compared to 5.9% in 2007. Management anticipates operating income to increase in 2009 as 2008 personnel reductions and facility consolidations are realized.

Net income for 2008 decreased from 2007 due primarily to the one-time sale of rights to license potential future intellectual property, variances incurred in operations with the sales level decline, higher material prices and change in product mix.

Office Products

Net sales, operating income, and net income for the Office Products business segment for the three years ended December 27, 2008 were as follows:

In Thousands	2008	2007	2006
Net Sales	$ 50,647	$ 55,788	$ 54,732
Operating income	3,930	8,809	8,131
Net income	1,835	5,617	5,095

Sales in the Office Products business decreased 9.2% in 2008 compared to 2007 primarily due to lower sales to office supply mass-retailers in the U.S. which are being negatively impacted by the worsening economy and a slowdown in European sales due to slowing economy in Germany, France and Spain. Management anticipates further declines in sales to office product retailers as the global economy continues to decline. However, new product launches and an expanding presence in machine dealers is expected to lessen the impact of these declines.

Excluding the effect of changing foreign exchange rates, 2007 sales were essentially unchanged from 2006.

Profitability in the Office Products segment decreased in 2008 as evidenced by the ratio of operating income to net sales which decreased from 15.8% in 2007, to 7.8% in 2008. The primary reasons for this decline in profitability are raw material price and freight increases, foreign exchange rate fluctuations, under absorbed factory variances due to low sales and changes in product mix. Management anticipates operating income to increase in 2009 due to price increases, new product launches, realization of 2008 personnel reductions and a focus on the machine dealer channel which carries a higher gross margin.

Financial Condition and Liquidity

The current ratio, a basic measure of liquidity (current assets divided by current liabilities), decreased to 1.1 times in 2008 from 1.8 times in 2007. Total accounts receivable and inventories are down at the end of 2008 as a direct result of a lower sales volume.

The Company s use of cash was principally caused by the loss of business from mass retailers relative to the deteriorating economic conditions coupled with the rising cost of raw materials, freight and fixed costs associated with excess capacity. During the year, the Company authorized and paid a $3.2 million dividend and invested $6.6 million dollar capital expenditure to invest in its IT system for the future. Other significant uses of cash included $2.9 million in plant equipment, $0.5 million in acquisitions, repurchase of stock of $0.9 million, net proceeds received from the sale of investments of $1.5 million and proceeds from the exercise of stock options of $0.3 million and other miscellaneous items net. The result of the convergence of all these factors was a need by year-end to utilize $14.4 million in additional borrowings which moved total bank debt as a percent of stockholders equity from 35% in 2007 to 59% in 2008.

In 2009, the Company expects to spend approximately $2.5 million in capital expenditures. This reduction of capital expenditures, coupled with other actions discussed below, is expected to strengthen its financial condition and liquidity.

The Company s working capital requirements are primarily funded through cash flows from operations and revolving credit agreements with its bank. During 2008 the Company s maximum borrowings under its primary revolving credit lines totaled $54.8 compared to $52.4 million in 2007. The overall effective interest rate in 2008 was 4.1% which was lower than the effective rate of 6.7% in 2007. As discussed in Part I, Item 1A Risk Factors, the Company was out of compliance with certain financial covenants in its Credit Agreement with JPMorgan Chase Bank, N.A. as of the end of 2008.

The Company has a long standing relationship with its lender and has diligently worked to extend its credit facility into 2010 and to establish financial covenants that can be met. The Company has taken significant actions to preserve cash, increase liquidity and position it to operate in very difficult economic conditions. Specifically, the Company has consolidated three manufacturing plants into one thus eliminating the burdens of excess capacity that negatively affected 2008. It has increased prices, reduced head counts, reduced officer and director salaries, and implemented other overall expense savings. As a result, the Company expects to be positioned to lower its bank debt in 2009. The Company operates in an industry which has been adversely affected by the current economic conditions. The Company is currently operating under a forbearance letter with its primary lender; however as, disclosed previously, a commitment letter has been received from this lender to provide the Company with sufficient borrowing needs through May 17, 2010.

As a result of the external economic conditions, the Company experienced significant losses in the latter half of fiscal year 2008 and has been out of compliance with its loan covenants since the end of the second quarter, 2008. In response to the challenging economic environment, management began implementing a series of cost reduction measures during the third and fourth quarters of fiscal year 2008.

The Company expects its sales levels for fiscal year 2009 to be substantially lower than 2008. To help mitigate the declining sales expected to occur during fiscal year 2009, management will continue to implement several cost reduction measures. The Company believes that cash generated from its projected 2009 operations, the potential sale of its Reynosa facility, income tax refunds and the commitment of borrowings from its primary lender will provide it with sufficient cash flows for its operations.

It is possible that if the current economic conditions continue to deteriorate, this could have further adverse effects on the Company s ability to operate profitably during fiscal year 2009. To the extent that occurs, management intends to continue to make cost reductions and to continue realigning its infrastructure in an effort to match the Company s overhead and cost structure with the sales level dictated by current market conditions. Although not currently planned, realization of assets in other than the ordinary course of business in order to meet liquidity needs could incur losses not reflected in these financial statements.

New Accounting Pronouncements

Refer to Note 1 to the consolidated financial statements under the sub-heading New Accounting Pronouncements beginning on page 43.

Off Balance Sheet Financing Arrangements

The Company has no financing arrangements that are not recorded on the Company s balance sheet.

Contractual Obligations

The following schedule summarizes the Company s contractual obligations as of December 27, 2008:

Amounts in thousands		Payments Due by Period			
Contractual Obligations	Total	Less than 1 year	1 3 years	3 5 years	More than 5 years
Debt	$ 46,525	$ 46,525	$	$	$
Future interest payments (1)	1,954	1,954			
Operating Leases	2,732	1,204	1,490	38	
Minimum payments under royalty and license agreements	2,200	580	780	840	--
Total	$ 53,411	$ 50,263	$ 2,270	$ 878	$

Notes:

(1) Assumes that the Company will not increase borrowings under its long-term credit agreements and that the effective interest rate experienced in 2008 (4.1 %) will continue for the life of the agreements.

Critical Accounting Estimates

The methods, estimates and judgments used in applying the Company s accounting policies have a significant impact on the results reported in its financial statements. Some of these accounting policies require difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. The most critical accounting estimates are described below and in the Notes to the Consolidated Financial Statements.

Product Warranty
The Company provides limited warranties on certain of its products, for varying periods. Generally, the warranty periods range from 90 days to one year. However, some products carry extended warranties of seven-year, ten-year, and lifetime warranties. The Company records an accrued liability and expense for estimated future warranty claims based upon historical experience and management s estimate of the level of future claims. Changes in the estimated amounts recognized in prior years are recorded as an adjustment to the accrued liability and expensed in the current year. To the extent there are product defects in current products that are unknown to management and do not fall within historical defect rates, the product warranty reserve could be understated and the Company could be required to accrue additional product warranty costs thus negatively affecting gross margin.

Inventory Valuation Reserves
The Company evaluates inventory for obsolescence and excess quantities based on demand forecasts based on specified time frames, usually one year. The demand forecast is based on historical usage, sales forecasts and current as well as anticipated market conditions. All amounts in excess of the demand forecast are deemed to be potentially excess or obsolete and a reserve is established based on the anticipated net realizable value. To the extent that demand forecasts are greater than actual demand and the Company fails to reduce manufacturing output accordingly, the Company could be required to record additional inventory reserves which would have a negative impact on gross margin.

Allowance for Doubtful Accounts
The Company provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due between 30 and 60 days after the issuance of the invoice. Accounts are considered delinquent when more than 90 days past due. Delinquent receivables are reserved or written off based on individual credit evaluation and specific circumstances of the customer. To the extent that actual bad debt losses exceed the allowance recorded by the Company, additional reserves would be required which would increase selling, general and administrative costs.

Advertising Subsidies
The Company enters agreements with certain retailers to pay for direct advertising programs and/or provide in-store display units. These agreements are not based on retailer purchase volumes and do not obligate the retailer to continue carrying the Company s products in future years. The Company determines the value of the advertising services based on its own research and history of providing such services. The Company expenses these costs in the period in which they are incurred as a selling expense.

CO-OP Advertising
The Company offers co-operative advertising allowances to certain retailers to encourage product promotions. These agreements are typically based on a percentage of retailer purchases up to a maximum allowance and the Company is never directly involved with the media provider. The Company accrues the estimated cost of these programs based on the sales volume of the retailer and historical trends. As costs are accrued they are recorded as a reduction in sales. To the extent that actual co-operative advertising costs exceed the Company s estimates, additional co-operative advertising allowances would be required which would reduce net revenues.

Volume Rebates
The Company has various rebate programs with certain retailers that are based on purchase volume. Typically these programs are based on achieving specified sales volumes and the rebate is calculated as a percentage of purchases. Based on the terms of the agreement, purchase levels and historical trends the Company accrues the estimated cost of these programs and records the same as a reduction in sales. To the extent that actual rebate program costs exceed the Company s estimates, additional rebate program allowances would be required which would reduce net revenues.

Catalog Allowances
A number of large office supply dealers operate through catalogs distributed to businesses throughout the country. Product content is decided by the dealer each time a new catalog is issued; typically once a year. Catalog allowances are required by the dealer as an inducement to include the Company s products. The allowance is based on a fixed cost per page and/or a percentage of purchases by the dealer. The fixed portion of the allowance is often paid when the catalog is distributed and is recognized when incurred and the variable portion is accrued based on dealer purchases and historical trends. Catalog allowances are recorded as a reduction in sales. To the extent that actual catalog costs exceed the estimated costs associated with variable agreement provisions, additional catalog allowances would be required which would negatively impact net revenues.

Impairment of Goodwill
The Company annually tests for impairment of goodwill in accordance with SFAS No. 142 Goodwill and Other Intangible Assets . The Company engaged a valuation expert to assist them with their evaluation of the fair value of three separate reporting units, discussed below. The fair values were compared to their carrying value as of the year end. The first phase, of the goodwill impairment test requires that the fair value of the applicable reporting unit be compared with its recorded value. The Company establishes fair value by using a combination of a market approach and discounted cash flow approach. The discounted cash flow was determined by calculating the present value of the expected future cash flows of the reporting unit. The Company uses assumptions about expected future operating performance in determining estimates of those cash flows, which may differ from actual cash flows. If the recorded value of net assets of a reporting unit is less than the fair value calculated by the discounted cash flow analysis, management performs a phase two analysis which allocates the fair value of the reporting unit calculated in phase one to the specific tangible and intangible assets and liabilities of the reporting unit, which results in an implied fair value of goodwill. Goodwill is reduced by any shortfall of implied goodwill to its current carrying value.

The Company has three reporting units that require separate goodwill impairment analysis. Those reporting units are Escalade Sports (domestic sporting goods manufacturing), Martin Yale North America (domestic office products manufacturing) and Martin Yale Europe (international office products manufacturing). Significant assumptions used in each of the reporting units goodwill impairment testing are as follows:

Escalade Sports   The discount rate used in the 2008 discounted cash flow calculation was 11.5% compared to 6% for 2007. The higher discount rate was used based on advice from the outside valuation expert hired by the Company to assist in the valuation effort. Projected revenues for 2009 and beyond reflected the Company s best view of the current global economic situation, the status of new products and product improvements, and the projected cost of raw materials along with any other factors deemed material in projecting future outcomes. The Company used a combination of discounted cash flow and market approach giving equal weight to both methods in determining the fair value of the Escalade Sports reporting unit.

Martin Yale North America   The discount rate used in the 2008 discounted cash flow calculation was 10% compared to 6% for 2007. The higher discount rate was used based on advice from the outside valuation expert hired by the Company to assist in the valuation effort. Projected revenues for 2009 and beyond reflected the Company s best view of the current global economic situation, the status of new products and product improvements, and the projected cost of raw materials along with any other factors deemed material in projecting future outcomes. The Company used a combination of discounted cash flow and market approach giving equal weight to both methods in determining the fair value of the Martin Yale North America reporting unit.

Martin Yale North America   The discount rate used in the 2008 discounted cash flow calculation was 10% compared to 6% for 2007. The higher discount rate was used based on advice from the outside valuation expert hired by the Company to assist in the valuation effort. Projected revenues for 2009 and beyond reflected the Company s best view of the current global economic situation, the status of new products and product improvements, and the projected cost of raw materials along with any other factors deemed material in projecting future outcomes. The Company used a discounted cash flow as it was determined that comparable market data was not available to compute a market approach value for Martin Yale Europe reporting unit.

Long Lived Assets
The company evaluates the recoverability of certain long-lived assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Estimates of future cash flows used to test recoverability of long-lived assets include separately identifiable undiscounted cash flows expected to arise from the use and eventual disposition of the assets. Where estimated future cash flows are less than the carrying value of the assets, impairment losses are recognized based on the amount by which the carrying value exceeds the fair value of the assets. The fair value of certain assets was determined based on the held for use classification at year end. The Company may incur additional impairment charges or losses on divestitures of these assets being classified as held for sale.

During 2008, the Company s Sporting Goods segment recognized an impairment loss of $2.6 million related to an asset held for sale . During 2008, the Company made the decision to consolidate Mexican operations into their Rosarito, Mexico facility. Production at the Reynosa, Mexico facility ceased at the end of February 2009. The Reynosa facility and certain pieces of equipment are currently on the market to be sold. The Company has held various discussions and negotiations and has considered purchase offers from third parties in determining the current market value in order to calculate the impairment loss.

Equity Method Investments
The Company has minority equity positions in companies strategically related to the Company s business, but does not have control over these companies. The accounting method employed is dependent on the level of ownership and degree of influence the Company can exert on operations. Where the equity interest is less than 20% and the degree of influence is not significant, the cost method of accounting is employed. Where the equity interest is greater than 20% but not more than 50%, the equity method of accounting is utilized. Under the equity method, the Company s proportionate share of net income (loss) is recorded in other income on the consolidated statements of operations. The proportionate share of net income was $1,054 thousand, $1,354 thousand and $1,290 thousand in 2008, 2007 and 2006, respectively. Total cash dividends received from these equity investments amounted to $49 thousand, $39 thousand, and $434 thousand in 2008, 2007 and 2006, respectively. The Company considers whether the fair values of any of its equity investments have declined below their carrying value whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. If the Company considered any such decline to be other than temporary (based on various factors, including historical financial results, product development activities and overall health of the investments industry), a write-down is recorded to estimated fair value. The Company tested for impairment of the major component in this asset category. The Company uses assumptions about expected future operating performance in determining estimates of those cash flows, which may differ from actual cash flows. If the recorded values of these assets are not recoverable, based on this discounted cash flow analysis, management will adjust the recorded values to fair value. The Company determined that there was no impairment indicated for the years ended December 27, 2008 or December 29, 2007.

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 2008. The Company attempts to pass on increased costs and expenses through price increases when necessary. The Company is working on reducing expenses; improving manufacturing technologies; and redesigning products to keep these costs under control.

Capital Expenditures

As of December 27, 2008, the Company had no material commitments for capital expenditures. However, in the first quarter of 2008, the Company initiated a project to implement a global integrated information system. In 2008, the Company spent $6.6 million related to this project. The Company went live with the install at its North American Office Products business entity and one division of the Sporting Goods business entity. Through February, 2009, the Company has spent an additional $0.8 million relative to the install at each of these entities. At this point, the Company has suspended further implementation until it has had sufficient time to evaluate the results of what has been installed. When the decision is made to recommence the install schedule, the Company believes it will need to spend an additional $2.0 million to complete the hardware and software system integration.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to financial market risks, including changes in currency exchange rates, interest rates and marketable equity security prices. The Company attempts to minimize these risks through regular operating and financing activities and, when considered appropriate, through the use of derivative financial instruments. During fiscal 2008, the only derivative in use was an interest rate swap agreement, which was settled during the second quarter of 2008. The Company does not purchase, hold or sell derivative financial instruments for trading or speculative purposes.

Interest Rates

The Company s exposure to market-rate risk for changes in interest rates relates primarily to its revolving variable rate bank debt which is based on both U.S. prime and LIBOR interest rates. A hypothetical 1% or 100 basis point change in interest rates would not have a significant effect on our consolidated financial position or results of operation.

Foreign Currency

The Company conducts business in various countries around the world and is therefore subject to risks associated with fluctuating foreign exchange rates. Approximately 17% of consolidated revenue is derived from sales outside of the U.S. This revenue is generated from the operations of the Company s subsidiaries in their respective countries and surrounding geographic areas and is primarily denominated in each subsidiary s local functional currency. These subsidiaries incur most of their expenses (other than inter-company expenses) in their local functional currency and include the Euro, Great Britain Pound Sterling, Mexican Peso and Chinese Yuan.

The geographic areas outside the United States in which the Company operates are generally not considered to be highly inflationary. Nonetheless, the Company s foreign operations are sensitive to fluctuations in currency exchange rates arising from, among other things, certain inter-company transactions that are denominated in currencies other than the respective functional currency. Operating results as well as assets and liabilities are also subject to the effect of foreign currency translation when the operating results, assets and liabilities of our foreign subsidiaries are translated into U.S. dollars in our consolidated financial statements. The unrealized effect of foreign currency translation in 2008 resulted in a $2.3 million loss that was recorded in stockholders equity as other comprehensive income (loss), compared to a $2.3 million gain in 2007 and a $2.4 million gain in 2006. At December 27, 2008, a hypothetical change of 10% in foreign currency exchange rates would cause a $2.3 million change to stockholders equity on our consolidated balance sheet and a $50,000 change to net income in our consolidated statement of operations.

The Company and its subsidiaries conduct substantially all their business in their respective functional currencies to avoid the effects of cross-border transactions. To protect against reductions in value and the volatility of future cash flows caused by changes in currency exchange rates, the Company carefully considers the use of transaction and balance sheet hedging programs such as matching assets and liabilities in the same currency. Such programs reduce, but do not entirely eliminate, the impact of currency exchange rate changes. The Company has evaluated the use of currency exchange hedging financial instruments but has determined that they would not use such instruments under the current circumstances. Historical trends in currency exchanges indicate that it is reasonably possible that adverse changes in exchange rates of 20% for the Euro could be experienced in the near term. A hypothetical adverse change of 20% would have resulted in a decline of 3.6% in net revenues and a 1.3% increase in net loss.

Marketable Securities

An adverse movement of equity market prices has impacted the Company s long-term marketable equity securities available for sale that are included in investments on the consolidated balance sheets and resulted in an other than temporary impairment adjustment of $.9 million during 2008. At December 27, 2008 the aggregate fair market value of long-term marketable equity securities available for sale was $1.2 million. Due to the unpredictable nature of the equity market the Company has not employed any hedge programs relative to these investments.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
The financial statements and supplementary data required by Item 8 are set forth in Part IV, Item 15.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE
None.

ITEM 9A CONTROLS AND PROCEDURES
Evaluation of Disclosure Controls and Procedures

Escalade maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company s Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to the Company s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of disclosure controls and procedures in Rule 13a-14(c). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Also, the Company has investments in certain unconsolidated entities. As the Company does not control or manage these entities, its disclosure controls and procedures with respect to such entities are necessarily substantially more limited than those it maintains with respect to its consolidated subsidiaries.

The Company carried out an evaluation, under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, the Company s Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective.

Management s Report on Internal Control over Financial Reporting

Escalade s management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Escalade s internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting of the Company includes those policies and procedures that:

(1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions of the Company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company s assets that could have a material effect on the Company s financial statements.

All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error or circumvention through collusion or improper overriding of controls. Therefore, even those internal control systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

The management of Escalade assessed the effectiveness of the Company s internal control over financial reporting as of December 27, 2008. In making its assessment of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework* and implemented a process to monitor and assess both the design and operating effectiveness of the Company s internal controls. Based on this assessment, management believes that, as of December 27, 2008, the Company s internal control over financial reporting was effective.

This annual report on Form 10-K does not include an attestation report of the Company s registered public accounting firm regarding internal control over financial reporting. Management s report regarding internal control over financial reporting was not subject to attestation by the Company s registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management s report in this annual report on Form 10-K. In addition, this report by management regarding internal control over financial reporting is specifically not incorporated by reference into this annual report on Form 10-K or into any other filing by the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

/s/ Robert J. Keller, Chief Executive Officer *   /s/ Deborah J. Meinert, Chief Financial Officer*

Changes in Internal Control over Financial Reporting

Management of the Company has evaluated, with the participation of the Company s Chief Executive Officer and Chief Financial Officer, changes in the Company s internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the fourth quarter of 2008. In connection with such evaluation, there have been no changes to the Company s internal control over financial reporting that occurred since the beginning of the Company s fourth quarter of 2008 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

ITEM 9B OTHER INFORMATION

None.

Part III

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

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 24, 2009 under the captions Certain Beneficial Owners, Election of Directors, Executive Officers of the Registrant, Board of Directors, Its Committees, Meetings and Functions, and Beneficial Ownership Reporting Compliance 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 24, 2009 under the captions Compensation Discussion and Analysis, Compensation Committee Interlocks and Insider Participation, Compensation Committee Report and Executive Compensation and is incorporated herein by reference, except that the information required by Item 407(e)(5) of Regulation S-K which appears under the caption Report of Compensation Committee is 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 AND RELATED STOCKHOLDER MATTERS

Except for the information required by Item 201(d) of Regulation S-K, which is included below, information required by this item is contained in the registrant s proxy statement relating to its annual meeting of stockholders scheduled to be held on April 24, 2009 under the captions Certain Beneficial Owners and Election of Directors and is incorporated herein by reference.

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance
Equity compensation plans approved by security holders (1)	390,867	$ 13.92	974,767
Equity compensation plans not approved by security holders			
Total	390,867		974,767

(1) These plans include the Company s 1997 Incentive Stock Option Plan, the 1997 Director Stock Option Plan, the Escalade, Incorporated 2007 Incentive Plan and a special grant of 10,000 options to Directors approved at the 2006 annual shareholders meeting.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 407(a) of Regulation S-K is contained in the registrant s proxy statement relating to its annual meeting of stockholders to be held on April 24, 2009 under the captions Election of Directors and Board of Directors, Its Committees, Meetings and Functions and is incorporated herein by reference. The information required by Item 404 of Regulation S-K is: None.

ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is contained in the registrant s proxy statement relating to its annual meeting of stockholders scheduled to be held on April 24, 2009 under the caption Principal Accounting Firm Fees and is incorporated herein by reference.

Part IV

ITEM 15 EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

(1) **Financial Statements**
Report of Independent Registered Public Accounting Firm
Consolidated financial statements of Escalade, Incorporated and subsidiaries:
Consolidated balance sheets December 27, 2008 and December 29, 2007
Consolidated statements of operations fiscal years ended December 27, 2008, December 29, 2007, and December 30, 2006
Consolidated statements of stockholders equity fiscal years ended December 27, 2008, December 29, 2007, and December 30, 2006
Consolidated statements of cash flows fiscal years ended December 27, 2008, December 29, 2007, and December 30, 2006
Notes to consolidated financial statements

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

(3) Exhibits

3.1 Articles of incorporation of Escalade, Incorporated (a)

3.2 By-Laws of Escalade, Incorporated (a)

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

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

10.2 Amended and Restated Credit Agreement dated October 24, 2001 between Escalade, Incorporated and Bank One, Indiana, N.A. dated August 29, 2002 (g)

10.3 First Amendment to Amended and Restated Credit Agreement dated October 24, 2001 between Escalade, Incorporated and Bank One, Indiana, N.A. dated August 29, 2002 (h)

10.4 Third Amendment to amend and restate the credit agreement between Escalade, Incorporated and Bank One, N.A. The effective date is June 1, 2003 (i)

10.5 Credit Agreement dated as of September 5, 2003 by and between Indian-Martin, Inc. and Bank One, National Association (excluding exhibits and schedules not deemed to be material). The effective date is September 7, 2003 (j)

10.6 Revolving Note dated as of September 5, 2003 in principal amount of $45,000,000, executed by Indian-Martin, Inc. in favor of Bank One, National Association (j)

10.7 Pledge Agreement dated as of September 5, 2003 by and between Indian-Martin, Inc. and Bank One, National Association (j)

10.8 Collateral Assignment and Security Agreement dated as of September 5, 2003 by and between Indian-Martin, Inc. and Bank One, National Association (j)

10.9 Receivables Purchase Agreement dated as of September 5, 2003 by and between Indian-Martin, Inc. and Indian-Martin AG (j)

10.10 Receivables Purchase Agreement dated as of September 5, 2003 by and between Indian-Martin, Inc. and Indian Industries, Inc. Substantially similar Receivables Purchase Agreements were also entered into by Indian-Martin, Inc. and each of Escalade, Incorporated s other domestic operating subsidiaries, Harvard Sports, Inc., Martin Yale Industries, Inc., Master Products Manufacturing Company, Inc., U.S. Weight, Inc. and Bear Archery, Inc. (j)

10.11 Services Agreement dated as of September 5, 2003 by and between Indian-Martin, Inc. and Martin Yale Industries, Inc. Substantially similar Services Agreements were also entered into by Indian-Martin, Inc. and each of Escalade, Incorporated s other domestic operating subsidiaries, Harvard Sports, Inc., Indian Industries, Inc., Master Products Manufacturing Company, Inc., U.S. Weight, Inc. and Bear Archery, Inc. (j)

10.12 Escalade Subordination Agreement dated as of September 5, 2003 between Escalade, Incorporated and Bank One, National Association (j)

10.13 Offset Waiver Agreement dated as of September 5, 2003 between Escalade, Incorporated, Bank One, National Association, Indian-Martin, Inc., Harvard Sports, Inc., Indian Industries, Inc., Martin Yale Industries, Inc., Master Products Manufacturing Company, Inc., U.S. Weight, Inc. and Bear Archery, Inc. (j)

10.14 Loan Agreement dated September 1, 1998 between Martin Yale Industries, Inc. and City of Wabash, Indiana (f)

10.15 Trust Indenture between the City of Wabash, Indiana and Bank One Trust Company, NA as Trustee dated September 1, 1998 relating to the Adjustable Rate Economic Development Revenue Refunding Bonds, Series 1998 (Martin Yale Industries, Inc. Project) (f)

10.16 First Amendment to Credit Agreement dated September 5, 2003 by and between Indian-Martin, Inc. and Bank One, National Association, a national banking association. The Effective date of the Amendment was July 15, 2004. (k)

10.17 Fourth amendment to amended and restated credit agreement dated June 1, 2003 by and between Escalade, Incorporated and Bank One, N.A. a national banking association. The Effective date of amendment was July 15, 2004. (l)

10.18 Euro revolving note dated July 15, 2004, in principal amount of 2,500,000, executed by Escalade, Incorporated in favor of Bank One, N.A., London branch. (l)

10.19 Uncommitted overdraft facility not to exceed 1.0 million Euro and 500 thousand pounds sterling between Escalade, Incorporated and Bank One, N.A., London branch. (l)

10.20 Sixth Amendment to Amended and Restated Credit Agreement effective October 24, 2001 by and between Escalade, Incorporated and JPMorgan Chase Bank, NA. The effective date of the Amendment was May 19, 2006. (n)

10.21 Seventh Amendment to Amended and Restated Credit Agreement effective October 24, 2001 by and between Escalade, Incorporated and JPMorgan Chase Bank, NA. The effective date of the Amendment was July 1, 2006. (n)

10.22 Promissory Note between Escalade, Incorporated and JPMorgan Chase Bank, NA. Dated July 1, 2006. (n)

10.23 Second Amendment to Credit Agreement dated September 5, 2003 by and between Indian-Martin, Inc. and JPMorgan Chase Bank, NA. The effective date of the Amendment was July 1, 2006. (n)

10.24 Promissory Note between Indian-Martin, Inc. and JPMorgan Chase Bank, NA. Dated July 1, 2006. (n)

10.25 Eighth Amendment to Amended and Restated Credit Agreement effective October 24, 2001 by and between Escalade, Incorporated and JPMorgan Chase Bank, NA. The effective date of the Amendment was May 17, 2007. (p)

10.26 Promissory note between Escalade, Incorporated and JPMorgan Chase Bank, NA dated May 17, 2007. (p)

10.27 Promissory note between Escalade, Incorporated and JPMorgan Chase Bank, NA dated May 17, 2007. (p)

(4) Executive Compensation Plans and Arrangements

10.25 The Harvard Sports/Indian Industries, Inc. 401(k) Plan as amended and merged in 1993 (c)

10.26 Martin Yale Industries, Inc. 401(k) Retirement Plan as amended in 1993 (c)

10.27 Incentive Compensation Plan for Escalade, Incorporated and its subsidiaries (a)

10.28 Example of contributory deferred compensation agreement between Escalade, Incorporated and certain management employees allowing for deferral of compensation (a)

10.29 1997 Director Stock Compensation and Option Plan (e)

10.30 1997 Incentive Stock Option Plan (e)

10.31 1997 Director Stock Compensation and Option Plan Certificate (m)

10.32 1997 Incentive Stock Option Plan Certificate (m)

10.33 Agreement dated April 19, 2006 by and between Charles William Reed and Escalade, Incorporated (Management Contract) (n)

10.34 Relocation and retention agreement dated July 24, 2006 by and between Escalade, Incorporated and Terry Frandsen. (Management Contract) (o)

10.35 Escalade, Incorporated 2007 Incentive Plan, incorporated by reference herein from Annex 1 to the Registrant s 2007 Definitive Proxy Statement. (p)

10.36 Employment offer letter dated July 23, 2007 between Robert Keller and Escalade, Inc. (q)

10.37 Form of Restricted Stock Unit Agreement utilized in Restricted Stock Unit grants pursuant to the Escalade Incorporated 2007 Incentive Plan. (r)

10.38 Escalade, Incorporated schedule of Directors Compensation

10.39 Escalade, Incorporated schedule of Executive Officers Compensation

10.40 Ninth Amendment to Amended and Restricted Credit Agreement effective October 24. 2001 by and between Escalade, Incorporated and JPMorgan Chase Bank, N.A. dated May 31, 2008 (s)

10.41	Fourth Amendment to Amended and Restated Credit Agreement effective September 5, 2003 by and between Indian-Martin, Inc. and JPMorgan Chase Bank, N.A. dated May 31, 2008. (s)
21	Subsidiaries of the Registrant
23.1	Consent of BKD, LLP
23.2	Consent of FALK & Co GmbH
31.1	Chief Executive Officer Rule 13a-14(a)/15d-14(a) Certification
31.2	Chief Financial Officer Rule 13a-14(a)/15d-14(a) Certification
32.1	Chief Executive Officer Section 1350 Certification
32.2	Chief Financial Officer Section 1350 Certification

(a)	Incorporated by reference from the Company s 20007 First Quarter Report on Form 10-Q
(b)	Intentionally not used
(c)	Incorporated by reference from the Company s 1993 Annual Report on Form 10-K
(d)	Incorporated by reference from the Company s 1995 Annual Report on Form 10-K
(e)	Incorporated by reference from the Company s 1997 Proxy Statement
(f)	Incorporated by reference from the Company s 1998 Third Quarter Report on Form 10-Q
(g)	Incorporated by reference from the Company s 2001 Third Quarter Report on Form 10-Q
(h)	Incorporated by reference from the Company s 2002 Third Quarter Report on Form 10-Q
(i)	Incorporated by reference from the Company s 2003 Second Quarter Report on Form 10-Q
(j)	Incorporated by reference from the Company s 2003 Third Quarter Report on Form 10-Q
(k)	Incorporated by reference from the Company s 2004 Second Quarter Report on Form 10-Q
(l)	Incorporated by reference from the Company s 2004 Third Quarter Report on Form 10-Q
(m)	Incorporated by reference from the Company s 2004 Annual Report on Form 10-K
(n)	Incorporated by reference from the Company s 2006 Second Quarter Report on Form 10-Q
(o)	Incorporated by reference from the Company s 2006 Third Quarter Report on Form 10-Q
(p)	Incorporated by reference from the Company s 2007 Second Quarter Report on Form 10-Q
(q)	Incorporated by reference from the Company s 2007 Third Quarter Report on Form 10-Q
(r)	Incorporated by reference from the Company s Form 8-K filed on February 29, 2008
(s)	Incorporated by reference from the Company s Form 8-K filed on June 5, 2008

Escalade, Incorporated and Subsidiaries

Index to Financial Statements

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

Reports of Independent Registered Public Accounting Firms

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

We have audited the accompanying consolidated balance sheets of Escalade, Incorporated (Company) as of December 27, 2008, and December 29, 2007, and the related consolidated statements of operations, stockholders equity and cash flows for each of the years in the three-year period ended December 27, 2008. The Company s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the 2008, 2007 and 2006 consolidated financial statements of Martin Yale International, GmbH, a wholly owned subsidiary, which consolidated statements reflect total assets of $20,074, $22,944 and $28,391 and net sales of $26,991, $30,943 and $24,378 (dollars in thousands) for 2008, 2007 and 2006, respectively, included in the related consolidated financial statement amounts as of and for the years ended December 27, 2008, December 29, 2007, and December 30, 2006. Those consolidated statements were audited by other accountants, whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for Martin Yale International, GmbH, is based solely on the reports of the other accountants.

Our audits also included auditing the adjustments to convert the financial statements of Martin Yale International, GmbH into accounting principles generally accepted in the United States of America for purposes of consolidation.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting for 2008. Our 2008 audit of the consolidated financial statements included consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. Our audits also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits and the reports of the other accountants provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other accountants, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 27, 2008, and December 29, 2007, and the results of its operations and its cash flows for each of the years in the three-year period ended December 27, 2008, in conformity with accounting principles generally accepted in the United States of America.

/s/ BKD, LLP

Evansville, Indiana
March 27, 2009

FALK & Co

Reports of Independent Registered Public Accounting Firms

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

We have audited the accompanying balance sheet of Martin Yale International GmbH, Markdorf/Germany (the Company) as of December 31, 2008 and December 31, 2007 and the related statement of income for each of the three years in the period ended December 31, 2008. The financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2008 and December 31, 2007 and the result of its operations for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in Germany.

/s/ FALK & Co GmbH

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft
Heidelberg/Germany,
March 27, 2009

Escalade, Incorporated And Subsidiaries
Consolidated Balance Sheets

All Amounts in Thousands Except Share Information	**December 27, 2008**	December 29, 2007
Assets		
Current assets		
Cash and cash equivalents	**$ 3,617**	$ 2,808
Receivables, less allowances of $1,114 and $1,087	**27,178**	30,639
Inventories	**29,860**	32,541
Prepaid expenses	**1,254**	2,551
Assets held for sale	**3,325**	
Deferred income tax benefit	**2,015**	1,399
Prepaid income tax	**5,327**	860
Total current assets	**72,576**	70,798
Property, plant and equipment, net	**20,209**	20,391
Intangible assets	**19,153**	21,012
Goodwill	**25,811**	25,803
Investments	**8,129**	12,473
Interest rate swap		54
Deferred income tax benefit	**723**	
Other assets	**1,100**	1,485
Total assets	**$ 147,701**	$ 152,016
Liabilities and Stockholders Equity		
Current liabilities		
Notes payable bank	**46,525**	13,033
Trade accounts payable	**3,272**	2,938
Accrued liabilities	**16,698**	23,216
Income tax payable	**1,239**	169
Total current liabilities	**67,734**	39,356
Long-term debt		19,135
Other non-current income tax liability		118
Deferred income tax liability		589
Deferred compensation	**1,177**	1,076
Total liabilities	**68,911**	60,274
Commitments and contingencies		
Stockholders equity		
Preferred stock		
Authorized: 1,000,000 shares, no par value, none issued		
Common stock		
Authorized: 30,000,000 shares, no par value		
Issued and outstanding: 2008 12,616,042 shares, 2007 12,673,149 shares	**12,616**	12,673
Retained earnings	**63,050**	73,246
Accumulated other comprehensive income	**3,124**	5,823
Total stockholders equity	**78,790**	91,742

Total liabilities and stockholders equity	**$**	**147,701**	$	152,016

See notes to consolidated financial statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES
Consolidated Statements of Operations

	Years Ended		
All Amounts in Thousands Except Per Share Data	**December 27, 2008**	December 29, 2007	December 30, 2006