

From the L.A. Times: Wham-O sale -- An article in the Jan. 20 Business section about the sale of Wham-O Inc. to Cornerstone Overseas Investments Ltd. listed Silly String as one of the products that Wham-O makes. Car-Freshner Corp. has held the rights to Silly String since 2003, and its toy division, Just for Kicks Inc., makes the product.

Chinese investors couldn't buy a U.S. oil company or the maker of Maytag appliances, but now a Hong Kong group will be able to claim a real American icon: Wham-O Inc., the maker of Frisbee, Hula-Hoop, Silly String and Slip 'N Slide toys.

Privately held Wham-O said Thursday that it had been acquired by toy distributor Cornerstone Overseas Investments Ltd. for an undisclosed amount.

Wham-O, headquartered for most of its 58 years in San Gabriel before it moved to Emeryville in Northern California, has bounced around more than a Super Ball -- another of Wham-O's famed inventions.

As the company changes hands yet again -- Mattel held it for a time in the 1990s -- its new owners promise to use their factories in China to deliver the products to new markets around the world.

"This is a very exciting deal because of the strong brands and the expansion opportunities," said James Rybakoff, chief executive of Akin Bay Co., the investment company that advised Cornerstone. "American retro-legacy brand names is what is in, and the Chinese love them."

The deal also is an example of the new Chinese purchasing power - - evidenced last year by bids for Unocal Corp. and Maytag Corp., although those ultimately failed.

In the past, American companies outsourced their production or created joint ventures with Chinese partners that handled manufacturing and distribution. Now, the Chinese are increasingly interested in buying established businesses and running the operations themselves.

"They want to keep the management and creativity and marketing in the U.S., but they want to have the manufacturing and back-office operations" in China, Rybakoff said.

Wham-O, with scant overseas distribution, was a perfect target.

Cornerstone plans to move Wham-O's production to its larger Chinese factories to take advantage of economies of scale. Cornerstone can then sell Hula-Hoops and Frisbees to stores in the 54 countries where it already is doing business.

What's more, Cornerstone Chief Executive Jeff Hsieh owns a chain of 400 toy stores across China, making immediate distribution in Asia even easier.

Cornerstone would not disclose the purchase price but said it was an all-cash deal for less than the \$80 million Wham-O sought when it was on the auction block in 2004.

Cornerstone said it would keep most of Wham-O's 300 or so employees for now but had not made a decision for the long term.

"We've been expecting a sale of Wham-O for a long time because the company has been struggling for quite a while," said Jim Silver, editor of Toy Wishes magazine. "Their Frisbee sales have been shrinking; in the water slide business, they've lost market share to competition; and the majority of the hoop business is now with Maui Toys."

Wham-O got its name from the sound made by its original product, a slingshot, introduced in 1948 by two USC graduates, Rich Knerr and Arthur "Spud" Melin.

But it wasn't until the late 1950s that Wham-O burst into American pop culture, with its introduction of the Frisbee and the Hula-Hoop.

The business was never huge -- sales last year were about \$80 million -- and the founders long ago sold out, although not before seeing the Hula-Hoop enshrined in the Smithsonian Institution.