K2 INC
Form S-3/A
December 05, 2003
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As filed with the Securities and Exchange Commission on December 5, 2003

Registration No. 333-108610

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

AMENDMENT NO. 1 TO

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

K2 INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**95-2077125**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

2051 Palomar Airport Road

Carlsbad, California 92009

(760) 494-1000

(Address, including Zip Code, and Telephone Number,

including Area Code, of Registrant s Principal Executive Offices)

Monte H. Baier

Vice President and General Counsel

2051 Palomar Airport Road

Carlsbad, California 92009

(760) 494-1000

(Address, including Zip Code, and Telephone Number,

including Area Code, of Agent for Service)

Copies to:

Bradford P. Weirick

Gibson, Dunn & Crutcher LLP

333 South Grand Avenue

Los Angeles, CA 90071

(213) 229-7000

Approximate Date of Commencement of Proposed Sale to the Public: From time to time after the effective date of this Registration Statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of this prospectus is expected to be made pursuant to Rule 434, check the following box. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered**	**Proposed Maximum Aggregate Price Per Unit(1)**	**Proposed Maximum Aggregate Offering Price(1)**	**Amount of Registration Fee(5)**
5.00% Convertible Senior Notes due June 15, 2010	$75,000,000	100%	$75,000,000	$6,067.50
Common Stock, par value $1.00 per share(2)	(3)	N/A	N/A	(4)
Total				

(1) Estimated solely for the purposes of calculating the amount of the registration fee pursuant to Rule 457(i) under the Securities Act of 1933, as amended. The fee is calculated on the basis of the offering price of the 5.00% Convertible Senior Notes alone.

(2) Also includes associated preferred share rights to purchase shares of the Registrant s common stock pursuant to the Registrant s shareholder rights plan, which rights are not currently separable from the shares of common stock and are not currently exercisable.

(3) Includes such indeterminate number of shares of the Registrant s common stock, par value $1.00, issuable upon conversion of the 5.00% Convertible Senior Notes due June 15, 2010 registered hereby. The Convertible Senior Notes are initially convertible into 76.0861 shares of the Registrant s common stock per $1,000 principal amount of Notes, subject to adjustment in certain circumstances. Pursuant to Rule 416 under the Securities Act of 1933, as amended, this Registration Statement also covers such additional number of shares of common stock as may be issuable from time to time upon the conversion of the Convertible Senior Notes as a result of stock splits, stock dividends, capitalizations or similar events.

(4) Pursuant to Rule 457(i) under the Securities Act of 1933, as amended, no additional registration fee is required with respect to the shares of common stock issuable upon conversion of the Convertible Senior Notes because no additional consideration will be received upon conversion.

(5) A fee of $6,067.50 was previously paid with the original filing of this Registration Statement.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the commission, acting pursuant to said Section 8(a), may determine.

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K2 INC.

$75,000,000

5.00% Convertible Senior Notes due June 15, 2010

and

Shares of Common Stock

Issuable upon Conversion of the Notes

On June 10, 2003, K2 issued and sold $75.0 million aggregate principal amount of its 5.00% Convertible Senior Notes due June 15, 2010 in private placement transactions. The Convertible Senior Notes are initially convertible into 76.0861 shares of K2 common stock, par value $1.00 per share, per each $1,000 principal amount of Convertible Senior Notes, subject to adjustment in certain circumstances. This rate is equivalent to a conversion price of approximately $13.14 per share. K2 will pay interest on the Convertible Senior Notes semiannually on June 15 and December 15 of each year.

This prospectus and the documents incorporated by reference herein provide a description of the Convertible Senior Notes and the K2 common stock issuable upon conversion of the Convertible Senior Notes that the selling security holders may offer from time to time. The prospectus will be used by the selling security holders to offer such securities as set forth in the discussion entitled Plan of Distribution. K2 received approximately $72.1 million in proceeds at the closing of the issuance and sale of the Convertible Senior Notes. K2 will not receive any proceeds from the sale of the Convertible Senior Notes or the K2 common stock offered pursuant to this prospectus.

The Convertible Senior Notes are traded on the Portal[SM] Market. K2 s common stock is traded on the New York Stock Exchange (symbol: KTO). On December 4, 2003 the last reported per share sale price of K2 common stock was $14.51.

Investing in K2 s Convertible Senior Notes and K2 common stock involves risk. See the discussion entitled Risk Factors beginning on page 6 to read about factors to consider in connection with purchasing these securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

This date of this prospectus is December 5, 2003

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PROSPECTUS SUMMARY

The following summary highlights selected information contained or incorporated by reference in this prospectus and does not contain all of the information that may be important to you. You should carefully read this entire prospectus, including the financial data and related notes, the discussion entitled Risk Factors beginning on page 6 and the documents incorporated by reference before making a decision to invest in K2 s Convertible Senior Notes or K2 common stock offered hereunder.

About this Prospectus

This prospectus forms a part of a registration statement that K2 Inc., referred to as K2 or the Registrant, filed with the Securities and Exchange Commission, referred to as the SEC or the Commission, using a shelf registration process. Under this shelf process, the selling security holders may sell any of the 5.00% Convertible Senior Notes due June 15, 2010, referred to as the Notes, in one or more offerings. Note holders may also surrender the Notes to K2 to convert them into shares of K2 common stock. This prospectus also covers the sale by the selling security holders of such shares of K2 common stock issued upon conversion of the Notes.

This prospectus provides you with a general description of the Notes and the conversion shares the selling security holders may offer from time to time. Each time selling security holders desire to sell Notes or the conversion shares, K2 will provide a prospectus supplement containing specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read this prospectus and any applicable prospectus supplement together with the additional information described in the discussion entitled Where You Can Find More Information; Incorporation of Documents by Reference.

K2 Inc.

K2 is a premier, branded consumer products company with a primary focus on sporting goods and other recreational products as well as certain niche industrial products. K2 s portfolio of leading brands includes Rawlings, Shakespeare, Stearns and K2. K2 s diversified mix of products is used primarily in team and individual sports activities such as baseball, fishing, watersports activities, alpine skiing, snowboarding, in-line skating and mountain biking. Founded in 1946, K2 has grown to approximately $750 million in annualized sales, including pro forma sales of Rawlings Sporting Goods Company, Inc., through a combination of internal growth and strategic acquisitions. K2 s management believes that K2 has established leading market positions in a number of its key brands:

- *Rawlings* has the #1 market position in sales of baseballs and baseball gloves;
- *Shakespeare* leads the U.S. fishing market in fishing rods and kits and combo sales;
- *Ugly Stik* is the top selling line of moderately priced fishing rods;
- *Stearns* has the #1 market position in personal flotation devices;

K2 has the #1 market position in alpine skis;

K2 has the #2 market position in worldwide snowboard products; and

K2 has the #1 market position in sales of performance in-line skates.

K2 s principal executive offices are located at 2051 Palomar Airport Road, Suite 100, Carlsbad, California 92009. K2 s telephone number is (760) 494-1000.

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Growth Strategy

In order to implement its strategy for growth, K2 has embarked upon an aggressive program to leverage its existing operations and to complement and diversify its product offerings within the sporting goods and recreational product industries. K2 intends to implement its internal growth strategy by continuing to improve operating efficiencies, extending its products offering through new product launches and maximizing its extensive distribution channels. In addition, K2 will seek strategic acquisitions of other sporting goods companies with well-established brands and with complementary distribution channels. K2 believes that the growing influence of large format sporting goods retailers and retailer buying groups as well as the consolidation of certain sporting goods retailers worldwide is leading to a consolidation of sporting goods suppliers. K2 also believes that the most successful sporting goods suppliers will be those with greater financial and other resources, including those with the ability to produce or source high-quality, low cost products and deliver these products on a timely basis, to invest in product development projects, and to access distribution channels with a broad array of products and brands. In addition, as the influence of large sporting goods retailers grows, management believes these retailers will prefer to rely on fewer and larger sporting goods suppliers to help them manage the supply of products and the allocation of shelf space.

Consistent with this strategy, on March 26, 2003, K2 completed the acquisition of Rawlings Sporting Goods Company, Inc. in an all-stock merger transaction. The merger with Rawlings furthers K2 s growth strategy through the combination of K2 s and Rawlings leading brands and product offerings, thereby providing K2 with a broader product offering and an increased market presence. This expanded market presence will help K2 address the needs of the large sporting goods retailers and retailer buying groups. The merger further provides K2 with the opportunity to leverage its low-cost manufacturing plant in China and its extensive sourcing infrastructure in Asia.

Overview of Rawlings

Rawlings was founded in 1887 and has since become a tradition in team sports equipment and uniforms. Rawlings provides competitive team sports equipment and apparel for baseball, basketball and football, as well as licensed Major League Baseball and NCAA retail products. Rawlings is a major supplier to professional, collegiate, interscholastic and amateur organizations worldwide, and is also the official baseball supplier to Major League Baseball and Minor League Baseball, as well as the official basketball supplier for the National Association of Intercollegiate Athletics and the National Junior College Athletic Association Championships. In addition, Rawlings products are endorsed by more than 35 college coaches, 28 sports organizations and numerous athletes, including approximately 700 Major League Baseball players. Rawlings licensees sell numerous products, including athletic shoes, socks and apparel, using the Rawlings brand name and logo.

The acquisition of Rawlings provides K2 with the following strong brand name products:

Baseball. Rawlings is a leading supplier of baseball equipment in North America and, through its licensee, in Japan. Rawlings products include baseball gloves, baseballs, softballs, batter s helmets, catcher s and umpire s protective equipment, aluminum and wood baseball bats, batter s gloves and miscellaneous accessories.

Basketball, Football, Soccer and Volleyball. Rawlings sells 30 different models of basketballs, including full-grain, composite and synthetic leather and rubber basketballs for men and women in both the youth and adult markets. Rawlings recently introduced its patented Ten basketball which uses ten panels to improve handling, grip, control and shooting. Rawlings is the official supplier of basketballs to the National Association of Intercollegiate Athletics and the National Junior College Athletic Association.

Apparel. Rawlings has been selling team uniforms for approximately 100 years. Rawlings believes it has growth opportunities in its current team apparel business, as well as in the larger active wear apparel market.

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The Offering

Issuer	K2 Inc.
Securities offered	$75.0 million aggregate principal amount of 5.00% Convertible Senior Notes due June 15, 2010 and the K2 common stock issuable upon conversion of the Notes, referred to as conversion shares.
Maturity date	The Notes mature on June 15, 2010.
Interest rate	5.00% per annum.
Interest payment dates	Commencing December 15, 2003, K2 will pay interest on the Notes semiannually on June 15 and December 15 of each year.
Conversion	The Notes are convertible into shares of K2 common stock at the option of the holders at a rate of 76.0861 shares of common stock per each $1,000 principal amount of Notes converted, subject to adjustment in certain circumstances. This rate is equivalent to a conversion price of approximately $13.14 per share. Unless K2 has previously redeemed or repurchased the Notes, they are convertible at any time before the close of business on June 15, 2010. Holders of Notes called for redemption or submitted for repurchase may still convert the Notes any time prior to the close of business on the business day immediately preceding the date fixed for redemption or repurchase. See Description of Notes Conversion Rights.
Ranking	The Notes are senior, unsecured obligations of K2 and rank equally in right of payment with all of K2 s existing and future unsecured and unsubordinated indebtedness. The Notes are effectively subordinated to K2 s secured indebtedness, including the guarantees of all of K2 s U.S. subsidiaries in favor of the secured lenders, to the extent of the value of the collateral securing such debt, and to the indebtedness of K2 s non-guaranteeing subsidiaries. The indenture under which the Notes were issued does not restrict the ability of K2 or its subsidiaries to incur senior or other indebtedness or other liabilities. See Description of Notes General.
Global note; Book-entry system	The Notes were issued in fully registered form without interest coupons and in minimum denominations of $1,000. The Notes are evidenced by a global note deposited with the trustee for the Notes, as custodian for the Depository Trust Company. Beneficial interests in the global note are shown on, and transfers of those beneficial interests can only be made through, records maintained by the Depository Trust Company and its participants. See Description of Notes Form, Denomination, Transfer, Exchange and Book-Entry Procedures.
Optional redemption by K2	K2 may choose to redeem the Notes in whole or in part, on or after June 15, 2008, at the redemption prices set forth in this prospectus, plus any accrued and unpaid interest to the redemption date. See Description of Notes Optional Redemption by K2.

Repurchase at option of holders upon a change in control	Upon a change in control, as defined in the discussion entitled Description of Notes Repurchase at Option of Holders Upon a Change in Control, Note holders may, subject to a number of conditions, require K2 to repurchase their Notes, in whole or in part, for 100% of the principal amount, plus any accrued and unpaid interest to the repurchase date. The repurchase price is payable in cash or, at K2 s option and subject to a number of conditions, in shares of K2 common stock. If K2 elects to pay the repurchase price in common stock, the shares will be valued at 95% of the average closing sales prices of K2 common stock for the five trading days preceding and including the third trading day prior to the repurchase date. See Description of Notes Repurchase at Option of Holders Upon a Change in Control.
Use of proceeds	The selling security holders will receive all of the proceeds from the sale of the Notes and K2 common stock offered pursuant to this prospectus. K2 will not receive any of the proceeds from the sale of the securities offered pursuant to this prospectus. The approximately $72.1 million received as consideration by K2 in connection with the original issuance of the Notes was used to repay debt under K2 s $205 million revolving credit facility and for general corporate purposes.
Registration rights	Pursuant to a registration rights agreement, K2 agreed, subject to specified conditions, to file with the SEC on or before September 8, 2003 and to use its reasonable best efforts to cause to become effective on or before December 7, 2003, the registration statement of which this prospectus forms a part, referred to as the shelf registration statement. If K2 fails to comply with certain obligations under the registration rights agreement, liquidated damages will be payable on the Notes and the conversion shares. K2 has filed the shelf registration statement with the SEC. See Description of Notes Registration Rights.
Portal^{SM} trading of Notes	The Notes trade in The Portal^{SM} Market of the National Association of Securities Dealers, Inc. However, K2 can provide no assurances as to the liquidity of, or trading market for, the Notes.
Listing of common stock	K2 common stock is listed on the New York Stock Exchange under the symbol KTO.
Risk factors	You should read the discussion entitled Risk Factors beginning on page 6 of this prospectus so that you understand the risks associated with an investment in the Notes and/or K2 common stock.

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Notice to Investors

The Notes are available in book-entry form only. The Notes were issued in the form of global certificates, which are deposited with, or on behalf of, The Depository Trust Company, a New York corporation, referred to as the DTC, and registered in its name or in the name of Cede & Co., its nominee. Beneficial interests in the global certificates are shown on, and transfers of the global certificates will be effected only through, records maintained by DTC and its participants. See Description of the Notes Form, Denomination, Transfer, Exchange and Book-Entry Procedures.

Ratio of Earnings to Fixed Charges

The ratio of earnings to fixed charges of K2 for each of the periods indicated is as follows:

Fiscal Year					Nine Months Ended
1998	**1999**	**2000**	**2001**	**2002**	**September 30, 2003**
1.38x	1.95x	2.52x	(1)	2.87x	2.79x

(1) For fiscal 2001, fixed charges exceeded earnings by approximately $12.0 million.

Please see the section entitled Ratio of Earnings to Fixed Charges below for an explanation as to how the Ratio of Earnings to Fixed Charges is calculated.

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RISK FACTORS

Investing in the Notes and in K2 common stock involves risks. You should carefully consider the following factors, in addition to the other risk factors incorporated by reference into this prospectus, and the other information contained in this document before making an investment decision in the Notes or in K2 common stock.

Risks Related to K2 Inc.

K2 s strategic plan, involving growth through the acquisition of other companies, may not succeed.

K2 s strategic plan involves rapid growth through the acquisition of other companies. Such growth involves a number of risks, including:

- the difficulties related to combining previously separate businesses into a single unit;
- the substantial diversion of management s attention from day-to-day operations;
- the assumption of liabilities of an acquired business, including unforeseen liabilities;
- the failure to realize anticipated benefits, such as cost savings and revenue enhancements;
- the dilution of existing stockholders and convertible note holders due to the issuance of equity securities, utilization of cash reserves, or incurrence of debt in order to fund the acquisitions;
- the potentially substantial transaction costs associated with acquisitions; and
- the difficulties related to assimilating the products, personnel and systems of an acquired business and to integrating distribution and other operational capabilities.

Current and future financings may place a significant debt burden on K2.

Borrowings under K2 s existing $205 million revolving credit facility and under its $20 million term loan, as well as potential future financings, may substantially increase K2 s current indebtedness. Among other things, such increased indebtedness could:

adversely affect K2 s ability to expand its business, market its products and make investments and capital expenditures;

adversely affect the cost and availability of funds from commercial lenders, debt financing transactions and other sources;

adversely affect the ability of K2 to pursue its acquisition strategy; and

create competitive disadvantages compared to other companies with lower debt levels.

K2 faces intense competition and potential competition from companies with greater resources, and if it is unable to compete effectively with these companies, its business could be harmed.

The markets for sporting goods and recreational products in which K2 competes are generally highly competitive, especially as to product innovation, performance and styling, price, marketing and delivery. Competition regarding these products, other than active wear, consists of a relatively small number of large producers, some of whom have greater financial and other resources than K2. In addition, many of K2 s competitors offer sports and recreational equipment not currently sold by K2 and may be able to leverage these broader product offerings to adversely affect K2 s competitive market position. Further, there are no significant technological or capital barriers to entry into the markets for many sporting goods and recreational products. The sales of leisure products are also affected by changes in the economy and consumer tastes, and sporting goods and recreational products face competition from other leisure activities.

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K2 s industrial products are, in most instances, subject to price competition, ranging from moderate in marine antennas and monofilament line to intense for commodity-type products. Many industrial competitors have greater financial and other resources than K2.

Purchasing decisions made by a small number of large format sporting goods retailers can have a significant impact on K2 s results.

Although the sporting goods manufacturing industry is highly fragmented, many of the retail customers that purchase sporting goods are highly concentrated. Large format sporting goods retailers are important to K2 s results of operations, and Walmart, Gart Sports/The Sports Authority and Target account for approximately 20% of K2 s annual sales on a pro forma basis for the year ended December 31, 2002. Due to their size, these retailers may demand better prices and terms from K2, and these demands may have an adverse impact on K2 s margins. In addition, if any of these large format sporting goods retailers were to decide to materially reduce the amounts or types of K2 products that they purchase, such decision would have a material adverse impact on K2 s business.

K2 s failure to keep pace with rapid change in marketing strategies, product design, styles and tastes could harm its business.

Consumer demand for recreational products is strongly influenced by matters of taste and style. K2 cannot assure you that K2 will successfully develop new products to address new or shifting consumer demand. An unexpected change in consumer tastes or product demand could seriously harm K2 s business. K2 s inability to timely and successfully respond to developments and changing styles could hurt its competitive position or render its products noncompetitive.

K2 cannot assure you that demand for its products will remain constant. The sales of leisure products are affected by changes in the economy and consumer tastes, both of which are difficult to predict. Continued adverse developments affecting economies throughout the world, including a general tightening of the availability of credit, increasing energy costs, declining consumer confidence and significant declines in the stock market could lead to a further reduction in discretionary spending for consumer products.

The weak financial conditions of some of K2 s customers may adversely impact K2 s business.

A large portion of K2 s sales are to sporting goods retailers. Many of K2 s smaller retailers and some larger retailers are not strongly capitalized. Adverse conditions in the sporting goods retail industry can adversely impact the ability of retailers to purchase K2 products, or could lead retailers to request credit terms that would adversely affect K2 s cash flow and involve significant risks of nonpayment.

K2 s financial results vary from quarter to quarter, which could hurt K2 s business and the market price of the Notes and its stock.

Various factors affect K2 s quarterly operating results and some of them are not within K2 s control. They include, among others:

- weather and snow conditions;

the timing and introduction of new products;

the mix of products sold;

the timing of significant orders from and shipments to customers;

product pricing and discounts;

the timing of its acquisitions of other companies and businesses; and

general economic conditions.

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These and other factors are likely to cause financial results of K2 to fluctuate from quarter to quarter. If revenue or operating results fall short of the levels expected by public market analysts and investors, the trading price of the Notes and K2 common stock could decline dramatically. Based on the foregoing, K2 believes that quarter-to-quarter comparisons of its results of operations may not be meaningful. Therefore, purchasers of the Notes and/or K2 common stock should not view K2 s historical results of operations as reliable indications of its future performance.

K2 s business is highly seasonal.

K2 s business is highly seasonal. Historically, K2 and Rawlings have experienced seasonal swings in their businesses depending on their respective products. This seasonality impacts K2 s working capital requirements and hence overall financing needs. In addition, K2 s borrowing capacity under the revolving credit facility is impacted by the seasonal change in receivables.

K2 may not be able to attract or retain the management employees necessary to remain competitive in its industry; the loss of one or more of K2 s key personnel, including Mr. Richard J. Heckmann, Chairman and Chief Executive Officer of K2, could have a material adverse effect on K2 s business, financial condition, results of operations and prospects.

K2 s continued success depends on the retention, recruitment and continued contributions of K2 s key management, finance, marketing and staff personnel, many of whom would be difficult or impossible to replace. The competition for qualified personnel is intense. K2 cannot assure you that it will be able to retain its current personnel or recruit the key personnel it requires. Specifically, Mr. Richard J. Heckmann, K2 s Chairman and Chief Executive Officer, has been fundamental to developing K2 s growth strategy and, without his services, K2 s implementation of its growth strategy might fail. In addition, K2 does not have employment agreements with most members of its senior management team. The loss of services of members of K2 s key personnel, including Mr. Heckmann, could have a material adverse effect on K2 s business, financial condition and results of operations.

International operations, unfavorable political developments and weak foreign economies may seriously harm K2 s financial condition.

K2 s business is dependent on international trade, both for sales of finished goods and low-cost manufacturing and sourcing of products. K2 s three principal markets are North America, Europe and Asia. K2 s revenues from international operations were approximately 32% of total revenue for fiscal 2002. K2 expects that its revenues from international operations will continue to account for a significant portion of its total revenues. Any political developments adversely affecting trade with Europe or Asia could severely impact K2 results of operations. K2 s international operations are subject to a variety of risks, including:

- recessions in foreign economies;
- the adoption and expansion of trade restrictions;
- limitations on repatriation of earnings;

reduced protection of intellectual property rights in some countries;

longer receivables collection periods and greater difficulty in collecting accounts receivable;

difficulties in managing foreign operations;

social, political and economic instability;

unexpected changes in regulatory requirements;

acts of war and terrorism;

ability to finance foreign operations;

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- changes in consumer tastes and trends;
- tariffs and other trade barriers; and
- U.S. government licensing requirements for export.

In addition, K2 will continue to outsource a number of its supply contracts to entities in foreign nations and will continue to be highly reliant on overseas manufacturing. Specifically, K2 maintains significant manufacturing capacity in China and Costa Rica. Political or economic developments adversely affecting the operation of these facilities could result in late deliveries, lower sales and earnings, and unanticipated costs.

Changes in currency exchange rates could affect K2 s revenues.

A significant portion of K2 s production and approximately 26% of K2 s sales for the year ended December 31, 2002 are denominated in foreign currencies and are subject to exchange rate fluctuation risk. Although K2 engages in some hedging activities to reduce foreign exchange transaction risk, changes in the exchange rates between the United States dollar and the currencies of Europe and Asia could made K2 products less competitive in foreign markets, and could reduce the sales and earnings represented by foreign currencies. Additionally, such fluctuation could result in an increase in cost of products sold in foreign markets reducing margins and earnings.

Acts of war or terrorism may have an adverse effect on K2 s business.

Acts of war or terrorism may have an adverse effect on the economy generally, and more specifically on K2 s business. Among various other risks, such occurrences have the potential to significantly decrease consumer spending on leisure products and activities, adversely impact K2 s ability to consummate future debt or equity financings and negatively affect K2 s ability to manufacture, source and deliver low-cost goods in a timely manner.

K2 is subject to and may incur liabilities under various environmental laws.

K2 is subject to federal, state, local and foreign laws and regulations that govern activities that may have adverse environmental effects, such as discharges to air and water, as well as handling and disposal of and exposure to hazardous substances. In that regard, K2 has been and could be subject to claims and inquiries related to alleged substances in K2 s products that may be subject to notice requirements or exposure limitations, particularly in California, which may result in fines and penalties. K2 is also subject to laws and regulations that impose liability for cost and damages resulting from past disposals or other releases of hazardous substances. For example, K2 may incur liability under the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, and similar laws, some of which impose strict, and in some cases, joint and several, liability for the cleanup of contamination resulting from past disposals of waste, including disposal at off-site locations. In addition, K2 has acquired pre-existing businesses, such as Rawlings, that have historical and ongoing operations, and K2 has limited information about the environmental condition of the properties of such companies. It is possible that soil and groundwater contamination may exist on these or other of K2 s properties resulting from current or former operations. K2 is currently aware of one matter involving off-site waste disposal liability in South Carolina and another matter involving soil contamination at a former facility in Michigan for which K2 has accrued approximately $1.3 million as of December 31, 2002. Although K2 is not aware of any issues arising under current environmental laws that would be reasonably likely to have a material adverse effect on K2 s business, financial condition or results of operations, K2 cannot assure you that such matters will not have such an impact.

The spread of Severe Acute Respiratory Syndrome may have a material adverse effect on K2 s manufacturing facilities in China and K2 s operations generally.

The Centers for Disease Control and World Health Organization are investigating a new disease called Severe Acute Respiratory Syndrome or SARS. The disease was first reported in November 2002 in the southern

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Chinese province of Guangdong, which is the province in which K2 s Chinese manufacturing facility is located, the city of Hanoi, Vietnam, and Hong Kong. SARS has since spread to other parts of the world, including, among other locations, Canada. The outbreak of SARS curtailed travel to and from certain countries for a period of time. SARS could have a material adverse impact on K2 s manufacturing facilities in China and sourcing infrastructure in Asia, and the significant spread of SARS beyond Asia could have an adverse impact on all of K2 s operations.

Unfavorable weather can adversely affect K2 s sales.

Sales of K2 s recreational products are strongly influenced by the weather. Poor snow conditions in the winter or summer conditions unfavorable to outdoor sports can adversely affect sales of important K2 products.

Risks Related to the Notes

K2 will be able to incur additional debt, which could result in a further increase of its leverage and thereby have an adverse effect on its ability to pay its obligations under the Notes.

Despite its current and anticipated debt levels, K2 will still be able to incur substantially more debt. The terms of K2 s revolving credit facility and related term loan and the indenture governing the convertible subordinated debentures limit, but do not and will not prohibit, K2 from incurring additional debt. Concurrently with the initial offering of the Notes, K2 amended the terms of K2 s revolving credit facility and the convertible subordinated debentures. If K2 incurs additional debt, the related risks that K2 faces, and expects to face including a further increase of its leverage, could intensify, resulting in an adverse effect on K2 s ability to pay its obligations under the Notes.

The Notes are effectively subordinated to K2 s revolving credit facility, any other current or future secured obligations of K2 and to the obligations of K2 s subsidiaries.

Although the Notes are senior unsubordinated obligations, they will be effectively subordinated to any of K2 s current or future secured obligations, including the revolving credit facility, and the guarantees of all of K2 s U.S. subsidiaries in favor of the secured lenders under the revolving credit facility, to the extent of the assets that serve as security for those obligations. The Notes are also effectively subordinated to all of the liabilities of K2 s non-guaranteeing subsidiaries, to the extent of their assets, since they are separate and distinct legal entities with no obligation to pay any amounts due under K2 s indebtedness, including the Notes, or to make any funds available to K2, whether by paying dividends or otherwise, so that K2 can do so.

K2 may be unable to repurchase the Notes, to redeem the amended and restated convertible subordinated debentures or meet the demands of its $205 million revolving credit facility upon a change in control.

In some circumstances, a change in control could result from events beyond K2 s control. Upon the occurrence of a change in control, as defined in the related documents, the holders of the Notes or the amended and restated convertible subordinated debentures may require K2 to redeem or repurchase the Notes or the amended and restated convertible subordinated debentures respectively, or K2 s $205 million revolving credit facility may be accelerated. K2 may not have the financial resources to repurchase the Notes, to redeem the amended and restated convertible subordinated debentures or to repay amounts owing under its revolving credit facility in the event of a change in control. The Notes provide that change in control events, as defined in the Notes, will constitute a default and could result in the holders of the Notes requiring K2 to repurchase their Notes. Upon the occurrence of a change in control, as defined in the amended and restated convertible subordinated debentures, the holders may require K2 to redeem their debentures. K2 s revolving credit facility provides that change in control events, as defined in the credit facility, will constitute a default and could result in the acceleration of K2 s debt under that facility. Any debt agreements K2 enters into in the future may contain similar provisions as well.

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The covenants in the indenture for the Notes may not prevent K2 from engaging in some types of mergers or other transactions that may adversely affect you.

The provisions of the indenture for the Notes, including the change in control provision, will not necessarily afford Note holders protection in the event of a highly leveraged transaction, including a reorganization, restructuring, merger or other similar transaction involving K2, that may adversely affect Note holders. Such a transaction may not involve a change of the magnitude required under the definition of change in control in the indenture for the Notes to trigger those provisions. Except as described in the discussion entitled Description of Notes below, the indenture for the Notes does not contain provisions that permit the Note holders to require K2 to repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The covenants governing K2 s present and future debt impose significant restrictions and the failure to comply with these covenants could result in the acceleration of a substantial portion of K2 s debt, which K2 may not be able to repay or refinance.

The terms of K2 s revolving credit facility and its amended and restated convertible subordinated debentures impose significant financial restrictions on K2. In addition, K2 s revolving credit facility requires K2 to meet certain financial tests. Concurrently with the initial offering of the Notes, K2 amended the terms of the revolving credit facility and the convertible subordinated debentures. Complying with these covenants may cause K2 to take actions that are not favorable to Note holders. These restrictions may also have a negative impact on K2 s business, results of operations and financial condition by significantly limiting or prohibiting K2 from engaging in a number of transactions, including:

- incurring or guaranteeing additional debt;
- making investments;
- creating liens on K2 s assets;
- transferring or selling assets currently held by K2; or
- engaging in mergers or consolidations.

The failure to comply with any of these covenants would cause a default under K2 s revolving credit facility agreement, the amended and restated convertible subordinated debentures, the indenture for the Notes and other debt agreements. Furthermore, K2 s revolving credit facility requires K2 to maintain financial ratios which, if not maintained, will cause K2 to be in default under that agreement. Any such default, if not waived, could result in the acceleration of a substantial portion of K2 s debt, including the Notes, in which case the debt would become immediately due and payable. If this occurs, K2 may not be able to repay its debt or borrow sufficient funds to refinance it. Even if new financing were available, it may not be on terms that are acceptable to K2.

There may be no public market for the Notes, and an active trading market for the Notes may not develop.

The Notes are subject to restrictions on transfer in order to ensure compliance with federal and state securities laws. K2 has agreed, subject to specified conditions, to use its reasonable best efforts to have declared effective, on or before December 7, 2003, the shelf registration statement, covering the resale of the Notes and the conversion shares. However, K2 may not be able to have the shelf registration statement declared effective within that time period, if at all.

The Notes will constitute a new class of securities for which there is no established public trading market, and there can be no assurance as to:

- the liquidity of any market for the Notes that may develop;
- the ability of the Note holders to sell their Notes; or
- the price at which the Note holders would be able to sell their Notes.

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If a market for the Notes were to exist, the Notes could trade at prices that may be higher or lower than their principal amount or purchase price, depending on many factors, including:

- prevailing interest rates;
- the market price of K2 s common stock;
- the market for similar notes; and
- K2 s financial performance and the performance of its subsidiaries.

The Notes are eligible for trading in The Portal[sm] Market of the National Association of Securities Dealers, Inc. K2 has been advised by the initial purchasers that they intend to make a market in the Notes. However, the initial purchasers are not obligated to do so, and market-making activity with respect to the Notes may be discontinued at any time without notice. In addition, that market-making activity will be subject to limitations imposed by federal securities laws. There can be no assurance as to the development or liquidity of any market for the Notes. If an active market for the Notes fails to develop or be sustained, the trading price of the Notes could be materially and adversely affected.

The indenture governing the Notes does not place any restrictions on K2 s use of the proceeds from the offering.

K2 used a portion of the proceeds from the initial offering of the Notes to repay debt under its $205 million revolving credit facility. Concurrently with the initial offering of the Notes, K2 amended the terms of the revolving credit facility. As a result, K2 is now able to re-borrow such amounts under its revolving credit facility. The indenture governing the Notes does not restrict K2 s borrowing under the revolving credit facility or place limitations on K2 s use of such borrowed funds. Therefore, K2 may use such borrowings in a manner that is not your best interest as a Note holder.

Provisions in K2 s charter documents, Delaware law and K2 s rights plan may delay or prevent an acquisition of K2, which could decrease the value of its common stock, and therefore, the Notes.

Section 203 of the Delaware General Corporation Law prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years from the date the person became an interested stockholder, unless specific conditions are met. In addition, K2 has in place various types of protections which would make it difficult for a company or investor to buy K2 without the approval of K2 s board of directors, including a shareholder rights plan, a classified board of directors, provisions requiring advance notice of board nominations and other actions to be taken at stockholder meetings and super-majority voting requirements with respect to extraordinary actions.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and other materials filed or to be filed by K2 with the SEC contains or may contain forward-looking statements concerning non-historical facts or matters that are subject to risks and uncertainties. K2 believes such statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, referred to as the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act. These statements represent expectations or beliefs of K2 concerning future events, many of which are outside K2 s control. They include, among other things, statements with respect to:

- projections of future financial performance;
- future sales and earnings;
- pro forma financial statements;
- marketing efforts and trends regarding:
  - team sports including baseball, basketball and football,
  - fishing tackle markets,
  - active watersports and outdoor products markets,
  - extreme wheel sports including mountain bikes, in-line skates and skateboards, and
  - winter sports including skis and snowboards;
- foreign exchange rate fluctuations;
- expected levels of debt reduction;
- retail inventory levels;
- product acceptance and demand;
- growth efforts, including by strategic acquisitions;