K2 INC
Form S-4/A
February 25, 2003
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As filed with the Securities and Exchange Commission on February 25, 2003

Registration No. 333-102590

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

K2 INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**3949**	**95-2077125**
(State or Other Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

4900 South Eastern Avenue

Los Angeles, California 90040

(323) 724-2800

(Address, including Zip Code, and Telephone Number, including Area Code, of Registrant s Principal Executive Offices)

John J. Rangel

Senior Vice President Finance

4900 South Eastern Avenue

Los Angeles, California 90040

(323) 724-2800

(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

John A. Granda

Stinson Morrison Hecker LLP

2600 Grand Blvd.

Kansas City, Missouri 64108

(816) 691-3188

Approximate Date of Commencement of Proposed Sale to the Public: As soon as practicable after the Registration Statement becomes effective and all other conditions to the merger of a subsidiary of the Registrant with and into Rawlings Sporting Goods Company, Inc. pursuant to the Agreement and Plan of Merger, dated as of December 15, 2002, described in the enclosed joint proxy statement/prospectus, have been satisfied or waived.

If the securities being registered on this form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

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. ¨ __________

If this form is a post-effective amendment filed pursuant to Rule 462(d) 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. ¨ __________

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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PRELIMINARY JOINT PROXY STATEMENT/PROSPECTUS SUBJECT TO COMPLETION

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

February 24, 2003

To the Stockholders of K2 Inc. and Rawlings Sporting Goods Company, Inc.:

The boards of directors of K2 Inc. (K2) and Rawlings Sporting Goods Company, Inc. (Rawlings) have approved a merger combining K2 and Rawlings. The merger will combine two companies with strong sporting goods brands and market positions, increasing the combined company s aggregate brand strength and creating a platform to leverage their respective core competencies. The combined company will be a preeminent designer, manufacturer and marketer of sporting goods and other recreational products. In order to complete the merger, both companies must obtain the approval of their stockholders. The directors of both companies believe that this merger will be of great benefit to stockholders and strongly recommend that stockholders approve the proposed transaction.

Under the terms of the merger agreement, a wholly-owned subsidiary of K2 will merge with and into Rawlings, and Rawlings will become a wholly-owned subsidiary of K2. In the merger, each outstanding share of Rawlings common stock will be converted into a fraction of a share of K2 common stock based on an exchange ratio equal to 0.950 of a share of K2 common stock for each share of Rawlings common stock. However, if the average daily closing price per share of K2 common stock for the fifteen consecutive trading days ending on and including the second trading day preceding the closing date (1) is less than $9.47, then the exchange ratio will be calculated by dividing $9.00 by the average daily closing price of K2 common stock during that fifteen day period, or (2) is greater than $10.53, then the exchange ratio will be calculated by dividing $10.00 by the average daily closing price of K2 common stock during that fifteen day period. In addition, outstanding Rawlings stock options will be assumed by K2. K2 common stock is traded on the New York Stock Exchange under the symbol KTO. Rawlings common stock is traded on the Nasdaq National Market System under the symbol RAWL.

K2 s special meeting will be held:	Rawlings special meeting will be held:
Wednesday, March 26, 2003	Wednesday, March 26, 2003
11:00 a.m. Pacific time	9:30 a.m. Central time
Hilton Los Angeles Airport	Maritz, Inc.
5711 West Century Boulevard	1355 North Highway Drive
Los Angeles, California 90045	Fenton, Missouri 63099

The K2 directors that voted on the matters unanimously recommend that K2 stockholders vote **FOR** the issuance of shares of K2 common stock in the merger and the amendment to the K2 certificate of incorporation.

The Rawlings directors that voted on the matter unanimously recommend that Rawlings stockholders vote **FOR** the adoption of the merger agreement. Mr. Stephen M. O Hara, Chief Executive Officer, abstained from the vote because of his potential employment with the combined company.

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You should consider the matters discussed under Risk Factors which begin on page 20 of the enclosed joint proxy statement/prospectus before voting. Please carefully review the entire joint proxy statement/prospectus, including the merger agreement, which is attached as Appendix A.

It is important that your shares be represented at the K2 special meeting or the Rawlings special meeting, whether or not you plan to attend the meeting in person. Please complete, sign and date the enclosed proxy card and return it in the accompanying prepaid envelope to ensure that your shares will be represented at the meeting.

The boards of directors of K2 and Rawlings thank you for your support and interest.

Richard J. Heckmann	Stephen M. O Hara
Chairman and Chief Executive Officer	Chairman and Chief Executive Officer
K2 Inc.	Rawlings Sporting Goods Company, Inc.

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 joint proxy statement/ prospectus. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated February 24, 2003, and is first being mailed to stockholders on or about February 26, 2003.

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NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

You are cordially invited to attend a special meeting of stockholders of K2 Inc., a Delaware corporation, on Wednesday, March 26, 2003, at the Hilton Los Angeles Airport, 5711 West Century Boulevard, Los Angeles, California 90045, at 11:00 a.m., Pacific time, for the following purposes:

1. To consider and vote on a proposal to approve the issuance of shares of K2 common stock, par value $1.00 per share, in the merger combining K2 and Rawlings Sporting Goods Company, Inc.

2. To consider and vote on a proposal to approve the amendment of K2 s certificate of incorporation to increase the authorized common stock of K2 from 40,000,000 to 60,000,000 shares.

3. To transact such other business that may properly come before the special meeting or any adjournments or postponement thereof.

The foregoing items of business are more fully described in the Agreement and Plan of Merger and the joint proxy statement/prospectus, both accompanying this notice. K2 stockholders are encouraged to carefully read both documents in their entirety. In particular, K2 stockholders should carefully consider the discussion entitled Risk Factors which begins on page 20.

The K2 board of directors has fixed the close of business on February 24, 2003 as the record date for the determination of the stockholders entitled to notice of, and to vote at, the special meeting. Each share of K2 common stock is entitled to one vote on all matters presented at the special meeting.

Whether or not you expect to attend the special meeting in person, please vote by completing, signing and dating the enclosed proxy card and returning it promptly in the reply envelope provided. The proxy is revocable by you at any time prior to its use at the special meeting. If you receive more than one proxy card because your shares are registered in different names or addresses, each proxy card should be signed and returned to ensure that all your shares will be voted at the special meeting.

By Order of the Board of Directors

Richard J. Heckmann

Chairman and Chief Executive Officer

Los Angeles, California

February 24, 2003

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1859 Bowles Avenue

Fenton, Missouri 63026

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To Be Held on Wednesday, March 26, 2003

To the Stockholders of Rawlings Sporting Goods Company, Inc.:

A special meeting of stockholders of Rawlings Sporting Goods Company, Inc., a Delaware corporation, will be held on Wednesday, March 26, 2003, at Maritz, Inc., 1355 North Highway Drive, Fenton, Missouri 63099, at 9:30 a.m., Central time, for the following purposes:

1. To consider and vote on a proposal to approve the merger combining Rawlings and K2 Inc. and to adopt the Agreement and Plan of Merger, dated as of December 15, 2002, by and among K2, Lara Acquisition Sub, a wholly owned subsidiary of K2, and Rawlings.

2. To transact such other business that may properly come before the special meeting or any adjournments or postponement thereof.

A copy of the Agreement and Plan of Merger is attached as Appendix A to the accompanying joint proxy statement/prospectus.

The accompanying joint proxy statement/prospectus describes the proposed merger in more detail. Rawlings stockholders are encouraged to read the entire document carefully. In particular, Rawlings stockholders should carefully consider the discussion entitled Risk Factors which begins on page 20. Stockholders of record at the close of business on February 24, 2003, are entitled to one vote per share on all matters at the special meeting.

Whether or not you expect to attend the special meeting in person, please vote by completing, signing and dating the enclosed proxy card and returning it promptly in the reply envelope provided. The proxy is revocable by you at any time prior to its use at the special meeting. If you receive more than one proxy card because your shares are registered in different names or addresses, each proxy card should be signed and returned to ensure that all your shares will be voted at the special meeting.

By Order of the Board of Directors

Stephen M. O Hara

Chairman and Chief Executive Officer

Fenton, Missouri

February 24, 2003

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SUMMARY

This brief summary highlights selected information from this document. It does not contain all of the information that is important to K2 and Rawlings stockholders. Stockholders of K2 and Rawlings are urged to read carefully the entire document and the other documents referred to and incorporated by reference in this document to fully understand the merger. In particular, stockholders of K2 and Rawlings should read the documents attached to this joint proxy statement/prospectus, including the merger agreement, which is attached as Appendix A. For a guide as to where you can obtain more information on K2 and Rawlings, see Additional Information Where You Can Find Additional Information on page 93.

The Merger (Page 33)

The boards of directors of K2 and Rawlings propose that K2 and Rawlings combine by way of a merger that will result in Rawlings becoming a wholly-owned subsidiary of K2 and Rawlings stockholders becoming K2 stockholders. K2 and Rawlings expect to complete the merger no later than March 31, 2003.

The merger agreement is attached to this document as Appendix A. It is the legal document that governs the merger.

Exchange of Common Stock (Page 58)

When the merger occurs, each outstanding share of Rawlings common stock will be converted into a fraction of a share of K2 common stock based on an exchange ratio equal to 0.950 of a share of K2 common stock for each share of Rawlings common stock. However, if the average daily closing price per share of K2 common stock for the fifteen consecutive trading days ending on and including the second trading day preceding the closing date (1) is less than $9.47, then the exchange ratio will be calculated by dividing $9.00 by the average daily closing price of K2 common stock during that fifteen day period, or (2) is greater than $10.53, then the exchange ratio will be calculated by dividing $10.00 by the average daily closing price of K2 common stock during that fifteen day period. Rawlings stockholders who would otherwise receive a fractional share as a result of the above determination will instead receive a cash payment equal to the value of the fractional share based on multiplying the closing price of a share of K2 common stock on the New York Stock Exchange on the day the merger becomes effective by the fractional share interest to which such holder would otherwise be entitled.

The precise amount of K2 common stock that Rawlings stockholders will receive cannot be determined until the completion of the merger. K2 and Rawlings will issue a joint press release on or before the date of the completion of the merger that specifies the exact amount of K2 common stock that will be paid for each share of Rawlings common stock.

K2 stock certificates will be issued only upon the surrender of the Rawlings stock certificates for the shares to be exchanged. Rawlings stockholders will receive written instructions for the exchange of certificates after the merger is completed.

Rawlings Stock Options (Page 59)

In the merger, each stock option to buy Rawlings common stock will become an option to buy K2 common stock; however, each stock option will continue to be governed by the terms of the Rawlings stock option plan or other agreement under which it was issued. The number of shares of K2 common stock subject to each new stock option, as well as the exercise price of that stock option, will be adjusted to reflect the actual number of shares of K2 common stock issued in the merger in exchange for each share of Rawlings common stock.

Comparative Per Share Market Price Information (Page 16)

Shares of K2 common stock are listed on the New York Stock Exchange. On December 13, 2002, the last trading day before K2 and Rawlings announced the merger, K2 common stock closed at $9.87 per share. Shares of Rawlings common stock are listed on the Nasdaq National Market System. On December 13, 2002, Rawlings common stock closed at $8.18 per share. On February 21,

2003, K2 common stock closed at $9.18 per share, and Rawlings common stock closed at $8.80 per share.

The Companies

K2 Inc.

4900 South Eastern Avenue

Los Angeles, California 90040

(323) 724-2800

K2 Inc. is a premier branded consumer products company with a portfolio of diversified sporting goods products, other recreational products and selected industrial products. K2 s sporting goods include several name brand lines such as K2 and OLIN alpine skis, K2 and Ride snowboards, boots and bindings, Morrow, 5150 and Liquid snowboards, K2 in-line skates, K2 mountain bikes and BMX bikes, Shakespeare fishing rods and reels, Stearns personal flotation devices, outdoor water recreational products, rainwear and hunting accessories and K2 and Dana Design backpacks. K2 s other recreational products include Planet Earth apparel, Adio and Hawk skateboard shoes and Hilton corporate casuals. K2 s industrial products consist primarily of Shakespeare monofilament line, which is used in weed trimmers, paper mills and as fishing line, and Shakespeare fiberglass marine antennas and light, transmission and distribution poles and composite products.

K2 has embarked upon an aggressive strategy to expand its operations and diversify its product offerings within the sporting goods and recreational products industries by seeking to combine with other well-established companies.

K2 s common stock is currently traded on the New York Stock Exchange (symbol: KTO). With more than 1,840 employees as of December 31, 2002 and 2002 sales of nearly $600,000,000, K2 has sales and distribution centers, research and design facilities, and manufacturing and sourcing capabilities around the world. K2 is headquartered in Los Angeles, California.

Rawlings Sporting Goods Company, Inc. (Page 73)

1859 Bowles Avenue

Fenton, Missouri 63026

(314) 349-3500

Rawlings Sporting Goods Company, Inc. is the leading manufacturer and marketer of baseball equipment in North America. Under its brand name, 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 NAIA and NJCAA 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 was founded in 1887 and has since become a tradition in team sports equipment and uniforms. Since 1977, Rawlings has been the exclusive supplier of baseballs to Major League Baseball and since 1994 it has been the exclusive supplier of baseballs to 19 Minor Leagues. In addition, Rawlings licensees sell numerous products, including athletic shoes, socks, and apparel, using the Rawlings brand name and logo.

Rawlings common stock is currently traded on the Nasdaq National Market System (symbol: RAWL). Rawlings is headquartered in Fenton, Missouri.

Ownership of the Combined Company After the Merger

Assuming that the exchange ratio is 0.950 of a share of K2 common stock for each share of Rawlings common stock and the K2 stock price at the closing of the merger is between $9.47 and $10.53, the number of shares of K2 common stock issued to Rawlings stockholders in the merger will constitute approximately 30% of the outstanding common stock of the combined company after the merger.

SUMMARY

Record Date for Voting; Required Votes for the Stockholder Proposals (Pages 28 and 31)

K2 Stockholders

Each holder of record, as of February 24, 2003, of K2 common stock is entitled to cast one vote per share. The affirmative vote, in person or by proxy, of at least a majority of the votes properly cast, is required to approve the issuance of shares of K2 common stock in the merger. The affirmative vote, in person or by proxy, of a majority of the shares outstanding as of the record date is required to approve the amendment to K2 s certificate of incorporation to increase the authorized common stock of K2 from 40,000,000 to 60,000,000 shares. The approval by K2 stockholders of the amendment to K2 s certificate of incorporation to increase the authorized common stock of K2 is not a condition to the completion of the merger. Failure of K2 s stockholders to approve this proposal would not affect consummation of the merger. K2 directors and executive officers beneficially hold approximately 5.2% of the outstanding shares of K2 common stock.

Rawlings Stockholders

Each holder of record, as of February 24, 2003, of Rawlings common stock is entitled to cast one vote per share. The affirmative vote, in person or by proxy, of at least a majority of the shares of Rawlings common stock outstanding as of the record date is required to approve the merger and the merger agreement. Rawlings directors and executive officers beneficially hold approximately 14% of the outstanding shares of Rawlings common stock.

Effects of Abstentions and Broker Non-Votes

Both abstentions and broker non-votes will be counted in determining whether a quorum is present at the K2 and Rawlings meeting.

Abstentions and broker non-votes will have no effect on the outcome of the K2 vote to approve the issuance of shares of K2 common stock in the merger, assuming a quorum is present. However, because the vote at the K2 meeting required to approve the amendment to K2 s certificate of incorporation to increase the authorized common stock of K2 from 40,000,000 to 60,000,000 shares is based upon a percentage of the total outstanding voting power of K2 rather than upon the percentage of the votes cast at the K2 meeting, abstentions and broker non-votes will have the same effect as a vote against the amendment to K2 s certificate of incorporation.

Since the vote at the Rawlings meeting required to approve and adopt the merger agreement is based upon a percentage of the total outstanding voting power of Rawlings rather than upon the percentage of the votes cast at the Rawlings meeting, abstentions and broker non-votes will have the same effect as a vote against the approval and adoption of the merger agreement.

Conditions to the Completion of the Merger

(Page 68)

The completion of the merger depends on the satisfaction or waiver of a number of conditions, including, but not limited to, the following:

- K2 stockholder approval of the issuance of shares of K2 common stock in the merger;
- Rawlings stockholder approval of the merger and the merger agreement;
- the absence of any law, injunction or other order issued by a court that has the effect of restricting or otherwise prohibiting the merger;
- the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976;
- the effectiveness of the registration statement relating to the shares of K2 common stock to be issued in the merger and the absence of any stop order suspending the effectiveness of the registration statement;
- the accuracy in all material respects of all representations and warranties as of the date of the merger agreement and the closing date, unless an earlier date is also identified;

- the performance or compliance in all material respects with all agreements and covenants set forth in the merger agreement;
- the absence of a material adverse change with respect to K2 or Rawlings;
- the approval of the shares of K2 common stock to be issued in the merger for trading on the New York Stock Exchange;
- the receipt of legal opinions that the merger will be treated as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code;
- the receipt of consents with respect to certain key contracts of Rawlings; and
- the amendment and extension of one of Rawlings key license agreements.

Where the law permits, either party could choose to waive any of its conditions.

Termination of the Merger Agreement (Page 69)

K2 and Rawlings may terminate the merger agreement by mutual written consent.

Either K2 or Rawlings may terminate the merger agreement, subject to various conditions, if:

- any governmental entity or court issues a nonappealable final order permanently restraining, enjoining or otherwise prohibiting the transactions set forth in the merger agreement;
- the merger is not completed by July 30, 2003 and the failure to close by such date is not due to the breach of the merger agreement by the terminating party;
- the Rawlings stockholders fail to approve the merger and the merger agreement at the meeting of Rawlings stockholders; or
- the K2 stockholders fail to approve the issuance of shares of K2 common stock in the merger.

Rawlings may terminate the merger agreement, subject to various conditions, if:

K2 materially breaches any of its representations or warranties set forth in the merger agreement and such breach is not cured by July 30, 2003;

K2 materially breaches any of its covenants set forth in the merger agreement, and such breach cannot be cured within twenty business days after notice of such breach;

K2 fails to convene the K2 stockholder meeting to approve the issuance of shares;

Rawlings board of directors accepts a superior proposal in compliance with the merger agreement and pays the termination fee; or

K2 s board of directors withdraws, modifies or fails to make or reconfirm its recommendations.

K2 may terminate the merger agreement, subject to various conditions, if:

Rawlings materially breaches any of its representations or warranties set forth in the merger agreement and such breach is not cured by July 30, 2003;

Rawlings materially breaches any of its covenants set forth in the merger agreement, and such breach cannot be cured within twenty business days after notice of such breach;

Rawlings board of directors submits or recommends a superior proposal to the Rawlings stockholders;

Rawlings board of directors withdraws, modifies or fails to make or reconfirm its recommendations;

Rawlings board of directors fails to reject or recommend against a proposal for a third party acquisition of Rawlings;

Rawlings fails to convene the Rawlings stockholder meeting to approve the merger and the merger agreement; or

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SUMMARY

the average daily closing price of K2 common stock over any fifteen day trading period ending at least two calendar days prior to the Rawlings stockholder meeting is less than $8.00.

Termination Fees (Page 71)

Termination of the merger by either K2 or Rawlings under specified circumstances could result in Rawlings being required to pay K2 a termination fee in the amount of $2,900,000.

Reasons for the Merger (Pages 44 and 45)

K2 s Reasons for the Merger

K2 s board of directors believes that the merger represents an opportunity to enhance value for K2 stockholders. The decision of K2 s board of directors to enter into the merger agreement and to recommend that K2 stockholders approve the issuance of the shares of K2 common stock to be issued in the merger was the result of careful consideration by the board of directors of numerous factors. Significant factors considered by the K2 board of directors include, among others:

Strategic Growth Through Acquisition. The consolidation of sporting goods retailers worldwide is leading to a consolidation of sporting goods suppliers. K2 believes that the most successful sporting goods suppliers will be those with greater financial resources and a broader selection of products and brands. The merger with Rawlings furthers K2 s strategy of expanding its operations, diversifying its product offerings and adding strong brands through combinations with well-established companies.

Key Platform For Growth. One key market segment into which K2 plans to expand is the team sports segment. Because of its strong product lines, expertise in the category and brand name recognition, Rawlings represents a premier platform for K2 s entry into the team sports segment.

Increased Market Presence and Opportunities. As the sporting goods industry consolidates, the large sporting goods retailers prefer to rely on fewer and larger sporting goods suppliers to help them manage the supply of products and the allocation of shelf space. The combination of K2 s and Rawlings leading brands and product offerings will provide K2 with a broader product offering and an increased market presence that will help K2 address the needs of the large sporting goods retailers.

Operating Synergies. The combination of K2 and Rawlings will create synergies by providing opportunities to leverage the companies strengths in distribution, manufacturing, administration, product development and marketing.

Enhanced Management Team. K2 and Rawlings each enjoy top quality management teams that understand their respective market segments. The combination of Rawlings and K2 creates an enhanced management team by combining the strengths and experience of both companies management teams.

Reduced Seasonality and Exposure to Weather. Some of K2 s business lines are seasonal in nature. K2 s results of operations are typically impacted by the amount of snowfall during the winter months, which drives the sale of skis and snowboards. The addition of Rawlings businesses, which focus on spring and summer sports, will reduce K2 s relative exposure to the impact of snowfall in the winter months. Overall, the broader range of sporting goods products of the combined company will counter balance the seasonal nature of K2 s and Rawlings product lines.

Greater Liquidity. As a result of the issuance of shares of K2 common stock in the merger, there will be a larger public float and greater liquidity with respect to K2 s common stock following the merger.

Rawlings Reasons for the Merger

The Rawlings board of directors has determined to vote in favor of the merger, approve the merger agreement, declare the advisability of the merger and recommend that Rawlings stockholders approve the merger agreement for the following reasons, among others:

Financially Superior. The merger is financially superior to other alternatives for Rawlings stockholders.

Terms of Merger Agreement. The merger agreement includes provisions validating the financial superiority of the merger because the Rawlings board of directors may, among other things, terminate the merger agreement and enter into an agreement for a transaction with a third party that is financially superior to the merger if the Rawlings board of directors determines in good faith that failure to do so would be reasonably likely to result in a breach of its fiduciary duty, K2 has not submitted a revised offer that is at least as favorable to Rawlings stockholders as the third party proposal, and Rawlings pays a termination fee of $2,900,000 to K2.

Fairness Opinion. The opinion of George K. Baum & Company that, as of the date the merger agreement was executed and based upon and subject to the various considerations set forth in the opinion, the merger consideration was fair to the holders of Rawlings common stock, from a financial point of view.

Greater Liquidity. The greater liquidity of K2 s common stock following the merger as compared to Rawlings common stock.

Strategic Benefits. The merger is expected to produce financial, strategic and operational benefits that could reasonably be expected to enhance the value of the stock in the combined company.

Tax-Free Structure. The structure of the transaction will permit Rawlings stockholders to defer payment of capital gains taxes until they sell the shares of K2 common stock received in the merger.

Board Recommendations (Pages 44 and 45)

K2 Stockholders

The K2 board of directors believes that the merger is in the best interests of K2 stockholders and recommends that K2 stockholders vote **FOR** the issuance of shares of K2 common stock in the merger and **FOR** an amendment to K2 s certificate of incorporation to increase the authorized common stock of K2 from 40,000,000 to 60,000,000 shares.

Rawlings Stockholders

The Rawlings board of directors believes that the merger is in the best interests of Rawlings stockholders and recommends that Rawlings stockholders vote **FOR** approval and adoption of the merger agreement and approval of the merger.

Opinion of Rawlings Financial Advisor (Page 48)

Rawlings financial advisor, George K. Baum & Company, delivered a written opinion to the Rawlings board of directors as to the fairness of the merger consideration, from a financial point of view, to the holders of Rawlings common stock. The full text of George K. Baum s written opinion, dated December 15, 2002, is attached to this joint proxy statement/prospectus as Appendix B. K2 and Rawlings encourage you to read this opinion carefully in its entirety for a description of the procedures followed, assumptions made, matters considered and limitations on the review undertaken. **George K. Baum s opinion is addressed to the Rawlings board of directors and does not constitute a recommendation to any stockholder as to any matter relating to the merger.**

Certain United States Federal Income Tax Considerations (Page 53)

It is a condition to the merger that both K2 and Rawlings receive legal opinions from their respective tax counsel to the effect that the merger will qualify as a reorganization within the meaning of

Section 368(a) of the Internal Revenue Code of 1986,

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as amended. Assuming that the merger so qualifies, Rawlings stockholders will not recognize any gain or loss except for gain or loss attributable to cash received by Rawlings stockholders instead of fractional shares of K2 common stock. Stockholders should consult their tax advisors for a full understanding of all of the tax consequences of the merger to them.

Accounting Treatment (Page 54)

K2 will use the purchase method of accounting for the merger with Rawlings under accounting principles generally accepted in the United States.

Interests of Certain Persons in the Merger

(Page 55)

Certain Rawlings directors, officers and stockholders have interests in the merger that are different from, or are in addition to, those of other stockholders. These interests include: (1) current and future employment arrangements, (2) the acceleration of the vesting period of stock options held by employees of Rawlings, including executive officers, upon the approval of the adoption of the merger agreement by the stockholders at the Rawlings meeting, (3) severance agreements of twenty-five of the employees of Rawlings, including executive officers, providing payments to the employees under certain circumstances after the merger, (4) the post-merger membership on K2 s board of directors of one of the current directors of Rawlings and (5) the indemnification of directors and officers of Rawlings against certain liabilities both before and after the merger. The members of the boards of directors of K2 and Rawlings knew about these interests and considered them, among other matters, when they approved the merger agreement and the merger.

Regulatory Clearances and Approvals (Page 55)

The completion of the merger is subject to the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

No Dissenters Appraisal Rights (Page 56)

Neither the K2 stockholders nor the Rawlings stockholders are entitled to dissenters appraisal rights in connection with the merger.

Amendment to K2 s Certificate of Incorporation (Page 29)

K2 stockholders are also being asked to vote on an amendment to K2 s certificate of incorporation to increase the authorized common stock of K2 from 40,000,000 to 60,000,000 shares. Stockholder approval of this amendment to K2 s certificate of incorporation is not required for K2 and

Rawlings to complete the merger.

The increase in authorized common stock will provide K2 with additional flexibility to take timely advantage of favorable opportunities and to meet its future business needs, including, among other things, future acquisitions. If authorized shares are issued, the issuance of such additional K2 common stock could have a dilutive effect on earnings per share of the K2 common stock currently outstanding and on the equity and voting power of existing holders of K2 common stock at the time of issuance.

Trading of Common Stock (Page 56)

The shares of K2 common stock issued in connection with the merger will be listed on the New York Stock Exchange.

Questions About the Merger

If you have any questions about the merger or if you need additional copies of this joint proxy statement/prospectus or the enclosed proxy card, you should contact:

MORROW & CO., INC.

445 Park Avenue

New York, NY 10022-2606

(800) 607-0088

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Selected Financial Data

The information in the following tables is based on the K2 and Rawlings historical financial information K2 and Rawlings have presented in their prior Securities and Exchange Commission filings. K2 and Rawlings stockholders should read the selected financial information in the following tables in connection with the historical financial information. The Rawlings historical financial information for recent fiscal years and its most recent fiscal quarter is included in this joint proxy statement/prospectus beginning on page F-1. The K2 historical financial information has been incorporated into this document by reference. See Additional Information Where You Can Find Additional Information on page 93. K2 s audited historical financial statements were audited by Ernst & Young LLP, independent auditors. Rawlings audited historical financial statements for the year ended August 31, 2002 were audited by KPMG LLP, independent auditors, and for the years ended August 31, 2001 and earlier were audited by Arthur Andersen LLP, independent auditors. See Additional Information Experts on page 93.

The accompanying unaudited interim information for K2 for the nine months ended September 30, 2002 and 2001, and for Rawlings for the quarters ended November 30, 2002 and 2001, was prepared in accordance with accounting principles generally accepted in the United States and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, that information does not include all of the information and disclosures required by generally accepted accounting principles in the United States for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals necessary for a fair presentation are included. The results of operations for the nine months ended September 30, 2002 for K2, and for the quarter ended November 30, 2002 for Rawlings, may not indicate the results for the full fiscal year. All amounts are stated in U.S. dollars.

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SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA

K2 INC.

(In thousands, except per share data)

	As of and for the Nine Months Ended September 30,		As of and for the Year Ended December 31,				
	2002	**2001**	**2001**	**2000**	**1999**	**1998**	**1997**
Income Statement Data:							
Net sales	$ 454,463	$ 462,746	$ 589,519	$ 665,562	$ 640,461	$ 579,139	$ 561,536
Cost of products sold	319,569	338,027	429,338	462,242	462,033	418,950	391,860
Gross profit	134,894	124,719	160,181	203,320	178,428	160,189	169,676
Selling expenses	65,166	79,068	103,688	108,274	101,130	92,018	82,338
General and administrative expenses	38,272	37,390	43,028	42,952	40,341	39,030	38,303
Research and development expenses	6,618	7,326	12,184	13,271	12,113	12,391	11,979
Operating income	24,838	935	1,281	38,823	24,844	16,750	37,056
Interest expense	7,130	9,813	13,631	14,814	12,741	12,163	10,500
Other income, net	(59)	(297)	(375)	(191)	(413)	(236)	(619)
Income (loss) from continuing operations before provision for income taxes	17,767	(8,581)	(11,975)	24,200	12,516	4,823	27,115
Provision (credit) for income taxes	6,218	(3,380)	(4,271)	7,502	4,005	955	7,815
Income (loss) from continuing operations	11,549	(5,201)	7,704	16,698	8,511	3,868	19,300
Discontinued operations, net of taxes				(119)	1,332	975	2,600
Net income (loss)	11,549	(5,201)	(7,704)	16,579	9,843	4,843	21,900
Per Common Share Data:							
Basic earnings (loss) per share:							
Continuing operations	0.64	(0.29)	(0.43)	0.93	0.50	0.23	1.17
Discontinued operations				(0.01)	0.08	0.05	0.16
Net income (loss)	0.64	(0.29)	(0.43)	0.92	0.58	0.28	1.33
Diluted earnings (loss) per share:							
Continuing operations	0.64	(0.29)	(0.43)	0.93	0.50	0.23	1.15
Discontinued operations				(0.01)	0.08	0.06	0.16
Net income (loss)	0.64	(0.29)	(0.43)	0.92	0.58	0.29	1.31
Cash dividends per common share					0.11	0.44	0.44
Basic shares	17,941	17,940	17,940	17,949	16,880	16,554	16,541
Diluted shares	17,975	17,940	17,940	18,040	16,883	16,637	16,713
Balance Sheet Data:							
Total current assets	314,840	300,422	304,813	305,132	345,809	335,570	305,048
Total assets	429,319	418,229	421,038	424,110	491,442	456,454	422,401
Total current liabilities	107,609	195,180	100,965	121,742	162,187	130,597	118,215
Long-term debt	80,878		97,828	69,836	107,280	110,724	88,668
Stockholders equity	233,244	219,626	214,657	227,248	218,520	202,119	202,885

In 1997, a pre-tax restructuring charge of $2,400,000 was recorded in connection with the announcement of K2 s plan to consolidate its mountain bike and outdoor equipment operations into its existing facility on Vashon Island, Washington, and to move its production of outdoor products to outside sources.

In 1998, K2 adopted a plan to dispose of its Simplex building products division. As a result, K2 reclassified Simplex as a discontinued operation in 1998 and similarly reclassified prior years operations. On June 30, 2000, K2 completed the sale of the assets and business of Simplex to Ludlow Building Products, a subsidiary of Tyco International Ltd.

In the third quarter of 1998, a pre-tax charge of $14,500,000 was included in earnings from continuing operations. Of this amount, $10,500,000 was charged to cost of products sold to write down certain categories of bike and skate inventories as a result of a sudden change in the market demand for those products. The balance of

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the charge was recorded in general and administrative expenses for costs associated with the change in the bike business and implementing planned cost reduction programs at the winter sports operations. The charges primarily related to non-cash items.

In 1999, K2 began to reduce the cost structure of its ski and snowboard operations by restructuring and downsizing its Seattle manufacturing operation in favor of lower cost manufacturing and sourcing opportunities. In accordance with the initiative, during 1999, K2 s Seattle manufacturing facility was downsized and approximately half of its ski and all of its snowboard manufacturing were moved to either K2 s China or California production facilities or to third party sourcing operations worldwide, resulting in a charge of $10,500,000 to cost of products sold to cover restructuring costs of $6,500,000 and downsizing costs of $4,000,000. The restructuring charge reflected expenses associated with the write-off of related equipment and inventory, the reduction of approximately 200 production personnel and the utilization of approximately 200 temporary workers. Approximately $5,300,000 of the total amount was a cash charge to earnings.

During 2001, in ongoing cost reduction moves, K2 completed the move of its remaining ski production to China, closing the Washington ski manufacturing facility during the 2001 third quarter. In addition, three other smaller manufacturing facilities which serviced the Stearns and Hilton operations were shut down in Minnesota and Alabama, with most of the production also moving overseas. In addition to the factory closures, K2 experienced a substantial industry-wide slowdown of sales of small-wheeled products in 2001, necessitating a downsizing of K2 s small-wheeled products operation. Consequently, the factory closures and downsizing activities have resulted in 2001 charges to cost of products sold and general and administrative expenses for restructuring and downsizing costs of $15,600,000 and $2,400,000, respectively. Approximately $5,000,000 of the total amount was a charge to earnings that resulted in or will result in a cash payment. These costs are associated with the reduction of personnel, the write down of facilities and equipment, and the reduction in the net carrying value of small-wheeled products inventory.

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SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA

RAWLINGS SPORTING GOODS COMPANY, INC.

(In thousands, except per share data)

	As of and for the Quarter Ended November 30,		As of and for the Year Ended August 31,				
	2002	2001	2002	2001	2000	1999	1998
Income Statement Data:							
Net sales	$ 29,974	$ 33,408	$ 173,712	$ 174,528	$ 173,903	$ 159,765	$ 164,393
Cost of products sold	21,026	23,963	124,936	126,996	123,870	117,268	118,143
Gross profit	8,948	9,445	48,776	47,532	50,033	42,497	46,250
Selling, general and administrative expenses	9,459	10,029	41,158	40,679	41,937	40,346	35,536
Operating income (loss)	(511)	(584)	7,618	6,853	8,096	2,151	10,714
Interest expense	533	634	2,452	4,510	6,064	4,909	4,372
Income (loss) from continuing operations before income taxes and extraordinary item	(1,044)	(1,218)	5,166	2,343	2,032	(2,758)	6,342
Provision (credit) for income taxes	(386)	(420)	1,819	586	751	(276)	2,191
Income (loss) from continuing operations before extraordinary items	(658)	(798)	3,347	1,757	1,281	(2,482)	4,151
Discontinued operations, net of tax					(13,640)	(879)	(491)
Extraordinary item					(646)		
Net income (loss)	(658)	(798)	3,347	1,757	(13,005)	(3,361)	3,660
Per Common Share Data:							
Income (loss) per common share, basic and diluted:							
Continuing operations	(0.08)	(0.10)	0.41	0.22	0.16	(0.32)	0.53
Discontinued operations					(1.72)	(0.11)	(0.06)
Extraordinary item					(0.08)		
Net income (loss)	(0.08)	(0.10)	0.41	0.22	(1.64)	(0.43)	0.47
Balance Sheet Data:							
Total current assets	73,972	60,017	60,017	66,933	77,292	77,164	89,712
Total assets	105,990	91,833	91,833	98,541	108,725	120,675	131,838
Total current liabilities	59,485	44,339	44,339	53,602	61,711	69,610	20,961
Long-term debt	2,673	2,941	2,941	4,242	8,404	133	57,048
Stockholder s equity	43,832	44,553	44,553	31,406	29,319	42,077	44,252

For the year ended August 31, 2000, Rawlings recorded the write-off of deferred debt issuance costs of $646,000 as an extraordinary item associated with the refinancing of an existing financing arrangement.

In June 2000, Rawlings made a strategic decision to seek a buyer for the Vic hockey business and similarly reclassified the segment as discontinued operations during the year ended August 31, 2000. The loss from discontinued operations for the years ended August 31, 1998, 1999 and 2000 include operating losses of the segment, a write-down of assets of the business to estimated net realizable value and estimated costs of disposal. The sale of the business was completed during the third quarter of fiscal 2001.

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Selected Unaudited Pro Forma Condensed Combined Financial Information

The following unaudited selected pro forma financial data combines K2 s historical results for the nine months ended September 30, 2002 and for the year ended December 31, 2001 with Rawlings historical results for the nine months ended August 31, 2002 and the twelve months ended November 30, 2001, giving effect to the merger as if it had occurred as of January 1, 2001 for income statement purposes and on September 30, 2002 for balance sheet purposes. The following selected unaudited pro forma financial data has been derived from, and should be read in conjunction with, the Unaudited Pro Forma Condensed Combined Financial Information beginning on page 96 and related notes included in this joint proxy statement/prospectus. You should not rely on these selected unaudited pro forma condensed financial data as being indicative of the historical results that would have occurred had K2 and Rawlings been combined during these time periods or the future results that may be achieved after the merger.

	For the Nine Months Ended September 30, 2002	For the Year Ended December 31, 2001
	(In thousands, except per share figures)	
Income Statement Data:		
Net sales	$ 594,767	$ 760,616
Cost of sales	420,542	554,089
Gross profit	174,225	206,527
Income (loss) from operations before income taxes	24,151	(11,399)
Provision (credit) for income taxes	8,457	(4,308)
Net income (loss)	15,694	(7,091)
Per Common Share Data:		
Basic net income (loss) per share	$ 0.61	$ (0.28)
Diluted net income (loss) per share	$ 0.60	$ (0.28)
Dividends declared		

	As of September 30, 2002
Balance Sheet Data:	
At period end:	
Total assets	$ 557,997
Long-term debt	83,819
Total stockholders equity	312,730

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Unaudited Comparative Per Common Share Data

The following table on page 14 summarizes the per share information for K2 and Rawlings on an historical basis and on an unaudited pro-forma combined basis. The pro forma data gives effect to the merger on a purchase method basis as described in Unaudited Pro Forma Condensed Combined Financial Information beginning on page 96. The pro forma information is presented as if the merger was completed as of the beginning of each period for income statement purposes and on September 30, 2002 for balance sheet purposes. All pro forma information herein is audited.

The historical book value per common share is computed by dividing total stockholders equity by the number of shares of common stock outstanding at the end of the period. The pro forma combined book value per common share is computed by dividing pro forma stockholders equity by the pro forma number of shares of K2 common stock outstanding at the end of the period.

The information listed as pro forma combined per equivalent share was obtained by multiplying the pro forma amounts by the assumed exchange ratio in the merger.

K2 and Rawlings expect to incur merger and integration charges as a result of combining the companies. K2 and Rawlings also anticipate that the merger will provide the combined company with financial benefits that include reduced operating expenses and the opportunity to earn more revenue. The pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect these expenses or benefits and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had K2 and Rawlings actually been combined during the periods presented.

The information in the following table is based on, and should be read together with, the K2 and Rawlings historical financial information contained in prior Securities and Exchange Commission filings, which are incorporated herein by reference, and the Unaudited Pro Forma Condensed Combined Financial Information beginning on page 96.

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UNAUDITED COMPARATIVE PER COMMON SHARE DATA

OF K2 AND RAWLINGS

	For the Nine Months Ended September 30, 2002	For the Year Ended December 31, 2001
Historical K2 Inc.		
Net income (loss) per common share basic	$ 0.64	$ (0.43)
Net income (loss) per common share diluted	$ 0.64	$ (0.43)
Book value per common share at period end	$ 13.00	$ 11.97
Historical Rawlings Sporting Goods Company, Inc.(1)		
Net income per common share basic	$ 0.51	$ 0.08
Net income per common share diluted	$ 0.51	$ 0.08
Book value per common share at period end	$ 5.49	$ 3.79
Pro forma combined per K2 Inc. share (assumed 0.950 exchange ratio)(1)(2)		
Basic net income (loss) per common share	$ 0.61	$ (0.28)
Diluted net income (loss) per common share	$ 0.60	$ (0.28)
Book value per common share at period end	$ 12.20	$ 9.74
Pro forma combined per equivalent share (assumed 0.950 exchange ratio)(1)(2)		
Basic net income (loss) per common share	$ 0.58	$ (0.27)
Diluted net income (loss) per common share	$ 0.57	$ (0.27)
Book value per common share at period end	$ 11.59	$ 9.25
Pro forma combined per K2 Inc. share (assumed 1.125 exchange ratio)(1)(3)		
Basic net income (loss) per common share	$ 0.58	$ (0.26)
Diluted net income (loss) per common share	$ 0.57	$ (0.26)
Book value per common share at period end	$ 11.48	$ 9.15
Pro forma combined per equivalent share (assumed 1.125 exchange ratio)(1)(3)		
Basic net income (loss) per common share	$ 0.65	$ (0.29)
Diluted net income (loss) per common share	$ 0.64	$ (0.29)
Book value per common share at period end	$ 12.92	$ 10.29
Pro forma combined per K2 Inc. share (assumed 0.833 exchange ratio)(1)(4)		
Basic net income (loss) per common share	$ 0.64	$ (0.29)
Diluted net income (loss) per common share	$ 0.62	$ (0.29)
Book value per common share at period end	$ 13.00	$ 10.45
Pro forma combined per equivalent share (assumed 0.833 exchange ratio)(1)(4)		
Basic net income (loss) per common share	$ 0.53	$ (0.24)
Diluted net income (loss) per common share	$ 0.52	$ (0.24)
Book value per common share at period end	$ 10.83	$ 8.70

(1) The historical amounts for Rawlings and the combined pro forma amounts for Rawlings and K2 reflect historical amounts for Rawlings for the nine months ended August 31, 2002 and the twelve months ended November 30, 2001.

(2) These calculations are based on an exchange ratio of 0.950 of a share of K2 stock to be issued per each Rawlings share or stock option outstanding. This exchange ratio assumes an average share price for K2 common stock of between $9.47 per share and $10.53 per share, which represents the floor and ceiling price within which the exchange ratio is fixed. If the average share price of K2 common stock for the fifteen consecutive trading days ending on and including the second day preceding the closing date is less than $9.47 per share, the exchange ratio will be adjusted upward to an exchange ratio that will result in Rawlings stockholders receiving a number of shares of K2 common stock having a value of $9.00 per share of

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Rawlings stock exchanged based on the average daily closing price of K2 common stock during the specified period. If the average share price of K2 common stock exceeds $10.53 per share, the exchange ratio will be adjusted downward to an exchange ratio that will result in Rawlings stockholders receiving a number of shares of K2 common stock having a value of $10.00 per share of Rawlings stock exchanged based on the average daily closing price of K2 common stock during the specified period.

(3) Calculations based on an assumed K2 average share price of $8.00 per share, which would result in an exchange ratio of 1.125 shares of K2 stock for each Rawlings share or stock option outstanding.

(4) Calculations based on an assumed K2 average share price of $12.00 per share, which would result in an exchange ratio of 0.833 of a share of K2 stock for each Rawlings share or stock option outstanding.

COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION

K2 common stock is listed on the New York Stock Exchange. Rawlings common stock is quoted on the Nasdaq National Market System. K2 s and Rawlings ticker symbols are KTO and RAWL, respectively. The following table shows, for the calendar quarters indicated, based on published financial sources, the high and low sale prices of shares of K2 and Rawlings common stock as reported on the New York Stock Exchange and the Nasdaq National Market System.

During the periods covered by the following table, neither K2 has nor Rawlings has paid cash dividends. K2 s credit facilities currently prohibit the payment of any cash dividends or stock repurchases by K2. Similarly, Rawlings credit facilities currently prohibit the payment of any cash dividends or stock repurchases by Rawlings.

	K2 Common Stock		Rawlings Common Stock	
	High	Low	High	Low
2000				
March 31	$ 8.00	$ 6.75	$ 7.54	$ 4.49
June 30	$ 8.81	$ 7.00	$ 6.98	$ 4.98
September 30	$ 11.38	$ 8.38	$ 6.95	$ 5.30
December 31	$ 9.75	$ 7.38	$ 6.17	$ 4.80
2001				
March 31	$ 9.75	$ 7.75	$ 5.48	$ 3.74
June 30	$ 11.43	$ 7.80	$ 5.28	$ 3.92
September 30	$ 11.99	$ 5.40	$ 4.81	$ 2.97
December 31	$ 8.74	$ 5.31	$ 3.64	$ 2.49
2002				
March 31	$ 7.60	$ 6.32	$ 6.14	$ 3.04
June 30	$ 10.25	$ 6.55	$ 5.89	$ 4.86
September 30	$ 10.00	$ 7.50	$ 5.81	$ 4.93
December 31	$ 11.01	$ 6.40	$ 9.00	$ 5.00

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RECENT CLOSING PRICES

The following table sets forth the closing prices per share of K2 common stock as reported on the New York Stock Exchange and Rawlings common stock as reported on the Nasdaq National Market System on December 13, 2002, the last full trading day prior to the announcement of the merger agreement, and February 21, 2003, the most recent practicable date prior to the mailing of this joint proxy statement/prospectus to K2 s and Rawlings stockholders.

The following table also sets forth the equivalent price per share of Rawlings common stock reflecting the value of the K2 common stock that Rawlings stockholders would receive in exchange for each share of Rawlings common stock if the merger was completed on these two dates and if the closing price on these dates equals the average daily closing price per share of K2 common stock over the fifteen consecutive trading days ending on and including the second trading day preceding the closing date. These prices will fluctuate prior to the special meetings and the merger, and stockholders are urged to obtain current market quotations prior to making any decision with respect to the merger.

Date	K2 Common Stock	Rawlings Common Stock	Equivalent Per Share Price of Rawlings Common Stock
December 13, 2002 (assumed 0.950 exchange ratio)	$ 9.87	$ 8.18	$ 9.38
February 21, 2003 (assumed 0.980 exchange ratio)	$ 9.18	$ 8.80	$ 9.00

For illustrative purposes, the following table sets forth the equivalent price per share of Rawlings common stock reflecting fluctuations in the value of the K2 common stock that Rawlings stockholders would receive in exchange for each share of Rawlings common stock based upon hypothetical fluctuations of the average daily closing price per share of K2 common stock over the fifteen consecutive trading days ending on and including the second trading day preceding the closing date.

Hypothetical Average Closing Price of K2 Common Stock	Corresponding Exchange Ratio	Equivalent Per Share Price of Rawlings Common Stock(1)
$8.00	1.125	$9.00
$12.00	0.833	$10.00

(1) Assumes that the actual price of K2 common stock at the effective time of the merger equals the average daily closing price.

The above tables show only historical and hypothetical comparisons. K2 and Rawlings stockholders are urged to obtain current stock price quotations for K2 and Rawlings common stock and to review carefully the other information contained in this joint proxy statement/prospectus or incorporated by reference into this joint proxy statement/prospectus in deciding whether to adopt the merger agreement and to authorize the merger. K2 and Rawlings will issue a press release on the day preceding the Rawlings special meeting disclosing the final exchange ratio for the merger. See the section entitled Additional Information Where You Can Find Additional Information on page 93 of this joint proxy statement/prospectus.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This joint proxy statement/prospectus contains forward-looking statements concerning non-historical facts or matters that are subject to risks and uncertainties. K2 and Rawlings believe that such statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent expectations or beliefs of K2 and Rawlings concerning future events, many of which are outside the control of K2 and Rawlings. They include, among other things, statements with respect to:

- pro forma financial statements and projections of future financial performance;
- future sales and earnings;
- marketing efforts and trends regarding:
  - team sports including baseball, basketball and football,
  - extreme wheel sports including mountain bikes, in-line skates and skateboards, and
  - winter sports including skis and snowboards;
- retail inventory levels;
- product acceptance and demand;
- growth efforts;
- cost reduction efforts;
- cost savings and economies of scale;
- dependence on foreign manufacturing;
- margin enhancement efforts;
- product development efforts;

market positioning;

the combined company after the merger; and

future acquisitions and dispositions.

These forward looking statements may be preceded by, followed by or include the words believes, expects, anticipates, intends, plans, esti may, will, should, could or similar expressions.

K2 and Rawlings caution that these statements are further qualified by important factors, in addition to those under Risk Factors below and elsewhere in this joint proxy statement/prospectus and the documents which are incorporated by reference in this joint proxy statement/prospectus, that could cause actual results to differ significantly from those in the forward-looking statements, including, among other things:

economic conditions,

product demand,

competitive pricing and products, and

other risks described in K2 s and Rawlings filings with the SEC.

Forward-looking statements are not guarantees of performance. By their nature, they involve risks, uncertainties and assumptions. The future results and stockholder values of K2 and Rawlings may differ significantly from those expressed in these forward-looking statements. Stockholders are cautioned not to put undue reliance on any forward-looking statement. Any such statement speaks only as of the date of this joint

CAUTIONARY STATEMENT REGARDING

FORWARD-LOOKING STATEMENTS

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proxy statement/prospectus, and in the case of documents incorporated by reference, as of the date of those documents. Neither K2 nor Rawlings undertake any obligation to update or release any revisions to any forward-looking statements, to report any new information, future event or other circumstances after the date of this joint proxy statement/prospectus or to reflect the occurrence of unanticipated events, except as required by law.

CAUTIONARY STATEMENT REGARDING

FORWARD-LOOKING STATEMENTS

RISK FACTORS

Stockholders of K2 and Rawlings should carefully consider the following factors, in addition to other risk factors of the two companies incorporated by reference into this joint proxy statement/prospectus and the other information contained in this document, in deciding whether to vote for approval and adoption of the merger agreement and the merger, in the case of Rawlings stockholders, or for approval of the issuance of shares of K2 common stock in the merger, in the case of K2 stockholders. See Additional Information Where You Can Find Additional Information on page 93 for where you can find the additional risk factors incorporated by reference.

Risk Factors Relating to the Merger

K2 and Rawlings may not successfully integrate their business operations after the merger.

The integration of K2 s and Rawlings operations after the merger may be difficult, time consuming and costly. After completion of the merger, the combined company must successfully integrate, among other things, the product and service offerings, product development, sales and marketing, research and development, administrative and customer service functions, and the management information systems of Rawlings with those of K2. In addition, K2 will need to retain the management, key employees, customers, distributors, vendors and other business partners of both companies. It is possible that these integration efforts will not be completed as smoothly as planned, which could have an adverse impact on the operations of the combined company.

K2 expects to incur potentially significant merger-related, restructuring and integration costs in connection with the transaction and the integration of Rawlings operations.

K2 and Rawlings expect to incur costs associated with combining the operations of the two companies, transaction fees and other costs related to the merger. These costs include those related to the severance agreements of twenty-five of Rawlings employees which could be triggered by certain actions taken by K2 after the merger. These severance agreements could require payments by K2 totaling in excess of $3,000,000 in the aggregate and could lead to the possible loss of some key employees. K2 also faces potential costs related to employee redeployment or relocation, reorganization or closure of facilities, relocation and disposition of excess equipment and other integration costs. K2 has not yet determined the amount of these costs. K2 expects to account for these costs as purchase related adjustments when the merger is completed.

Changes in the market value of K2 common stock may increase the costs of the transaction to K2 stockholders or adversely affect the value of consideration that Rawlings stockholders receive for their stock.

The value of the K2 common stock to be issued in the merger in exchange for each share of Rawlings common stock is based on a number of factors and cannot be determined precisely before completion of the merger. Generally, as the value of K2 common stock decreases, the dilution to existing K2 stockholders increases. In addition, the value received for each share of Rawlings common stock decreases as the K2 stock price decreases, until the K2 common stock price decreases below $9.47, at which point the exchange ratio will be adjusted upward to an exchange ratio that will result in Rawlings stockholders receiving a number of shares of K2 common stock having a value of $9.00 per share for each share of Rawlings common stock exchanged, based on the average daily closing price for K2 common stock on the New York Stock Exchange for the fifteen trading days ending on and including the second trading day prior to the closing of the merger. However, the collar mechanism does not protect against a decline in the value of K2 common stock following the completion of the merger.

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The following chart demonstrates how changes in the market value of K2 common stock will affect the exchange ratio in the merger, the percentage ownership of existing K2 stockholders of the combined company and the value received by Rawlings stockholders. K2 has the right to terminate the merger agreement if the average daily closing price per share of K2 common stock for any consecutive fifteen trading days ending at least two calendar days prior to the stockholders meeting is less than $8.00.

Hypothetical Average Closing Price of K2 Common Stock(1)	Exchange Ratio	K2 Stockholders Pro Forma Ownership of the Combined Company	Value of K2 Stock Received For Each Share of Rawlings Stock(2)
$14.00	0.714	75.6%	$10.00
$12.00	0.833	72.7%	$10.00
$11.00	0.909	70.9%	$10.00
$10.50	0.950	70.0%	$9.975
$10.00	0.950	70.0%	$9.50
$9.50	0.950	70.0%	$9.025
$9.00	1.000	68.9%	$9.00
$8.50	1.059	67.7%	$9.00
$8.00	1.125	66.3%	$9.00
$6.00	1.500	59.7%	$9.00

(1) Represents the average daily closing price per share of K2 common stock over the fifteen consecutive trading days ending on and including the second trading day preceding the closing date.

(2) Assumes that the actual price of K2 common stock at the effective time of the merger equals the average daily closing price.

The trading price of K2 common stock has fluctuated significantly in the past. The future trading price of K2 common stock is likely to be volatile and could be subject to wide price fluctuations in response to such factors, including:

- actual or anticipated fluctuations in revenues or operating results;
- failure to meet securities analysts or investors expectations of performance;
- changes in key management personnel;
- announcements of technological innovations or new products by K2 or its competitors;
- developments in or disputes regarding patents and proprietary rights;
- proposed and completed acquisitions by K2 or its competitors;
- the mix of products and services sold;

- the timing, placement and fulfillment of significant orders;
- product and service pricing and discounts;
- acts of war or terrorism; and
- general economic conditions.

Rawlings stockholders may receive a lower return on their investment after the merger.

Although K2 and Rawlings believe that the merger will create financial, operational and strategic benefits for the combined company and its stockholders, these benefits may not be achieved. The combination of K2 s and Rawlings businesses, even if conducted in an efficient, effective and timely manner, may not result in combined operating efficiencies and financial performance that are better than what each company would have achieved independently if the merger had not occurred. In addition, the issuance of K2 common stock in the merger could reduce the market price of K2 common stock.

Rawlings directors and officers have conflicts of interest in recommending the merger to Rawlings stockholders.

In considering the recommendation of the Rawlings board of directors to approve the merger, Rawlings stockholders should recognize that some of Rawlings directors and officers have interests in the merger that differ from, or are in addition to, their interests as Rawlings stockholders. These interests include (1) current and future employment arrangements, (2) severance benefits, (3) acceleration of stock options, (4) K2 board membership for one of Rawlings current directors and (5) indemnification of directors and officers of Rawlings against certain liabilities arising both before and after the merger. These and additional interests are described under the headings The Merger Interests of Certain Persons in the Merger on page 55.

Rawlings stockholders will have a reduced ownership and voting interest after the merger.

After completion of the merger, Rawlings stockholders will own a significantly smaller percentage of the combined company and its voting stock than they currently own of Rawlings. Consequently, Rawlings stockholders will not be able to exercise as much influence over the management and policies of the combined company as they currently exercise over Rawlings.

K2 could lose key Rawlings personnel necessary to achieve the benefits K2 and Rawlings expect as a result of the merger.

Rawlings contribution to the combined company s success will depend in part on the continued service of specific Rawlings personnel. If a substantial portion of Rawlings management or key employees leave after K2 and Rawlings complete the merger, the combined company s business could be adversely affected.

Failure to complete the merger could be costly to Rawlings and its stockholders.

If the merger is not completed for any reason:

- the price of Rawlings common stock may decline, assuming that current market prices reflect a market assumption that the merger will be completed; and
- Rawlings must still pay its costs related to the merger, such as legal, accounting and financial advisory fees.

The merger agreement also provides for the payment by Rawlings of a termination fee of $2,900,000 if the merger is terminated under certain circumstances. The obligation to make that payment may adversely affect the ability of Rawlings to engage in another transaction and may have an adverse impact on the financial condition of Rawlings. See The Merger Agreement Termination and Termination Fee on page 69.

In addition, the terms of the stock plans and individual employment agreements under which Rawlings stock options have been granted provide that all previously unvested options held by employees and executive officers will become immediately exercisable at the time Rawlings stockholders approve the adoption of the merger agreement at the Rawlings meeting. If the merger is not completed for any reason following the stockholder approval the options would remain fully exercisable. As of January 31, 2003, options to purchase 348,492 shares of Rawlings common stock held by Rawlings employees and executive officers would vest early upon the approval of the adoption of the merger agreement by Rawlings stockholders.

Risk Factors and Trends Affecting the Combined Company

K2 s strategic plan involving the acquisition of various additional companies may not succeed.

K2 s strategic plan involves growth through the acquisition of a number of additional companies within a relatively short period of time. Growth through acquisition, particularly rapid growth through acquisition, involves a number of risks, including:

- difficulties related to combining previously separate businesses into a single unit;
- the substantial diversion of management s attention from day-to-day business when negotiating these transactions and later integrating an acquired business;
- the assumption of liabilities of an acquired business discovered after the transaction is complete;
- the failure to realize anticipated benefits such as cost savings and revenue enhancements;

- the risks of highly leveraging the company or engaging in dilutive issuances of equity securities of the company in order to fund the acquisitions; and

- difficulties related to assimilating the products of an acquired business, for example, in manufacturing, distribution, engineering and customer support areas.

K2 cannot assure the stockholders of the respective companies that any transaction or series of transactions that are completed will result in long-term benefits to the combined company or its stockholders, or that K2 s management will be able to manage the acquired businesses effectively.

K2 s proposed new bank credit facility, as well as the refinancing of Rawlings debt under that facility, will place a significant debt burden on the combined company.

After the merger, it is anticipated that the combined company will have substantially more indebtedness than K2 currently has based on the anticipated draws on K2 s new bank credit facility to accommodate the working capital requirements of Rawlings. See Recent Developments on page 27. K2 s indebtedness as of September 30, 2002 was approximately $97,400,000. K2 s pro forma indebtedness as of September 30, 2002 after giving effect to the merger and its new bank credit facility is expected to be approximately $127,400,000. As a result of the increase in debt, demands on the cash resources of the combined company will increase after the merger, which could have important effects on an investment in K2 s common stock. For example, the increased levels of indebtedness could, among other things:

- adversely affect the combined company s ability to expand its business, market its products and make investments in capital expenditures;

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

- adversely affect the ability of the combined company to pursue its acquisition strategy; and

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

The combined company s inability to compete in its competitive industry could seriously harm its business.

The markets for sporting goods and recreational products in which K2 and Rawlings compete 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 the combined company. In addition, many of the combined company s competitors offer sports and recreational equipment not currently sold by either K2 or Rawlings. In addition, there are no significant technological or capital barriers to entry into the markets for many sporting goods and recreational products and these markets face competition from other leisure activities. The sales of leisure products are also affected by changes in the economy and consumer tastes, both of which are difficult to predict.

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.

K2 s financial results vary from quarter to quarter, which could hurt K2 s business and the market price of 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;

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the mix of products and services 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.

These and other factors are likely to cause financial results of the combined company 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 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, Rawlings stockholders should not view K2 s historical results of operations as reliable indications of its future performance.

The combined company s failure to develop or acquire new products and improve its existing products and processes on a schedule that keeps pace with the development in its industries could seriously harm its business.

Consumer demand for recreational products is strongly influenced by matters of taste and style. K2 cannot assure the companies respective stockholders that the combined company will be able to successfully develop new products to address new consumer demand. The combined company s inability to timely and successfully respond to developments and changing styles could hurt its competitive position or render its products noncompetitive.

An unexpected change in consumer tastes or a change in product demand could seriously harm K2 s business. K2 cannot assure you that demand for its products will remain constant.

International operations may seriously harm K2 s financial condition because of weak foreign economies and the effect of foreign exchange rate fluctuations.

K2 s revenues from international operations were approximately 36% of total revenue for fiscal 2002, and approximately 32% of K2 s sales are denominated in foreign currencies. K2 expects that revenues from the combined company s international operations will continue to account for a significant portion of its total revenues. In addition, the combined company will outsource a number of its supply contracts to entities in foreign nations, including China and Costa Rica. The combined company s international operations are subject to a variety of risks, including:

recessions in foreign economies;

- the adoption and expansion of government trade restrictions;
- currency conversion risks and currency fluctuations;
- 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;

changes in consumer tastes and trends;

tariffs and other trade barriers; and

U.S. government licensing requirements for export.

Conflicts related to intellectual property could seriously harm the combined company s business.

A third party may try to challenge, invalidate or circumvent K2 s or Rawlings patents, copyrights or trademarks. K2 cannot assure the companies respective stockholders that any of the rights granted under the patents, copyrights or trademarks will provide competitive advantages to the combined company, that patents will be issued on its pending applications, or that claims allowed on any of its future patents will be sufficiently broad to protect the combined company s technology. In addition, the laws of some foreign countries may not protect K2 s and Rawlings proprietary rights to the same extent as the laws of the United States. As a result, the combined company cannot rely solely on patent, copyright and trademark protection to be successful and profitable in the industry.

K2 s inability to obtain licenses may harm its business.

Many of K2 s products include intellectual property licensed from third parties, and in many instances K2 will have to seek new or renew existing licenses in the future. The inability to obtain such licenses or other rights on favorable terms, or the need to engage in litigation over such licenses or rights, could seriously harm K2 s business, operating results and financial condition.

Rawlings business, which will be integral to the success of the combined company, is highly dependent on sales of baseball related products to only a few main customers.

Sales of baseball-related products constituted approximately 63% of Rawlings total net revenues in the year ended August 31, 2002. Adverse publicity or news coverage regarding professional or amateur baseball and strikes or other work stoppages initiated by owners, athletes or umpires could create fan disaffection and disillusionment that could have a material adverse effect on the combined company s sales. The loss of the Major League Baseball exclusive supplier contract could also have a material adverse effect on the combined company s sales, as could poor weather conditions during the peak baseball retail-selling season in the spring.

Sales to Rawlings ten largest customers constituted approximately 43% of Rawlings total net revenues in the year ended August 31, 2002, including one customer, Wal-Mart, which accounted for approximately 17% of Rawlings 2002 net revenues. Although Rawlings has long-established relationships with many of its customers, it does not have long-term supply contracts with them and neither Rawlings nor K2 can predict what effect the merger will have on these relationships. A decrease in business from any of its major customers could have a material adverse effect on the combined company s business, results of operations and financial condition.

Anti-takeover defenses in K2 s charter and under Delaware law could prevent an acquisition of K2 or limit the price that investors might be willing to pay for K2 common stock.

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. See Comparison of Rights of Common Stockholders of K2 and Common Stockholders of Rawlings Rights Plan K2 on page 91. All of the foregoing could hinder,

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delay or prevent a change in control of K2 and could limit the price that investors might be willing to pay in the future for shares of K2 common stock.

Acts of war or terrorism may have an adverse effect on the combined company s business.

Acts of war or terrorism may have an adverse effect on the economy generally, and more specifically on the combined company s business. The recent economic slowdown and the terrorist attacks throughout the world have not yet had a material adverse effect on either K2 s or Rawlings business; however, because such occurrences have the potential to significantly decrease consumer spending on leisure products and activities, K2 and Rawlings are not able to say that such a material adverse effect on the combined company will not take place in the future. And, because of the uncertainty of such events, K2 and Rawlings are unable to predict with any certainty any future adverse impact from a prolonged weak economy, war or terrorists attacks.

In addition, the outbreak of war or hostilities could have an adverse impact on K2 s ability to consummate the financing under its proposed new bank credit facility or could result in the lenders imposing more onerous terms on K2 under the proposed new bank credit facility. In the event that K2 is unable to obtain its proposed new bank credit facility prior to the completion of the merger, K2 would require the consent to the merger of its lenders under certain of its existing credit facilities, including its existing bank credit facility. See Recent Developments K2 s Proposed Credit Facility.

The loss of a key license or the loss of a key licensee by Rawlings could negatively impact the results of operations.

Rawlings has the exclusive licenses to provide baseballs to certain organizations, including Major League Baseball. Additionally, Rawlings licenses its trademarks to various companies which provides Rawlings with significant royalty income. The loss of any of these important arrangements could have a negative impact on the combined company s results.

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RECENT DEVELOPMENTS

K2 s Junior Subordinated Debentures

On February 14, 2003, K2 issued $25,000,000 of its 7.25% convertible subordinated debentures pursuant to a Securities Purchase Agreement entered into on December 10, 2002. K2 used the proceeds from the debentures to partially repay its existing senior notes due November 30, 2004 and its existing senior notes due December 1, 2009. The convertible subordinated debentures are convertible at any time at the option of the holders into shares of K2 common stock at a conversion price equal to $11.92 per share. The convertible subordinated debentures may also be converted into K2 common stock at the option of K2 in certain circumstances. The convertible subordinated debentures include covenants which restrict K2 s ability, among other things, to make distributions to stockholders, to make loans, to incur indebtedness and to repurchase its capital stock.

K2 s Proposed Credit Facility

K2 has entered into a non-binding letter of intent with Bank One, NA for a new bank credit facility that will provide for aggregate borrowings by K2 of up to $160,000,000. K2 intends to increase the facility to $225,000,000 to accommodate the working capital requirements of Rawlings. The proposed credit facility will have a term of three years, and amounts borrowed under the proposed credit facility will be secured by all of the assets of K2 and its domestic subsidiaries, including the assets of Rawlings following the merger, as well as the stock of certain of K2 s foreign subsidiaries. The proposed credit facility will be used by K2 to refinance existing indebtedness, including the existing bank indebtedness of Rawlings following the merger, to fund future acquisitions and for general working capital purposes. The proposed bank credit facility will include covenants that will place significant restrictions on K2 s operations, including restrictions on, among other things, dividends, stock repurchases, indebtedness, mergers and acquisitions, sales of assets, investments, loans, liens and encumbrances, transactions with affiliates and capital expenditures. Although K2 intends to obtain the new credit facility prior to the completion of the merger, entering into the new credit facility is not a condition to the closing of the merger. In the event that K2 is unable to obtain its proposed new bank credit facility prior to the completion of the merger, K2 would require the consent to the merger of its lenders under certain of its existing credit facilities, including its existing bank credit facility.

THE K2 SPECIAL MEETING

This joint proxy statement/prospectus is furnished in connection with the solicitation of proxies from K2 common stockholders by the K2 board of directors for use at the special meeting of K2 stockholders.

Time and Place; Purpose

The special meeting will be held on March 26, 2003 at the Hilton Los Angeles Airport, 5711 West Century Boulevard, Los Angeles, California 90045, at 11:00 a.m., Pacific time. At the special meeting, K2 common stockholders will be asked to consider and vote upon the following proposals:

- to approve the issuance of shares of K2 common stock in the merger;
- to approve an amendment to K2 s certificate of incorporation to increase the authorized common stock of K2 from 40,000,000 to 60,000,000 shares; and
- any other business as may properly come before the special meeting.

K2 stockholders also may be asked to vote upon a proposal to adjourn or postpone the K2 special meeting. K2 could use any adjournment or postponement of the K2 special meeting for the purpose, among others, of allowing additional time for soliciting additional votes to approve the issuance of the shares of K2 common stock in the merger or to increase the authorized common stock of K2.

Record Date and Outstanding Shares

The K2 board of directors has fixed the close of business on February 24, 2003, as the record date for purposes of voting at the special meeting. Only holders of record of shares of common stock on the record date are entitled to notice of and to vote at the special meeting. On the record date, there were 17,957,076 shares of K2 common stock outstanding and entitled to vote at the special meeting held by stockholders of record. The record stockholder number does not include the number of persons whose stock is in nominee or street name accounts through brokers.

Vote and Quorum Required

Each holder of record, as of the record date, of shares of common stock is entitled to cast one vote per share. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of common stock entitled to vote is necessary to constitute a quorum at the special meeting.

The affirmative vote of at least a majority of the votes properly cast is required to approve the issuance of shares in the merger. The affirmative vote, in person or by proxy, of a majority of the shares of K2 common stock outstanding as of the record date is required to approve the amendment to K2 s certificate of incorporation to increase the authorized common stock of K2 from 40,000,000 to 60,000,000 shares, although the approval of the amendment to the certificate of incorporation is not a condition to the merger. As of February 21, 2003, directors and executive officers of K2 and their affiliates beneficially owned an aggregate of 984,655 shares of K2 common stock entitled to vote at the K2 special meeting, or approximately 5.2% of the shares of K2 common stock outstanding and entitled to vote on such date.

How Shares Will be Voted at the Special Meeting

All shares of common stock represented by properly executed proxies received before or at the special meeting, and not revoked, will be voted as specified in the proxies. Properly executed proxies that do not contain voting instructions will be voted **FOR** the adoption of the proposals set forth in the accompanying notice of special meeting.

A properly executed proxy marked **ABSTAIN** with respect to any proposal will be counted as present for purposes of determining whether there is a quorum at the special meeting. Abstentions will not affect the number of votes for or against the issuance of shares of K2 common stock in the merger, but will have the same effect as a vote against the adoption of the amendment to K2 s certificate of incorporation.

In the event that a broker, bank, custodian, nominee or other record holder of K2 s common stock indicates on a proxy that it does not have discretionary authority to vote certain shares on a particular matter, which is called a broker non-vote, those shares will not be considered for purposes of determining the number of votes properly cast with respect to a particular proposal on which the broker has expressly not voted, but will be counted for purposes of determining the presence or absence of a quorum for the transaction of business. As a result, if you fail to provide your broker with instructions, it will not affect the number of votes for or against the issuance of shares of K2 common stock in the merger, but will have the same effect as a vote against the adoption of the amendment to K2 s certificate of incorporation.

K2 s board of directors is not currently aware of any business to be acted upon at the special meeting other than the proposals described in the accompanying notice of special meeting.

The people named as proxies by a stockholder may propose and vote for one or more adjournments of the special meeting to permit further solicitations of proxies in favor of approval of the issuance of the shares of K2 common stock in the merger and the amendment to K2 s certificate of incorporation to increase the authorized common shares, except that no proxy which is voted against the approval of these proposals will be voted in favor of any such adjournment.

Methods of Voting

All stockholders of record as of the record date may vote by mail by signing, dating and mailing their proxies in the postage-paid envelope provided.

How to Revoke a Proxy

A stockholder may revoke his or her proxy at any time before its use by delivering to K2 s secretary a signed notice of revocation or a later-dated signed proxy or by attending the special meeting and voting in person. Attendance at the special meeting will not in itself constitute the revocation of a proxy.

Solicitation of Proxies

The cost of solicitation of proxies for the special meeting will be paid by K2. In addition to solicitation by mail, arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries to send proxy material to beneficial owners, and K2 will, upon request, reimburse them for their reasonable expenses in so doing. K2 has retained Morrow & Company to aid in the solicitation of proxies and to verify

records related to the solicitations. Morrow & Company will receive a fee of approximately $7,000 plus reasonable out-of-pocket expenses for such services. K2 or its representatives may request by telephone, facsimile, electronic mail, telegram or over the Internet the return of proxy cards in order to ensure sufficient representation at the special meeting. The extent to which this will be necessary depends entirely upon how promptly proxy cards are returned. You are urged to send in your proxies without delay.

Amendment to Certificate of Incorporation

K2 s board of directors has approved an amendment to the certificate of incorporation to increase the number of shares of common stock which K2 is authorized to issue from 40,000,000 shares to 60,000,000 shares. The text of the proposed amendment is set forth as Appendix C hereto. Stockholders are urged to read Appendix C.

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Description of the Proposed Amendment. K2 s certificate of incorporation currently authorizes the issuance of 40,000,000 shares of K2 common stock, of which 17,942,076 shares were issued and outstanding as of January 16, 2003. Of the remaining 22,057,924 unissued shares, as of January 16, 2003, 4,508,640 shares were reserved for issuance under K2 s stock option plans, outstanding warrants and convertible debentures. After giving effect to the approximately 10,782,026 shares of K2 common stock and options to purchase common stock to be issued in the merger, there will be only approximately 6,767,258 shares of authorized but unissued and unreserved common stock available for future issuance as of January 16, 2003.

Purpose and Effect of the Proposed Amendment. While approval of the amendment to K2 s certificate of incorporation is not required to consummate the merger, the K2 board of directors believes that an increase of 20,000,000 shares to the total authorized common stock is in the best interests of K2 and its stockholders, and is advisable to provide K2 with additional flexibility to meet its future business needs. If the proposed amendment to increase the number of authorized common shares is adopted by the K2 stockholders, K2 will have additional shares available for acquisitions, equity financings, equity compensation plans, stock dividends or stock splits and other corporate purposes. The additional shares would be available for issuance without further stockholder approval, except as may be required by applicable law or the rules of the New York Stock Exchange. Although K2 does not have any commitment or understanding at this time for the issuance of additional common shares, the proposed amendment should enable K2 to take timely advantage of favorable opportunities and market conditions when they arise.

The issuance of additional common shares could have a dilutive effect on earnings per share of the K2 common stock currently outstanding and on the equity and voting power of existing holders of K2 common stock at the time of issuance. In addition, the proposed amendment could have an anti-takeover effect, as additional common shares could be issued to dilute the stock ownership and voting power of, or increase the cost to, a person seeking to obtain control of K2. However, the amendment is not being proposed in response to any known effort to accumulate common shares or to obtain control of K2.

Recommendation of the K2 Board of Directors

The K2 board of directors believes that each of the proposals is advisable, fair to and in the best interests of K2 and the stockholders of K2. The members of K2 s board of directors has approved each of the proposals and recommends that K2 stockholders vote **FOR** the issuance of the shares of K2 common stock in the merger and **FOR** the amendment to K2 s certificate of incorporation to increase the number of authorized common shares from 40,000,000 to 60,000,000.

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THE RAWLINGS SPECIAL MEETING

This joint proxy statement/prospectus is furnished in connection with the solicitation of proxies from Rawlings common stockholders by the Rawlings board of directors for use at the special meeting of Rawlings stockholders.

Time and Place; Purpose

The special meeting will be held on March 26, 2003 at Maritz, Inc., 1355 North Highway Drive, Fenton, Missouri 63099, at 9:30 a.m., Central time. At the special meeting, Rawlings common stockholders will be asked to consider and vote upon:

- a proposal to approve and adopt the merger agreement and approve the merger; and
- any other business as may properly come before the special meeting.

Rawlings stockholders may also be asked to vote upon a proposal to adjourn or postpone the Rawlings special meeting. Rawlings could use any adjournment or postponement of the Rawlings special meeting for the purpose, among others, of allowing additional time for soliciting additional votes to approve and adopt the merger agreement and approve the merger.

Record Date and Outstanding Shares

The Rawlings board of directors has fixed the close of business on February 24, 2003, as the record date for purposes of voting at the special meeting. Only holders of record of shares of common stock on the record date are entitled to notice of and to vote at the special meeting. On the record date, there were 8,088,656 shares of Rawlings common stock outstanding and entitled to vote at the special meeting held by stockholders of record. The record stockholder number does not include the number of persons whose stock is in nominee or street name accounts through brokers.

Vote and Quorum Required

Each holder of record, as of the record date, of shares of common stock is entitled to cast one vote per share. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of common stock entitled to vote is necessary to constitute a quorum at the special meeting.

The affirmative vote, in person or by proxy, of at least a majority of the shares of Rawlings common stock outstanding as of the record date is required to approve and adopt the merger agreement and approve the merger. As of December 31, 2002, directors and executive officers of Rawlings and their affiliates beneficially owned an aggregate of 1,262,466 shares of Rawlings common stock entitled to vote at the Rawlings

special meeting or approximately 14% of the shares of Rawlings common stock outstanding and entitled to vote on such date.

How Shares Will Be Voted at the Special Meeting

All shares of common stock represented by properly executed proxies received before or at the special meeting, and not revoked, will be voted as specified in the proxies. Properly executed proxies that do not contain voting instructions will be voted **FOR** the adoption of the proposals set forth in the accompanying notice of special meeting.

A properly executed proxy marked **ABSTAIN** with respect to any proposal will be counted as present for purposes of determining whether there is a quorum at the special meeting. Abstentions, however, will have the same effect as a vote against the adoption of each of the proposals.

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In the event that a broker, bank, custodian, nominee or other record holder of Rawlings common stock indicates on a proxy that it does not have discretionary authority to vote certain shares on a particular matter, which is called a broker non-vote, those shares will not be considered for purposes of determining the number of votes properly cast with respect to a particular proposal on which the broker has expressly not voted, but will be counted for purposes of determining the presence or absence of a quorum for the transaction of business. As a result, if you fail to provide your broker with instructions, it will have the same effect as a vote against the merger.

Rawlings board of directors is not currently aware of any business to be acted upon at the special meeting other than the proposal described in the accompanying notice of special meeting. If, however, other matters are properly brought before the special meeting, or any adjournments or postponements of the meeting, the people appointed as proxies will have discretion to vote the shares represented by duly executed proxies according to their best judgment.

The people named as proxies by a stockholder may propose and vote for one or more adjournments of the special meeting to permit further solicitations of proxies in favor of the approval and adoption of the merger agreement and the approval of the merger, except that no proxy which is voted against the approval and adoption of the merger agreement and the approval of the merger will be voted in favor of any such adjournment.

Methods of Voting

All stockholders of record as of the record date may vote by mail by signing, dating and mailing their proxies in the postage-paid envelope provided.

How to Revoke a Proxy

A stockholder may revoke his or her proxy at any time before its use by delivering to Rawlings secretary a signed notice of revocation or a later-dated signed proxy or by attending the special meeting and voting in person. Attendance at the special meeting will not in itself constitute the revocation of a proxy.

Solicitation of Proxies

The cost of solicitation of proxies for the special meeting will be paid by Rawlings. In addition to solicitation by mail, arrangements will be made with brokerage houses and other custodians, nominees and fiduciaries to send proxy material to beneficial owners, and Rawlings will, upon request, reimburse them for their reasonable expenses in so doing. Rawlings has retained Morrow & Company to aid in the solicitation of proxies and to verify records related to the solicitations. Morrow & Company will receive a fee of approximately $7,000 plus reasonable out-of-pocket expense for such services. Rawlings or its representatives may request by telephone, facsimile, electronic mail, telegram or over the Internet the return of proxy cards in order to ensure sufficient representation at the special meeting. The extent to which this will be necessary depends entirely upon how promptly proxy cards are returned. You are urged to send in your proxies without delay.

Recommendation of the Rawlings Board of Directors

The Rawlings board of directors believes that the terms of the merger and the merger agreement are advisable, fair to and in the best interests of Rawlings and the stockholders of Rawlings. Rawlings board of directors has approved the merger agreement and the transactions contemplated by the merger agreement, and recommends that Rawlings stockholders vote **FOR** the approval and adoption of the merger agreement and the approval of the merger.

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The following summary describes the proposed merger and is qualified in its entirety by reference to the merger agreement. The merger agreement is attached as Appendix A to this joint proxy statement/prospectus, and is incorporated by reference into this joint proxy statement/prospectus.

General

The respective boards of directors of K2 and Rawlings have approved a merger involving the two companies, which will have the effect of combining the businesses, stockholder groups and other constituencies of K2 and Rawlings. The combined company will be a preeminent designer, manufacturer and marketer of sporting goods and other recreational products. In order to complete the merger, both companies must obtain the approval of their respective stockholders.

The merger agreement provides that when the merger becomes effective, Lara Acquisition Sub, Inc., a wholly-owned subsidiary of K2, will merge with and into Rawlings, with Rawlings continuing in existence as the surviving corporation. Each share of Rawlings common stock issued and outstanding at the time the merger becomes effective will be converted into 0.950 of a share of K2 common stock, subject to certain adjustments discussed below. Upon completion of the merger, Rawlings will be a wholly-owned subsidiary of K2 and all market trading of Rawlings common stock will cease.

Background of the Merger

From November, 1997 through December, 2002, Rawlings engaged in various discussions and negotiations with multiple parties regarding potential strategic transactions prior to entering into the merger agreement with K2, including the possible sale of Rawlings as well as possible strategic acquisitions. The following discussion briefly summarizes the background of these contacts, as well as the background of the merger and the discussions and negotiations with K2.

Rawlings Contacts with Bull Run Corporation

From March 1999 though January 13, 2000, Rawlings and Bull Run Corporation, then owner of approximately 10% of the outstanding shares of Rawlings common stock, held discussions regarding Bull Run s potential acquisition of all of the outstanding shares of Rawlings common stock. Rawlings retained financial advisors to assist Rawlings in connection with the evaluation of strategic alternatives. When Bull Run was unable to provide a fully financed transaction proposal, Rawlings discontinued its evaluation of the potential Bull Run acquisition and focused on its operating plan.

On December 3, 2001, two of Rawlings directors previously nominated by Bull Run pursuant to an agreement with Rawlings resigned.

On November 27, 2002, Rawlings issued a press release stating that Rawlings had received an expression of interest from a strategic acquirer and that Rawlings had adopted a new shareholder rights plan. As a result and pursuant to a contractual obligation under a standstill agreement with Bull Run entered into in 1997 and amended in 1999, the Rawlings board of directors invited Bull Run to make an acquisition proposal. Bull Run sold all of its Rawlings common stock in open market sales on December 19, 2002 without discussing the sales or any potential transaction with Rawlings.

Rawlings Contacts with Mr. Daniel Gilbert and Huffy Corporation from July, 2001 through October, 2002

In July of 2001, Mr. Daniel Gilbert, a partner in Camelot Ventures and Chairman of the Board of Quicken Loans, contacted Mr. Stephen O Hara, Chairman of the Board and Chief Executive Officer of Rawlings, regarding Mr. Gilbert s interest in a potential investment in Rawlings.

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On December 31, 2001, Mr. O Hara met with Mr. Gilbert in Livonia, Michigan to discuss Rawlings operations and Mr. Gilbert s desire to acquire Rawlings common stock.

On February 1, 2002, Mr. Gilbert filed a Schedule 13D with the Securities and Exchange Commission to report his ownership of 6.4% of the outstanding shares of Rawlings common stock.

After preliminary discussions in January 2002 between Mr. O Hara and Mr. Don Graber, Chairman and Chief Executive Officer of Huffy Corporation, Rawlings received an unsolicited offer from Huffy to purchase the outstanding shares of Rawlings common stock at a price ranging from $5.75 to $7.25 per share.

On February 5, 2002, Mr. O Hara met with and gave a tour of Rawlings facilities to Mr. Gilbert and his advisors. At that time, Mr. Gilbert suggested that Rawlings was undercapitalized and might benefit from Mr. Gilbert s acquisition of a substantial number of newly issued shares of Rawlings common stock. Mr. O Hara informed Mr. Gilbert that the board of directors was open to considering such a proposal.

On February 6, 2002, the Rawlings board of directors met to discuss the interest expressed by both Huffy and by Mr. Gilbert. Stinson Morrison Hecker LLP, Rawlings outside legal counsel, advised the board with respect to the board s fiduciary duties in both evaluating Mr. Gilbert s expression of interest and the board s response thereto. At this meeting, the board authorized Mr. O Hara to retain outside financial advisors to assist the directors in analyzing any and all issues presented by the interest expressed by Huffy and Mr. Gilbert and Rawlings other strategic alternatives. The board also concluded that the price range presented by Huffy was inadequate and instructed Mr. O Hara to reject the Huffy offer, but to leave open the possibility of other alternatives with Huffy.

On March 9, 2002, George K. Baum & Company was initially engaged to advise the board of directors on strategic alternatives and LaFlèche & Company, LLC was engaged by Rawlings as a strategic consultant. On May 30, 2002, George K. Baum s engagement was expanded to also serve as the financial advisor to the board of directors and LaFlèche & Company was engaged by George K. Baum as a consultant.

On March 14, 2002, Mr. Gilbert filed an amended Schedule 13D to report his ownership of 8.3% of the outstanding shares of Rawlings common stock.

On March 26, 2002, Mr. O Hara and Mr. Baur, a director of Rawlings, met with Mr. Graber to present Mr. Graber an opportunity to expand upon and provide greater information with respect to Huffy s offer.

On April 2, 2002, the Rawlings board met with the company s financial and legal advisors to further address appropriate actions to be taken in response to the continued interest expressed by Huffy and Mr. Gilbert. George K. Baum and LaFlèche & Company presented materials that addressed Rawlings range of possible strategic alternatives.

On April 5, 2002, Mr. Gilbert made a verbal proposal to Mr. O Hara to invest between $10,000,000 and $12,000,000 in shares of Rawlings common stock to be purchased directly from Rawlings at the then current market value and to name two directors to Rawlings board of directors, which included naming himself as chairman of the board.

On April 8, 2002, the Rawlings board of directors held a special meeting to discuss Mr. Gilbert s proposal and also to discuss the potential need to adopt a shareholder rights plan in light of, among other things, (1) the possible unequal treatment of Rawlings stockholders if a controlling block of the company s shares were acquired by Mr. Gilbert or others through a tender offer at a price higher than that received by the holders of the remaining shares in a second step, squeeze out transaction and (2) the inadequacy of the Huffy offer. Rawlings financial advisor discussed the overtures made by Huffy and Mr. Gilbert. The board of directors concluded that

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Mr. Gilbert s overture was unappealing because of the potential unequal treatment of Rawlings stockholders and the dilutive effect of the proposed stock issuance. The board, having previously determined that Huffy s offer was inadequate, concluded that Huffy should be granted an opportunity to perform due diligence with a view to increasing its offer.

On April 22, 2002, Mr. O Hara, Mr. Baur and Mr. Ryan, another Rawlings director, met with Mr. Gilbert in an effort to better understand his interest in Rawlings. During that meeting, Mr. Gilbert said that he had had discussions with Mr. Graber regarding Huffy s interest in Rawlings.

On June 21, 2002, Mr. Gilbert amended his Schedule 13D to report his ownership of 11.3% of the outstanding shares of Rawlings common stock.

On June 21, 2002, Huffy s financial advisor informed Rawlings financial advisor that Huffy would be unable to consider any transaction until Huffy s acquisition of Gen-X Sports was completed. Subsequently, on October 7, 2002, Huffy s financial advisor informed Rawlings financial advisor that, due to the integration of Gen-X Sports, Huffy would not be able to consider any transaction with Rawlings until Huffy s fourth quarter was completed.

On July 25, 2002, the Rawlings board of directors met to discuss Mr. Gilbert s open market purchases of Rawlings stock reported in his Schedules 13D, as well as his discussions with Rawlings representatives. The board also discussed its concerns that if Mr. Gilbert sought a change in control transaction, it might disadvantage minority stockholders.

On August 1, 2002, Mr. Gilbert amended his Schedule 13D to report his ownership of 13.4% of the outstanding shares of Rawlings common stock.

On August 7, 2002, Mr. O Hara, Mr. Ryan and Mr. William C. Robinson, another Rawlings director, met with Mr. Gilbert prior to the Rawlings board of directors meeting on that same day. Mr. Gilbert reasserted his interest in becoming chairman of the board of Rawlings, making a substantial investment in the company and making subsequent changes to the company s management and direction.

During the August 7, 2002 board meeting, the directors reviewed the recent meeting with Mr. Gilbert and reaffirmed their lack of interest in his proposal. Among other reasons for its lack of interest, the Rawlings board noted that Mr. Gilbert did not provide a definitive proposal for improving the company s financial performance, the dilutive effect from an increase in outstanding shares which would result if such a transaction were consummated, and the potential unequal treatment of Rawlings stockholders.

On August 19, 2002, Mr. Gilbert amended his Schedule 13D to report his ownership of 14.6% of the outstanding shares of Rawlings common stock.

Rawlings Contacts with Russell Corporation from July, 2002 through October, 2002

On July 9, 2002, Mr. O Hara met with Mr. Jonathan Letzler, President of Russell Corporation, at Mr. O Hara s suggestion. Mr. O Hara provided him with an overview of Rawlings and of Rawlings management s belief that the sporting goods industry will consolidate and suggested that Russell and Rawlings explore some form of strategic arrangement.

On August 2, 2002, Mr. O Hara met with and gave Mr. Jack Ward, Chief Executive Officer of Russell, a tour of Rawlings Washington, Missouri distribution facility and a presentation of the Rawlings business plan. Mr. O Hara and Mr. Ward discussed Russell s possible interest in a strategic acquisition of Rawlings and the potential benefits thereof.

On August 13, 2002, Russell executed Rawlings standard form of confidentiality agreement, including customary standstill provisions, and Rawlings provided information in response to Russell s initial due diligence request. Mr. O Hara also provided information to Russell in response to a subsequent request on August 27, 2002.

On September 17, 2002, Mr. O Hara, Mr. William Lacey, Chief Financial Officer of Rawlings, and Rawlings financial advisor met in Atlanta, Georgia with Russell s senior management to address Russell s questions and provide a detailed review of Rawlings business and operations.

On September 25, 2002, Russell submitted to Rawlings a preliminary, non-binding indication of interest that included an offer to purchase the outstanding shares of Rawlings common stock at a price between $7.00 and $8.00 per share, with the consideration to be an undetermined mix of cash and Russell common stock.

On September 26, 2002, the Rawlings board of directors met with Rawlings financial and legal advisors to review and evaluate the terms of the Russell proposal and to prepare a response to that proposal. Although the board did not agree to grant Russell an exclusive negotiating period as Russell had requested, it did authorize Mr. O Hara to explore the possibility of increasing Russell s offer.

On September 30, 2002, Mr. O Hara met in Atlanta with Mr. Ward, Mr. Floyd Hoffman, Russell s Senior Vice President of Strategic Planning, and Mr. Robert Martin, Russell s Chief Financial Officer, to respond in person to Russell s offer. During that meeting, Mr. O Hara expressed interest in an alliance with Russell but qualified such interest with reference to Russell s need to increase its offer. During the meeting, Mr. O Hara and Mr. Ward discussed conducting further due diligence with a view towards Russell increasing its offer.

On October 2, 2002, Mr. O Hara and Mr. Ward had a telephone conference during which Mr. Ward requested a four week period of due diligence that would give Russell access to Rawlings management personnel and facilities. Mr. O Hara agreed to this request with the exception of excluding meetings with Rawlings personnel, other than Mr. O Hara and Mr. Lacey, in order to keep Rawlings employees focused on executing the operating plan without distraction.

On October 15, 2002 through October 17, 2002, representatives of Russell, its outside auditors and outside legal counsel performed due diligence at the St. Louis offices of Stinson Morrison Hecker LLP. Mr. Lacey and a representative of George K. Baum also participated in meetings with representatives of Russell at that time.

On October 25, 2002, Mr. O Hara received a call from Mr. Hoffman who indicated that, based on due diligence to date, Russell would only reaffirm its range of between $7.00 and $8.00 per share of Rawlings common stock and not improve it. Mr. Hoffman requested further due diligence with respect to Rawlings intellectual property, sales and marketing and manufacturing facilities that would include access to members of Rawlings second-tier management. Mr. O Hara granted Russell access to all facilities and arranged operations discussions with third party apparel and IT consultants. Mr. O Hara did not permit contact to be made with other Rawlings officers so as to limit the disruption to Rawlings operations.

Rawlings Discussions With Other Parties

In addition to the discussions described above, between March, 2002 and December, 2002, Rawlings had contacts with various other parties with respect to strategic transactions that included both the possible sale of Rawlings as well as possible strategic acquisitions by Rawlings. Discussions with some of these parties evolved into initial diligence reviews, negotiations regarding a potential transaction and conversations with potential financing sources relating to a particular strategic acquisition by Rawlings of certain assets of a sporting goods company.

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Rawlings Shareholder Rights Plan

Rawlings initially adopted a shareholder rights plan on July 1, 1994 in connection with the company s initial public offering. At Rawlings annual meetings of stockholders on April 13, 2000 and May 15, 2001, in response to a precatory stockholder proposal on July 6, 1999 that requested the board of directors to redeem the shareholder rights plan, a majority of the shares actually voting at the respective meetings voted in favor of redeeming the rights plan. The board subsequently redeemed the rights on December 31, 2001.

At meetings on April 8, 2002 and August 7, 2002, the Rawlings board of directors discussed the need for and design of a new shareholder rights plan in light of Mr. Gilbert s open market acquisitions and stated intention, the inadequate price proposed by Huffy and the risk that Rawlings would be put into play without the board of directors having sufficient negotiating leverage or flexibility to pursue the best strategic alternatives for Rawlings stockholders. The board also discussed the use of a new shareholder rights plan to prevent abusive takeover measures and the design of a new plan that would permit transactions structured to provide the equal treatment of all stockholders. Based on its determination that further events would unfold before those threats materialized, the board concluded that a new rights plan was not necessary at that time.

On November 27, 2002, the Rawlings board met to discuss K2 s expression of interest, as discussed below, and the need to adopt a shareholder rights plan to facilitate pursuit of the best strategic alternative available to Rawlings. Rawlings financial advisor and legal advisors reviewed the benefits of adopting such a plan, which would provide sufficient time, as well as flexibility and negotiating leverage, to adequately evaluate strategic alternatives in an orderly manner and would facilitate obtaining enhanced value for all stockholders. The board unanimously approved the adoption of a new shareholder rights plan that was designed to ensure equal treatment of stockholders and that contained a permitted offer exception under which a fully financed and fair offer to purchase all of the shares of the company would not be subject to the terms of the rights plan and a provision that requires an independent committee of the board of directors to review the rights plan regularly to confirm that the plan continues to be in the best interests of Rawlings stockholders.

Background of Rawlings Contacts and Negotiations with K2 and Competing Bidders

On June 4, 2002, Mr. O Hara and Rawlings financial advisor had an initial meeting with Mr. Richard Rodstein and Mr. John Rangel, Chief Executive Officer and Senior Vice President Finance, respectively, of K2, in order to discuss Rawlings strategic direction and recent operating results. During the meeting, Mr. Rodstein and Mr. Rangel expressed K2 s interest in expanding into team sports and discussed potential strategies for using Rawlings to assist K2 in reaching that market.

On June 7, 2002, Rawlings financial advisor spoke with Mr. Rodstein regarding K2 s interest in Rawlings.

On October 2, 2002, the chief executive officer of a thinly traded public sporting goods company met with Mr. O Hara and toured Rawlings distribution facility in Washington, Missouri. On October 7, 2002, Mr. O Hara and Mr. Lacey met with the senior management of that company in Chicago to discuss the company s potential acquisition of Rawlings.

On October 11, 2002, K2 announced Mr. Rodstein s resignation as Chief Executive Officer and his replacement by Mr. Richard Heckmann.

On October 14, 2002, Rawlings financial advisor contacted Mr. Heckmann regarding K2 s interest in Rawlings. Mr. Heckmann expressed an interest in a potential strategic transaction and indicated that K2 desired to operate on an expeditious timeframe in evaluating any potential transaction. K2 s counsel subsequently requested, and Rawlings agreed to make, certain changes to the standstill provisions included in Rawlings confidentiality agreement which would permit K2 to make an acquisition proposal to Rawlings board of directors and management as well as to terminate any other standstill limitations if Rawlings board of directors approved a tender offer or business combination with a third party.

On October 29, 2002, representatives from George K. Baum provided Rawlings due diligence information to The Mercanti Group, K2 s financial advisor. Discussions regarding a potential transaction also occurred on the next day.

Also, from October 29, 2002 through November 1, 2002, Mr. O Hara and Rawlings financial advisor had multiple meetings with various parties regarding Rawlings potential acquisition of certain assets of a sporting goods company.

On October 30, 2002, Mr. O Hara, Mr. Heckmann and the financial advisor of each party spoke by telephone and discussed Rawlings operating plan as well as consolidation trends in the sporting goods industry.

On October 30, 2002 and October 31, 2002, Rawlings financial advisors spoke to representatives of Merrill Lynch, Russell s financial advisor, who confirmed that a range between $7.00 and $8.00 per share was still Russell s value range based on the due diligence that Russell had performed. Russell s advisor indicated that Russell understood that the range was inadequate, but that additional due diligence, which could be completed quickly, would be aimed at identifying additional value to justify a potential increase in the offer. Rawlings financial advisors requested written clarification of Russell s remaining due diligence.

During the week of November 3, 2002, representatives of Russell conducted due diligence and management meetings at Rawlings facilities in Licking and Washington, Missouri, Costa Rica, New York and Tennessee.

Before the Rawlings Board meeting on November 4, 2002, Rawlings financial advisors spoke with Russell s financial advisors. Russell s advisors indicated that a written statement of remaining due diligence, as requested by Rawlings financial advisors, would not be forthcoming. Russell s advisors indicated that Russell was making progress on its remaining due diligence, with the exception of gaining access to Rawlings second-tier management.

On November 4, 2002, the Rawlings board of directors met with its financial and legal advisors and reviewed the status of the discussions with various parties with respect to a possible combination with Rawlings and Rawlings possible acquisition of a sporting goods company. The board discussed three primary alternatives: (1) effecting a business combination with a third party; (2) enhancing internal growth through acquisitions such as the potential acquisition of certain assets of a sporting goods company and (3) remaining independent and pursuing internal growth through implementation of the company s current operating plan. The financial advisors presented information on each of the transaction candidates and the board discussed the advantages and disadvantages of each. The board authorized Mr. O Hara to submit a preliminary offer to acquire certain assets of a sporting goods company, which the board determined would not be inconsistent with pursuing other alternatives.

Later on November 4, 2002, Mr. O Hara and Rawlings financial advisors conducted a conference call with K2 s senior management and financial advisors. K2 indicated a preliminary range of interest for Rawlings between $8.00 and $9.00 per share in a transaction that would be structured as a stock-for-stock merger. Mr. O Hara expressed disappointment in this value range, but stated that he was willing to allow additional due diligence with an understanding that the value must be higher.

On November 5, 2002, Russell s representative contacted Mr. O Hara to discuss several due diligence issues.

On November 7, 2002, Rawlings submitted a preliminary non-binding letter of intent for the potential acquisition of certain assets of a sporting goods company.

On November 7, 2002 and November 8, 2002, representatives from The Mercanti Group and representatives from K2 s professional advisors performed initial financial due diligence on behalf of K2 with respect to Rawlings at the St. Louis offices of Stinson Morrison Hecker LLP. Mr. O Hara, Mr. Lacey and representatives of George K. Baum also took part in these due diligence meetings.

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On November 8, 2002, the financial advisor of a thinly traded public sporting goods company that had expressed interest in Rawlings and had conducted limited due diligence submitted a preliminary proposal to Rawlings financial advisor. The proposal was based on a stock merger in which a fixed number of shares would be issued at closing and additional shares would be issued contingent on Rawlings fiscal 2003 financial results. Mr. O Hara and Rawlings board of directors were informed of the proposal, but did not consider the proposal further due to its contingent structure.

On November 13, 2002 and November 14, 2002, Mr. Heckmann, Mr. Rangel, and representatives from The Mercanti Group performed additional business and financial due diligence on behalf of K2 in St. Louis with Mr. O Hara, Mr. Lacey and representatives from George K. Baum. At the conclusion thereof, Mr. Heckmann reaffirmed K2 s interest in a business combination with Rawlings and suggested a preliminary valuation of Rawlings at $9.00 per share.

On November 18, 2002, Mr. O Hara received a call from Mr. Hoffman reaffirming Russell s offer range of $7.00 to $8.00 with a focus on the midpoint of that range. Mr. Hoffman indicated that Russell could complete due diligence and prepare a definitive agreement within two weeks. Mr. O Hara informed Mr. Hoffman that the offer range was not attractive to Rawlings.

On November 20, 2002 and November 21, 2002, representatives of George K. Baum spoke to representatives of Merrill Lynch who reaffirmed Russell s range between $7.00 and $8.00 per share with a focus on the midpoint of that range and stated that, based on the valuation methodologies employed by Russell, they did not anticipate a higher offer. They also stated that the Russell management team met on November 21, 2002 and decided not to submit a written offer, but confirmed that representatives of George K. Baum could present the $7.00 to $8.00 range with a midpoint focus for consideration by the Rawlings board of directors at its upcoming meeting on November 22, 2002. The form of consideration of the offer was not provided other than that it would be a mixture of cash and Russell common stock.

Also, on November 20, 2002, representatives from George K. Baum performed due diligence on portions of K2 s strategic plan, which had been presented by K2 management to the K2 board on October 4, 2002.

On November 21, 2002, K2 submitted a written indication of interest that provided for a stock-for-stock merger valuing Rawlings common stock at $9.00 per share. In its indication of interest, K2 requested exclusivity through December 23, 2002 to complete due diligence and negotiate a definitive agreement.

On November 22, 2002, the Rawlings board of directors met to evaluate K2 s and Russell s proposals. Representatives of George K. Baum delivered a presentation on K2 and Russell common stock and a comparison of an all stock transaction with K2 and a cash and stock transaction with Russell. The directors authorized Mr. O Hara to continue negotiations with K2, but refused to grant K2 an exclusive negotiating period. In addition, the board instructed Mr. O Hara to inform Russell that its latest offer was not compelling. The board also discussed other alternatives to achieving greater value, including continuing to operate the company s business as an independent entity and the possibility of an acquisition proposal from Mr. Gilbert. After the meeting Mr. O Hara called Mr. Hoffman to inform him that Rawlings board viewed Russell s offer as inadequate. Mr. O Hara and Mr. Hoffman discussed the possibility of Russell s continued interest at a later date.

Between November 22, 2002 and November 29, 2002, K2 and Rawlings management and their financial advisor began negotiating the proposed terms of the merger agreement, including the exchange ratio.

On November 24, 2002, the K2 board of directors met to evaluate the potential combination with Rawlings. K2 s management and financial advisors discussed with the K2 board the advantages and disadvantages of the potential combination with Rawlings. K2 s management and financial advisors also discussed with the K2 board different valuation ranges that would make the potential combination attractive to K2.

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From November 25, 2002 through December 15, 2002, Mr. Heckmann provided information relating to the proposed Rawlings transaction to members of the K2 board and he held various informal meetings and with members of the K2 board to discuss the material terms of the potential acquisition and the state of the negotiations with Rawlings.

On November 25, 2002, Rawlings financial advisor spoke to Russell s financial advisor and indicated that Russell s current offer was inadequate. Russell s advisors stated that Russell continued to be interested in a potential transaction, but could not justify a higher valuation at that time. Russell s advisors also indicated that a transaction in mid 2003 might be more optimal as it permitted further evidence of Rawlings improved financial performance. Rawlings advisors informed Russell s advisors that other circumstances may dictate that Rawlings pursue other strategic options before that time.

On November 27, 2002, the Rawlings board of directors met with the company s financial and legal advisors. The financial advisors presented information concerning K2 and Rawlings and the terms of the proposed offer as well as information on the use of collars in stock-for-stock transactions. Following a detailed discussion, the directors authorized Mr. O Hara to further negotiate terms for a transaction with K2 based upon a 0.90 exchange ratio.

Also on November 27, 2002, Rawlings publicly announced that it was evaluating an expression of interest from a strategic party for the potential acquisition of Rawlings.

On November 29, 2002, Gibson Dunn & Crutcher LLP, outside legal counsel to K2, presented Rawlings with a first draft of the merger agreement. The draft included a fixed exchange ratio such that, upon completion of the merger, each share of Rawlings common stock would be converted into 0.90 of a share of K2 common stock.

On December 3, 2002, Mr. Gilbert submitted a proposal indicating an interest in acquiring all of the outstanding shares of Rawlings common stock at a price of $8.00 per share in cash. Mr. Gilbert also suggested the possibility of a higher offer after due diligence. Mr. O Hara responded to Mr. Gilbert by requesting that Mr. Gilbert execute Rawlings standard confidentiality agreement to permit him to conduct due diligence. Mr. Gilbert objected to the standstill provisions included in Rawlings confidentiality agreement and, based on the protections provided by the newly adopted shareholder rights plan, Rawlings agreed to remove the standstill provisions.

Also on December 3, 2002, Mr. O Hara spoke to Mr. Hoffman and asserted the need for a higher range if Russell s bid was to be considered competitive.

On December 4, 2002 and December 5, 2002, representatives from Gibson, Dunn & Crutcher LLP performed legal due diligence with respect to Rawlings at the offices of Stinson Morrison Hecker LLP in St. Louis.

From December 5, 2002 through December 11, 2002, K2 s operations managers toured Rawlings major facilities to evaluate Rawlings operations and to analyze potential synergies and cost savings that could be realized by the combined business. During this period, K2 s operations managers toured Rawlings : distribution facility in Washington, Missouri; corporate headquarters in Fenton, Missouri; wood bat factory in Dolgeville, New York; tanning facility in Tullahoma, Tennessee; and manufacturing facility in Costa Rica.

On December 6, 2002, Rawlings   personnel and financial advisor conducted due diligence and interviews with the sporting goods company to which Rawlings had previously submitted an indication of interest.

On December 10, 2002, representatives from Gibson, Dunn & Crutcher LLP and Stinson Morrison Hecker LLP held a telephone conference to further negotiate the terms of the potential merger agreement between K2

and Rawlings. On that same day, Mr. O Hara, Mr. Lacey, Mr. Mickey Bell, an employee of Rawlings, and representatives from George K. Baum and Stinson Morrison Hecker LLP performed additional due diligence with respect to K2 s overall business at K2 s Shakespeare facility in Columbia, South Carolina.

From December 10, 2002 through December 14, 2002, representatives of KPMG LLP, Rawlings outside auditors, conducted financial due diligence on K2 in Los Angeles.

On December 11, 2002 and December 12, 2002, Mr. Rangel, representatives from The Mercanti Group and K2 s professional advisors performed additional due diligence on Rawlings, and Mr. O Hara, Mr. Lacey and representatives of George K. Baum performed additional due diligence on K2.

On December 11, 2002 K2 issued a press release confirming that it was the strategic party that had expressed an interest in a combination with Rawlings.

On December 11, 2002, Gibson, Dunn & Crutcher LLP distributed to Rawlings a revised draft of the merger agreement.

On December 11, 2002 and December 12, 2002, Mr. Gilbert and representatives of Mr. Gilbert s financial advisor, legal counsel and private investment firm conducted due diligence and participated in management meetings at the offices of Stinson Morrison Hecker LLP in St. Louis. The same parties also received a facility tour of Rawlings Washington, Missouri distribution center. Because Rawlings was informed that K2 may withdraw its offer if not acted upon in the very near future, Rawlings financial advisors told Mr. Gilbert and his advisors that he would need to present his best offer by Monday, December 16, 2002, and maybe sooner if circumstances so dictated. Mr. Gilbert declined to remain in St. Louis until December 13, 2002 when additional Rawlings management would be available for conferences.

From December 11, 2002 through December 15, 2002, K2 s and Rawlings legal advisors negotiated the terms and conditions of the merger agreement. The provisions negotiated included a termination fee payable by Rawlings to K2 under specified circumstances in an amount equal to 4% of the equity value of the transaction plus all of K2 s fees and expenses incurred in negotiating the transaction, including investment banking and legal fees. Rawlings estimated that the termination fee and expenses together would total approximately 6-7% of the equity value of the transaction. The parties eventually agreed on a termination fee totaling approximately 3.5% of the equity value of the transaction with no provisions regarding the payment of fees and expenses.

On December 11, 2002, Russell s financial advisor contacted representatives of George K. Baum and expressed Russell s interest in a transaction valued at $8.00 per share with consideration of 50% cash and 50% stock, subject to further due diligence. After conferring with Mr. O Hara, Rawlings financial advisors indicated that Russell would need to improve its offer and respond with definitive terms by Monday, December 16, 2002, and possibly sooner if circumstances so dictated. Russell was also granted full access to Rawlings personnel and facilities to complete its due diligence from December 13, 2002 through December 15, 2002 but Russell refused to take full advantage of this opportunity stating that it would need at least one additional week to complete its due diligence. Russell s advisors requested that Russell be released from the standstill provisions contained in its confidentiality agreement with Rawlings. After consultation with Rawlings management and legal counsel, Rawlings financial advisor informed Merrill Lynch that Rawlings would not release Russell from the standstill provisions. Rawlings legal counsel had a similar discussion with Russell s legal counsel. Rawlings took this position because, among other things, it would ensure the receipt of a best and final offer from Russell, Mr. Gilbert and other potential bidders without potential collusion between them and would enable Rawlings to control the process by which it would determine and pursue the best strategic alternative for the benefit of Rawlings stockholders.

On December 13, 2002, representatives of Russell conducted due diligence conference calls with Rawlings financial and sales and marketing personnel. Also on December 13, 2002, Mr. O Hara advised Mr. Heckmann that K2 s offer needed to be improved given the competitive process. Later that day, Mr. Heckmann called Mr. O Hara to give notice that the K2 offer would expire at midnight on December 16, 2002. As a result, Rawlings management determined that it must accelerate the receipt of best and final offers from the other

interested parties and hold a board meeting late Sunday afternoon, December 15, 2002. Rawlings financial advisor contacted Russell s and Mr. Gilbert s financial advisors to inform them that their best and final offers must be received by noon on Sunday, December 15, 2002. Requests were made of Bull Run in two previous letters to submit an acquisition proposal and, since it had not responded with a proposal, there was no perceived need to make further inquiry.

On December 14, 2002, representatives from Stinson Morrison Hecker LLP performed legal due diligence on K2 at the offices of Gibson, Dunn & Crutcher LLP in Los Angeles and representatives from George K. Baum continued their due diligence of K2 via conference calls to K2 s management and financial advisors.

As of December 14, 2002, negotiations were complete with respect to substantially all of the terms of the merger agreement with K2 other than the exchange ratio.

On December 15, 2002, Mr. Gilbert delivered a letter to Rawlings increasing his proposed offer to acquire Rawlings to $8.50 in cash per share for Rawlings common stock. Mr. Gilbert s proposal reflected an all-cash tender offer that was subject to the following conditions: negotiation and execution of a definitive merger agreement containing customary terms and conditions, the continued effectiveness of Rawlings agreement with Major League Baseball, the continuation of Rawlings current credit facility following the transaction, and the removal of Rawlings shareholder rights plan. In addition, Mr. Gilbert s letter anticipated a termination fee equal to 3% of the overall transaction value. In the letter, Mr. Gilbert also expressed his views regarding what he believed to be the speculative nature of K2 s common stock.

Russell also delivered a letter to Rawlings on December 15, 2002, increasing its offer to acquire Rawlings to $8.50 per share for Rawlings common stock with consideration of 50% cash and 50% Russell common stock. Russell s offer was conditioned upon due diligence at the second-tier management level and finalizing remaining due diligence. Russell indicated that these conditions along with its inability to discuss the transactions with Rawlings two major stockholders precluded Russell from putting forth its best offer, and that, based on the outcome of final due diligence and stockholder discussions, Russell may be able to increase its offer. Russell indicated that it could complete its remaining due diligence by December 20, 2002 and submit a form of definitive agreement on such date, with completion of negotiations of an agreement within seven days.

Also on December 15, 2002, Mr. Heckmann contacted Mr. O Hara and indicated that K2 planned to modify the terms of the exchange ratio and include a collar mechanism. Later on December 15, 2002, the management, legal and financial advisors of K2 and Rawlings met by telephone conference to negotiate the exchange ratio, but without Rawlings disclosing the terms of Mr. Gilbert s or Russell s offer.

Based on several factors Rawlings considered, including the historical volatility of K2 common stock and the amount of Mr. Gilbert s all cash offer, Rawlings management favored a collar mechanism because it would protect Rawlings stockholders from any substantial decrease in the market price of K2 s common stock prior to the completion of the merger.

After additional discussions with Rawlings management and the respective financial and legal advisors later on December 15, 2002, K2 proposed a collar structure which was negotiated and refined on that same date. The K2 proposal, which K2 indicated was its final offer, provided for an exchange ratio that would be initially fixed at 0.950, but would otherwise move according to the average daily closing price per share of K2 common stock for the ten consecutive trading days ending on and including the second trading day preceding the closing date. Specifically, if the average daily closing price (1) was less than $9.47, the exchange ratio would be calculated by dividing $9.00 by the average daily closing price of K2 common stock during such ten day period, or (2) was greater than $10.53, the exchange ratio would be calculated by dividing $10.00 by the average daily closing price of K2 common stock during such ten day period. If the average daily closing price was

between $9.47 and $10.53, the exchange ratio would remain fixed at 0.950. K2 s proposal also gave K2 the right to terminate the agreement if the average closing price of K2 s common stock decreased below $8.00 for any ten consecutive trading days prior to closing.

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During the late afternoon and evening of December 15, 2002, Rawlings board of directors met with Rawlings management and legal and financial advisors to discuss the offers received from Mr. Gilbert and Russell, the terms and conditions of the proposed merger agreement with K2, including the exchange ratio, and Rawlings other strategic alternatives. Representatives of Stinson Morrison Hecker LLP then discussed the board s fiduciary duties in considering a business combination and discussed in detail the terms of the proposed merger agreement with K2.

Because Mr. Gilbert had not clearly indicated that he had put forth his best and final proposal and Russell had expressed a possible willingness to increase its offer the board instructed the company s financial and legal advisors to contact the representatives of Mr. Gilbert and Russell to confirm that the offers received earlier in the day were in fact their best and final offers but without disclosing the terms of the K2 offer. Mr. Gilbert and the advisors to Russell verified that Rawlings had received the parties best offers and in the case of Russell that it was removing its due diligence condition with respect to its offer at $8.50 per share. Russell s legal counsel also indicated that Russell might make a higher offer after it completed all of its remaining due diligence. The Rawlings board of directors nevertheless was skeptical that Russell would increase its offer after further due diligence because (i) Russell had already conducted extensive due diligence on Rawlings which was more than any other bidder, (ii) Russell had been unwilling to take advantage of the additional three days made available to Russell to complete its due diligence immediately prior to the time bidding was finalized, and (iii) in prior negotiations and discussions, Russell indicated a reluctance to increase its bid.

As part of the board s consideration, George K. Baum rendered its opinion to Rawlings board of directors, stating that, as of that date and based on and subject to the assumptions, qualifications and limitations listed in its opinion, from a financial point of view, the merger consideration in the K2 offer was fair to Rawlings common stockholders. After considerable analysis and discussion, the board determined that the K2 proposal was the best strategic alternative reasonably available to Rawlings for the reasons set forth under Rawlings Reasons for the Merger; Recommendation of the Rawlings Board on page 45.

Following careful deliberation of the offers received from Mr. Gilbert and Russell as well as the proposed merger agreement with K2, and after discussion with its financial and legal advisers, the Rawlings directors voting on the proposal unanimously determined to accept K2 s offer and unanimously approved the merger agreement, subject to increasing the length of the measuring period for the collar mechanism from ten to fifteen trading days. Upon advice of Stinson Morrison Hecker LLP, Mr. O Hara abstained from the voting because of Mr. O Hara s potential employment with the combined company following the merger.

After the Rawlings board of directors approved the merger agreement, K2 s board of directors convened in person and by telephone conference with K2 s management and legal and financial advisers. The participants discussed the terms and conditions of the proposed merger agreement, including the exchange ratio. Representatives of Gibson, Dunn & Crutcher LLP summarized for the K2 board the material terms of the merger agreement that had been negotiated by the parties. Representatives of The Mercanti Group participated in the meeting and provided advice with respect to the financial aspects of the transaction. Following careful consideration of the proposed merger agreement and further discussion of the benefits and risks of the proposed transaction, the members of K2 s board of directors in attendance unanimously determined that the terms and provisions of the merger agreement, including the change to the measuring period for the collar mechanism requested by the Rawlings board of directors, were in the best interests of K2 s stockholders, and the K2 board approved the issuance of shares in connection with the merger. Thereafter, K2 and Rawlings executed the merger agreement.

On December 16, 2002, K2 and Rawlings issued press releases announcing the transaction and outlining the details and terms of the proposed merger.

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K2 s Reasons for the Merger; Recommendation of the K2 Board

K2 s board of directors believes that the merger represents an opportunity to enhance value for K2 stockholders. The decision of K2 s board of directors to enter into the merger agreement and to recommend that K2 stockholders approve the issuance of the shares of K2 common stock to be issued in the merger were the result of careful consideration by the board of directors of numerous factors. Significant factors considered by the K2 board of directors include, among others:

Strategic Growth Through Acquisition. The consolidation of sporting goods retailers worldwide is leading to a consolidation of sporting goods suppliers. K2 believes that the most successful sporting goods suppliers will be those with greater financial resources and a broader selection of products and brands. The merger with Rawlings furthers K2 s strategy of expanding its operations, diversifying its product offerings and adding strong brands through combinations with well-established companies.

Key Platform For Growth. One key market segment into which K2 plans to expand is the team sports segment. Because of its strong product lines, expertise in the category and brand name recognition, Rawlings represents a premier platform for K2 s entry into the team sports segment.

Increased Market Presence and Opportunities. As the sporting goods industry undergoes consolidation, the large sporting goods retailers prefer to rely on fewer and larger sporting goods suppliers to help them manage the supply of products and the allocation of shelf space. The combination of K2 s and Rawlings leading brands and product offerings will provide K2 with a broader product offering and an increased market presence that will help K2 address the needs of the large sporting goods retailers.

Operating Synergies. The combination of K2 and Rawlings will create synergies by providing opportunities to leverage the companies strengths in distribution, manufacturing, administration, product development and marketing.

Enhanced Management Team. K2 and Rawlings each enjoy top quality management teams that understand their respective market segments. The combination of Rawlings and K2 creates an enhanced management team by combining the strengths and experience of both companies management teams.

Reduced Seasonality and Exposure to Weather. K2 s business lines are seasonal in nature. K2 s results of operations are typically impacted by the amount of snowfall during the winter months, which drives the sale of skis and snowboards. The addition of Rawlings businesses, which focus on spring and summer sports, will reduce K2 s relative exposure to the impact of snowfall in the winter months. Overall, the broader range of sporting goods products of the combined company will counter balance the seasonal nature of K2 s and Rawlings product lines.

Greater Liquidity. As a result of the issuance of shares of K2 common stock in the merger, there will be a larger public float and greater liquidity with respect to K2 s common stock following the merger.

The foregoing discussion of factors considered by K2 s board is not meant to be exhaustive but includes the material factors considered by the K2 board in approving the merger agreement and the transactions contemplated by the merger agreement and in recommending that stockholders vote their K2 shares in favor of the issuance of shares in the merger. The K2 board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determination. Rather, the board made their respective determination based on the totality of the information presented to them, and the judgments of individual members of the board may have been influenced to a greater or lesser degree by different factors.

Recommendation of the K2 Board of Directors. After careful consideration of these and other factors, as well as the risks described under Risk Factors on page 20, the K2 board of directors has determined that the terms of the merger agreement and the transactions associated with it are advisable, fair to and in the best interests of the stockholders of K2, and recommends that the stockholders of K2 vote **FOR** the issuance of shares of K2 common stock in the merger. All of the K2 directors who considered the merger agreement concur in the foregoing determination and recommendation.

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Rawlings Reasons for the Merger; Recommendation of the Rawlings Board

The Rawlings board of directors believes that the merger is advisable, fair to and in the best interest of, Rawlings and the Rawlings stockholders. Accordingly, at the special meeting of the Rawlings board of directors held on December 15, 2002 at which the merger was considered and voted upon, the Rawlings directors voting on the matter unanimously approved the merger agreement and the merger. Upon advice of legal counsel, Mr. O Hara abstained from the voting because of Mr. O Hara s potential employment with the combined company following the merger. The directors voting on the matter unanimously recommend that the holders of shares of Rawlings common stock vote **FOR** the adoption of the merger agreement and the approval of the merger.

In the course of reaching its decision to approve the merger agreement, the Rawlings board of directors consulted with Rawlings management, as well as its outside legal counsel and its financial advisors, and considered the following material factors:

- the premium represented by the per share merger consideration offered by K2 in comparison to other offers and expressions of interest received by Rawlings prior to the execution of the merger agreement, as more fully discussed under Background of the Merger on page 33;

- the structure of the K2 offer, including a collar provision that assures that the value of K2 stock to be received by Rawlings stockholders at the effective time of the merger will be between $9.00 and $10.00 per share. The high end of this range would represent a potential $1.50 per share premium over the next highest offer received by Rawlings prior to the execution of the merger agreement;

- the exchange ratio of 0.950 shares of K2 common stock for each share of Rawlings common stock, subject to the collar provision discussed above, represented merger consideration of $9.38 per share as of the date of the merger agreement. In addition, it also represented a substantial premium over historical and market trading prices for Rawlings common stock. Specifically, it represented a premium of approximately 48% when compared to the closing price for Rawlings common stock on November 26, 2002, the day prior to the initial announcement of a potential transaction, and a premium of approximately 49%, 61%, 66% and 69% when compared to the average closing price of Rawlings common stock for the thirty, sixty, ninety and one hundred eighty day periods, respectively, prior to the execution of the merger agreement;

- the evaluation by the Rawlings board of directors of various strategic alternatives, including but not limited to, remaining an independent company and pursuing either solely internal growth or internal growth combined with external growth through acquisition of other companies or businesses within Rawlings industry;

- the terms of the merger agreement, including that the merger agreement (1) permits Rawlings to provide information and enter into negotiations with a third party that submits an unsolicited transaction proposal to Rawlings, if the board of directors determines in good faith, upon consultation with legal counsel, that (a) failure to do so is reasonably likely to constitute or result in a breach of its fiduciary duties, (b) there is a reasonable likelihood that such proposal could result in a proposal that is more favorable to Rawlings stockholders and, if accepted, is reasonably capable of being completed, taking into account all legal, financial, regulatory and other issues, (c) Rawlings provides prior written notice to K2 and (d) Rawlings obtains a confidentiality agreement from the third party in customary form; and (2) permits the Rawlings board of directors to change its recommendation to its stockholders or recommend or enter into an agreement with a third party that is more favorable to Rawlings stockholders if (a) the board of directors determines in good faith, upon consultation with legal counsel, that the failure to do so is reasonably likely to constitute or result in a breach of its fiduciary duties, (b) the board of directors determines, in good faith, that the third party proposal is more favorable to Rawlings stockholders from a financial point of view and is reasonably capable of consummation, taking into account all legal, financial, regulatory and other issues, (c) Rawlings provides written notice to K2, setting forth the terms of the third party proposal and K2

does not make

an offer to Rawlings within three business days that the Rawlings board of directors determines in good faith, to be at least as favorable to the Rawlings stockholders as the third party proposal and (d) Rawlings pays to K2 a termination fee of $2,900,000;

the opinion of George K. Baum & Company provided to the Rawlings board of directors on December 15, 2002, that, as of such date and based upon and subject to the various considerations set forth in the opinion, the merger consideration was fair to the holders of Rawlings common stock, from a financial point of view, see Opinion of Rawlings Financial Advisor on page 48;

the likelihood that other offers or expressions of interest at prices higher than the merger consideration would reasonably be expected to have surfaced prior to the execution of the merger agreement and following the November 27, 2002 announcement by Rawlings that it had received an expression of interest in acquiring the company;

the ability of the Rawlings stockholders to vote against the merger and the merger agreement at the special meeting of stockholders without triggering the payment of any termination fee; however, if at the time of Rawlings stockholder meeting a third party has publicly announced or Rawlings board had under consideration a proposal to acquire Rawlings, and Rawlings enters into an agreement within twelve months of the termination of the merger agreement with any party with whom Rawlings had negotiations or who had submitted a proposal or expressed an interest in acquiring Rawlings, then Rawlings would be required to pay K2 a termination fee of $2,900,000;

the structure of the transaction as a tax-free reorganization for United States federal income tax purposes, which will permit the Rawlings stockholders to defer payment of capital gains taxes until they sell the shares of K2 common stock received in the merger, as discussed under Certain United States Federal Income Tax Considerations on page 53;

the greater liquidity of K2 s common stock following the merger as compared to Rawlings common stock;

the fact that since Rawlings stockholders will hold approximately 30% of the outstanding common stock of K2 following the merger, Rawlings stockholders would have the opportunity to participate in the growth and opportunities of the combined company;

the greater financial resources of the combined company that should allow management to develop products and implement marketing strategies more quickly than Rawlings would likely be able to achieve as an independent company;

the fact that the broader range of sporting goods products offered by the combined company will provide greater opportunity to strengthen existing customer relationships, as well as counter balance the seasonal nature of Rawlings products;

the fact that the combined company s experience, resources and breadth of product offerings may allow the combined company to better compete with larger competitors that have begun to enter Rawlings core products markets and have greater financial and other resources than Rawlings; and

the fact that the transaction is expected to achieve synergies, cost savings and economies of scale resulting from the combined marketing, sales and administrative areas of the two companies following the merger, and which are expected to further the combined company s ability to achieve its financial goals.

In the course of its deliberations, the Rawlings board of directors considered a number of additional factors relevant to the merger, including:

the consideration of Rawlings strategic plan as an independent company, the restraints on Rawlings ability to pursue its strategic plans due to its present size and limited financial resources and the belief that the merger would enhance Rawlings ability to pursue its plan;

Rawlings management s belief in the importance of consolidation within the sporting goods industry including consolidation of the team sports segment of that industry;

Rawlings management s view of the financial condition, results of operations and businesses of Rawlings and K2 before and after giving effect to the merger;

current financial market conditions and historical market prices, volatility and trading information with respect to the common stock of Rawlings, K2 and Russell Corporation;

the relationship between the market value of Rawlings common stock and the consideration to be received by Rawlings stockholders in the merger, and a comparison to comparable merger transactions;

the belief that the terms of the merger agreement, including the parties representations, warranties, covenants and conditions to their respective obligations are reasonable for a transaction of this nature;

the potential for other third parties to enter into strategic relationships with or to acquire Rawlings;

the financial analyses and other information presented by George K. Baum & Company, Rawlings financial advisor;

the information presented by Stinson Morrison Hecker LLP, Rawlings legal counsel, regarding the Rawlings board of directors fiduciary duties, the merger agreement, the negotiations with K2 and other third parties expressing an interest in acquiring Rawlings and other related legal matters; and

the fact that senior Rawlings management will have significant responsibilities within the combined company, which should facilitate the integration of Rawlings into the combined company.

The potential negative factors the Rawlings board of directors considered include:

the possibility the merger might not be consummated and the effect of public announcement of the merger on Rawlings sales, operating results, stock price and employee retention;

the risk that the potential benefits sought in the merger might not be fully realized;

the risk that, notwithstanding the long-term benefits of the merger, the combined company s financial results and stock price might decline after the merger when the collar mechanism s protections no longer apply;

the possibility of substantial charges to be incurred in connection with the merger, including costs of integrating the businesses and transaction expenses arising from the merger;

the risk that the companies might not be able to obtain the necessary approvals required to complete the merger, including approvals of both K2 and Rawlings stockholders;

other risks the merger and K2 s and Rawlings businesses are subject to, as described in the section of this joint proxy statement/prospectus entitled Risk Factors on page 20 and in each company s reports filed with the SEC;

risks associated with fluctuations in K2 s stock price prior to closing the merger;

the factors identified by Russell Corporation, Mr. Gilbert and their respective advisors during the negotiations concerning their interest in acquiring Rawlings and in their respective written proposals to acquire Rawlings;

the fact that the acquisition consideration in Mr. Gilbert s proposal to acquire Rawlings for $8.50 per share was cash, which would have enabled Rawlings stockholders to avoid future market risk from holding K2 common stock, although that form of consideration also would prevent Rawlings stockholders from enjoying the upside potential of the combined company;

Russell Corporation s proposal to acquire Rawlings for $8.50 per share with half of the acquisition consideration in cash and the remaining half in Russell common stock, which has historically

experienced lower volatility and higher liquidity than K2 common stock, and the fact that Russell Corporation has greater financial resources than K2;

Russell Corporation s indication that it might be willing to offer more than $8.50 per share after completion of its due diligence, which was viewed skeptically by Rawlings board due to (1) the extensive due diligence previously conducted by Russell, (2) Russell s unwillingness to take advantage of the three days made available to Russell to complete its due diligence immediately prior to execution of the merger agreement with K2 and (3) the prior negotiating history with Russell; and

various other risks.

The foregoing discussion of factors considered by the Rawlings board of directors is not meant to be exhaustive but includes the material factors considered by the board in approving the merger agreement and the transactions contemplated by the merger agreement and in recommending that stockholders vote in favor of the merger agreement. The Rawlings board of directors did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determination. Rather, the board made their respective determination based on the totality of the information presented to them, and the judgments of individual members of the board may have been influenced to a greater or lesser degree by different factors.

In approving the merger agreement, the Rawlings board of directors was aware of the interests of Rawlings management in the merger, as described in the section entitled Interests of Certain Persons in the Merger.

Opinion of Rawlings Financial Advisor

On December 15, 2002, George K. Baum & Company delivered certain of its written analyses and its oral opinion to the Board of Directors of Rawlings, which was subsequently confirmed in writing, to the effect that, subject to the assumptions, procedures, and limitations set forth therein, as of such date, the merger consideration to be received by the holders of Rawlings common stock pursuant to the terms and conditions set forth in the Merger Agreement was fair, from a financial point of view, to such holders of common stock.

The full text of the written opinion of George K. Baum, dated December 15, 2002, which sets forth assumptions made, matters considered, and limitations on the review undertaken in connection with the opinion, is attached to this joint proxy statement/prospectus as Appendix B and is incorporated herein by reference. Holders of Rawlings common stock are urged to, and should, read carefully the opinion in its entirety in conjunction with this joint proxy statement/prospectus. The analysis and opinion of George K. Baum were prepared for the information and assistance of the Board of Directors of Rawlings in connection with its deliberations regarding the merger and such opinion does not constitute a recommendation as to how any holder of Rawlings common stock should vote with respect to the merger.

In connection with its opinion, George K. Baum reviewed, among other things, the terms and conditions describing or otherwise directly relating to the merger consideration set forth in the merger agreement; certain publicly available business and historical financial information relating to Rawlings and K2, including, without limitation, Annual Reports, Forms 10-K, Forms 10-Q and other filings with the SEC; current and historical market prices and trading volumes of Rawlings common stock and K2 common stock; certain internal financial information and other data relating to the businesses and financial prospects of Rawlings and K2, as well as estimates, financial forecasts and analyses prepared by the respective management teams of Rawlings and K2 that are not publicly available; and the process and background that led to the merger. In addition, George K. Baum held discussions with members of the senior management of Rawlings and K2 regarding the business operations, prospects, and financial condition of Rawlings and K2, respectively. George K. Baum also reviewed publicly available financial and stock market data with respect to certain companies that George K. Baum believed to be comparable in certain respects to Rawlings and K2; financial

terms of certain business combinations that George K. Baum deemed to be comparable in certain respects to the merger; certain historical

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data relating to premiums paid in mergers and acquisitions of publicly traded companies of a similar size to Rawlings; and conducted such other financial studies, analyses and investigations, and considered such other information that George K. Baum deemed necessary or appropriate.

In preparing its opinion, George K. Baum relied upon and assumed the accuracy and completeness of all the financial and other information that was publicly available or provided to George K. Baum by or on behalf of Rawlings or K2, and was not engaged to verify any such information. George K. Baum did not undertake nor obtain any independent evaluations or appraisals of any of the assets, properties or liabilities of Rawlings or K2, nor make any physical inspection of the properties or assets of Rawlings or K2 for such purposes. George K. Baum has not been engaged to independently verify any legal or accounting matters relative to the merger agreement. George K. Baum has assumed the merger will be validly consummated in accordance with the terms and conditions of the merger agreement. George K. Baum has also assumed, but has not determined, that the merger will qualify as a tax-deferred reorganization for federal income tax purposes.

The opinion of George K. Baum addressed only the fairness, from a financial point of view, of the merger consideration to the holders of Rawlings common stock and did not address any other aspect of the merger. George K. Baum was not asked to, nor did it, express an opinion as to the effect of any other transaction in which Rawlings might engage or the underlying business decision of the Rawlings board of directors to proceed with the merger. George K. Baum was not asked to, nor did it, express an opinion as to the actual value of K2 common stock when issued pursuant to the merger or the prices at which K2 common stock will trade at any time.

The opinion of George K. Baum necessarily is based on the information made available to George K. Baum and the conditions and circumstances as they existed on December 15, 2002, and can be evaluated only as of such date. Events occurring after the date of the opinion could materially affect the assumptions used in preparing the opinion.

The financial analyses summarized below include information presented in tabular format. In order to fully understand George K. Baum s financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data set forth in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of George K. Baum s financial analyses. The following is a summary of the principal financial analyses performed by George K. Baum and reported to the Board of Directors of Rawlings and is qualified in its entirety to reference to the full text of George K. Baum s opinion.

Comparable Company Analysis. George K. Baum noted that no company utilized in the comparable company analysis is directly comparable to Rawlings or K2. Accordingly, it is George K. Baum s view that an analysis of the following results necessarily involves complex considerations and judgments concerning the differences in financial and operating characteristics and other factors that could affect the value of Rawlings common stock, K2 common stock or other publicly traded companies that George K. Baum deemed comparable in certain respects to Rawlings or K2.

George K. Baum analyzed selected financial and operating data of Rawlings, K2 and the following nine publicly traded companies: Amer Group plc, Brass Eagle Incorporated, Callaway Golf Company, Escalade, Inc., Head N.V., The Hockey Company, Huffy Corporation, Johnson Outdoors Inc. and Russell Corporation which are referred to herein as the comparable companies. George K. Baum selected the comparable companies based on the size of such companies and their participation in certain segments of the sporting goods equipment industry. Though similar in certain respects, there are significant differences between the comparable companies, Rawlings and K2. It is George K. Baum s belief that due to the differences in financial and operating characteristics of the comparable companies, the comparable company analysis is not readily susceptible to summary description.

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George K. Baum examined certain publicly available financial and stock market trading data for the comparable companies to evaluate the implied trading multiples of enterprise value (equity value plus total net debt, preferred stock and minority interest) to (1) revenue, (2) earnings before interest, taxes, depreciation and amortization (EBITDA) and (3) earnings before interest and taxes (EBIT), each for the latest 12 months (LTM). Likewise, George K. Baum also evaluated the implied trading multiples of equity value to (1) net income (earnings per share with a multiple expressed as a P/E , or share price/earnings per share) and (2) tangible book value (book value of stockholders equity minus goodwill and other intangible assets) for the comparable companies. For purposes of computing valuation multiples for Rawlings implied by the merger, George K. Baum used merger consideration of $9.00 per share based upon the limit established by the exchange ratio in the merger agreement. The LTM financial data for Rawlings was based on publicly reported financial results for the period ended August 31, 2002. The LTM financial data for K2 was based on publicly reported financial results for the period ended September 30, 2002, as adjusted to exclude the certain restructuring charges. This analysis indicated the following trading multiples for the comparable companies and K2 as compared to the multiples implied for Rawlings by the merger consideration:

	Comparable Companies				
	Range	Mean	Median	K2	Rawlings (Merger Consideration)
Enterprise Value/LTM Revenue	0.3x 1.1x	0.7x	0.8x	0.5x	0.6x
Enterprise Value/LTM EBITDA	4.8x 8.3x	6.2x	5.9x	6.7x	11.9x
Enterprise Value/LTM EBIT	6.7x 11.3x	8.8x	8.8x	10.6x	14.7x
Price/Earnings	10.1x 19.5x	13.1x	12.5x	19.5x	20.0x
Equity Value/Tangible Book Value	0.4x 5.0x	2.0x	1.6x	0.9x	1.5x

Comparable Transaction Analysis. George K. Baum noted that no merger or acquisition transaction utilized in the comparable transaction analysis is identical to the merger. Accordingly, George K. Baum believed that an analysis of the following results necessarily involves complex considerations and judgments concerning differences in financial, operating and other characteristics of Rawlings and the companies involved in the comparable transactions.

George K. Baum identified and performed an analysis of 15 merger and acquisition transactions that occurred since 1997 in the sporting goods equipment industry. The transactions analyzed included the following:

Acquiror	Target	Date
Amer Group Ltd.	Precor Inc.	10/08/02
Huffy Corporation	Gen-X Sports Inc.	09/19/02
Gen-X Sports Inc.	First Team Sports, Inc.	10/15/01
Lincolnshire Management Inc.	Riddell Group Division	06/25/01
Active Apparel Group Inc.	Everlast Worldwide Inc.	10/24/00
Investor Group	Bell Sports Corp.	08/17/00
Wilson Sporting Goods Co.	DeMarini Sports Inc.	01/19/00
K2 Inc.	Ride, Inc.	10/10/99
The Hockey Company	Sports Holdings Corp.	11/19/98
Cornerstone Equity Investors	True Temper Sports Inc.	09/30/98
HB Acquisition Corp.	Bell Sports Corp.	08/17/98
Callaway Golf Company	Odyssey Sports Inc. (US Industries)	08/11/97
Brunswick Corporation	Mongoose Bicycle Division (Bell Sports)	04/29/97
American Materials & Tech Corp.	Grafloy	03/05/97
US Industries, Inc.	Odyssey Sports Inc.	03/31/97

For these transactions, George K. Baum calculated multiples of enterprise value to LTM revenue, EBITDA and EBIT where such data was available. For purposes of computing valuation multiples for Rawlings implied by the merger, George K. Baum used merger consideration of $9.00 per share based upon the limit established by

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the exchange ratio in the merger agreement. This analysis indicated the following multiples as compared to the multiples implied for Rawlings by the merger:

	Comparable Transactions			Rawlings (Merger Consideration)
	Range	Mean	Median	
Enterprise Value/LTM Revenue	0.3x 3.0x	1.2x	0.9x	0.6x
Enterprise Value/LTM EBITDA	3.1x 12.8x	8.7x	8.7x	11.9x
Enterprise Value/LTM EBIT	3.4x 18.1x	10.1x	9.7x	14.7x

Discounted Cash Flow Analysis. George K. Baum performed an analysis of the present value of Rawlings projected future free cash flows. This analysis assumed that Rawlings continued as a going concern, remained independent and pursued its current business plan. Rawlings management prepared financial projections based on detailed operating assumptions and estimates of market conditions for the fiscal years 2003, 2004 and 2005. In assessing the range of likely outcomes related to Rawlings future performance, the Rawlings board of directors considered management s projections along with sensitivity cases where 85% and 70% of projected EBITDA for such years was achieved.

For purposes of this analysis, George K. Baum calculated a terminal value for free cash flows beyond the forecast period by applying terminal multiples to Rawlings projected fiscal year 2005 EBITDA ranging from 5.0x to 6.0x. Based on George K. Baum s estimate of Rawlings weighted average cost of capital, the free cash flows and terminal values were discounted to the present using a range of discount rates from 10.0% to 14.0%. Based on these assumptions, George K. Baum s analysis indicated the following values per share for Rawlings common stock as compared to the merger consideration of $9.00 per share based upon the limit established by the exchange ratio in the merger agreement:

Projection Case	Range of Implied Equity Value Per Share
100% of EBITDA	$8.79 $12.42
85% of EBITDA	$7.07 $10.20
70% of EBITDA	$5.03 $7.66

Historical Stock Price Analysis. George K. Baum analyzed Rawlings historical stock prices on a volume-weighted basis over various periods of time rather than the historical prices of Rawlings common stock on any particular trading day. George K. Baum performed its analysis of the merger consideration compared to volume-weighted average stock prices of Rawlings common stock over various periods ending on November 27, 2002, the day Rawlings publicly announced interest from a potential strategic acquiror. For purposes of computing the premiums to volume-weighted historical stock prices for Rawlings implied by the merger, George K. Baum used merger consideration of $9.00 per share based upon the limit established by the exchange ratio in the merger agreement. This analysis indicated the following premiums:

Period	Volume Weighted Average Price	Implied Premium
2 Years Ending 11/27/02	$ 4.42	103.7%
1 Year Ending 11/27/02	$4.42	103.8%
6 Months Ending 11/27/02	$5.46	65.0%
3 Months Ending 11/27/02	$5.60	60.7%
11/27/02	$6.39	40.8%

Historical Exchange Ratio Analysis. George K. Baum compared the historical exchange ratio of the daily closing price of Rawlings common stock to the daily closing price of K2 common stock over various periods ending on November 27, 2002, the day Rawlings publicly announced interest from a potential strategic acquiror. These historical exchange ratios were then compared to the 0.950 exchange ratio provided for in the merger agreement. The following table lists the low, average and high of the exchange ratios for the periods shown:

Period	Low	Average	High
2 Years Ending 11/27/02	0.30	0.58	0.94
1 Year Ending 11/27/02	0.30	0.63	0.94
6 Months Ending 11/27/02	0.52	0.63	0.81
3 Months Ending 11/27/02	0.53	0.64	0.81
11/27/02	0.58	0.58	0.58

Contribution Analysis. George K. Baum reviewed the contribution of Rawlings to the combined company s pro forma historical and estimated revenue, EBITDA, EBIT and net income, excluding synergies, for 2001, 2002 and 2003 as compared to the pro forma ownership of the combined company by Rawlings stockholders as of December 15, 2002, based on the 0.950 exchange ratio. George K. Baum performed this analysis using estimates of projected financial performance prepared by the respective management of Rawlings and K2. Historical financial data for K2 was based on publicly reported financial results as adjusted to exclude certain restructuring charges. The approximate range of Rawlings contribution and pro forma ownership resulting from the analysis is summarized below.

Fiscal Years 2001-2003	Approximate Contribution Range
Revenue	22.7% 23.0%
EBITDA	18.1% 25.5%
EBIT	21.2% 30.0%
Net Income	22.0% 33.6%
Rawlings Shareholders Pro Forma Ownership Under the Merger	30.8%

The foregoing does not purport to be a complete description of the analyses performed by George K. Baum, but describes, in summary form, the principal elements of the analyses performed by George K. Baum in arriving at its opinion. The preparation of a fairness opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. In arriving at its opinion, George K. Baum did not attribute any particular weight to any analysis or factor it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, George K. Baum s analysis must be considered as a whole. Selecting portions of its opinion and factors considered by George K. Baum, without considering all the analysis and factors, could create a misleading or incomplete view of the processes underlying such analyses and George K. Baum s opinion. The description of the analyses set forth herein does not purport to be a complete description of the analyses underlying George K. Baum s opinion.

Fee and Other Information. George K. Baum was selected as a financial advisor by the Rawlings board of directors in connection with the merger based upon its knowledge and familiarity with Rawlings as well as George K. Baum s qualifications, expertise and reputation, including the fact that it is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, private placements and valuations for corporate and other purposes.

Pursuant to a letter agreement by and between Rawlings and George K. Baum dated May 30, 2002, upon consummation of the merger, George K. Baum is entitled to a cash fee equal to 1.50% of the sum of (1) the merger consideration plus (2) the average amount of Rawlings debt for the 12 months preceding the closing of the merger. For rendering its opinion, George K. Baum is entitled to a cash fee of $200,000 that is creditable against the fee George K. Baum is entitled to upon the consummation of the merger but was not contingent upon

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the conclusion reached in the opinion or the consummation of the merger. Rawlings also agreed to reimburse George K. Baum for reasonable out-of-pocket expenses, including without limitation, reasonable fees and disbursements of legal counsel and any other advisor retained by George K. Baum, and to indemnify George K. Baum and certain affiliates against certain liabilities relating to, or arising out of, its engagement, including, without limitation, certain liabilities under Federal securities laws. The terms of the fee arrangement with George K. Baum, which are customary in transactions of this nature, were negotiated at arm s length between Rawlings and George K. Baum, and the Rawlings board of directors approved such arrangement. George K. Baum has previously rendered investment banking services to Rawlings for which George K. Baum received customary compensation.

Certain United States Federal Income Tax Considerations

The following discussion is a summary of material U.S. federal income tax consequences of the merger. This discussion is based on the Internal Revenue Code, the related Treasury regulations, administrative interpretations and court decisions, all of which are subject to change, possibly with retroactive effect. Any such change could affect the accuracy of the statements and the conclusions discussed below and the tax consequences of the merger to Rawlings stockholders. This discussion applies only to Rawlings stockholders that hold their shares of Rawlings common stock, and will hold the shares of K2 common stock received in the merger, as capital assets within the meaning of Section 1221 of the Internal Revenue Code. This discussion does not address all federal income tax consequences of the merger that may be relevant to particular holders, including holders that are subject to special tax rules. Some examples of holders that are subject to special tax rules are:

- dealers in securities;
- financial institutions;
- insurance companies;
- tax-exempt organizations;
- holders of shares of Rawlings stock as part of a position in a straddle or as part of a hedging or conversion transaction;
- holders who have a functional currency other than the U.S. dollar;
- holders who are foreign persons;
- holders who own their shares indirectly through partnerships, trusts or other entities that may be subject to special treatment; and
- holders who acquired their shares of Rawlings common stock through stock option or stock purchase programs or otherwise as compensation.

In addition, K2 and Rawlings are not addressing any consequences arising under the laws of any state, local or foreign jurisdiction. **Rawlings stockholders are urged to consult their own tax advisors as to specific tax consequences to them of the merger, including the applicability and effect of any state, local or foreign tax laws and of changes in applicable tax laws**.

Tax Consequences of the Merger. The obligations of Rawlings and K2 to complete the merger are conditioned upon the delivery of an opinion to K2 and to Rawlings by Gibson, Dunn & Crutcher LLP and/or by Stinson Morrison Hecker LLP that, for federal income tax purposes, the merger will constitute a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. These opinions of counsel will be given in reliance on representations and covenants including those contained in certificates executed by officers of Rawlings and K2. These opinions are not binding on the courts or the Internal Revenue Service, nor do they preclude the Internal Revenue Service from adopting a position contrary to that expressed in the opinions. No assurance can be given that contrary positions will not successfully be asserted by the Internal

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Revenue Service or adopted by a court if the issues are litigated. Neither Rawlings nor K2 intends to obtain a ruling from the Internal Revenue Service with respect to the federal income tax consequences of the merger.

Assuming that the merger qualifies as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, the following material federal income tax consequences will result from the Merger:

- Rawlings stockholders will not recognize any gain or loss upon the exchange of their shares of Rawlings common stock for shares of K2 common stock in the merger, except with respect to any gain or loss attributable to cash received instead of fractional shares of K2 common stock;

- the aggregate tax basis of the shares of K2 common stock received in exchange for shares of Rawlings common stock in the merger, including a fractional share of K2 common stock for which cash is paid, will be the same as the aggregate tax basis of the shares of Rawlings common stock surrendered in the merger;

- the holding period for shares of K2 common stock received in the merger in exchange for shares of Rawlings common stock will include the holding period for the Rawlings common stock surrendered;

- cash payments received by Rawlings stockholders instead of a fractional share of K2 common stock will be treated as received in exchange for that fractional share interest, and gain or loss will be recognized for federal income tax purposes on receipt of the cash payment, measured by the difference between the amount of cash received and the portion of the basis of the Rawlings common stock allocable to the fractional share interest. The gain or loss will be long term capital gain or loss if the Rawlings common stock is considered to have been held for more than one year at the time of the merger; and

- none of K2, Lara Acquisition Sub or Rawlings will recognize any gain or loss solely as a result of the merger.

If the Internal Revenue Service determines successfully that the merger is not a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, Rawlings stockholders would be required to recognize gain or loss with respect to each share of Rawlings common stock surrendered in the merger in an amount equal to the difference between the tax basis in that share of stock and the fair market value of the K2 common stock received in exchange therefor. In such event, a Rawlings stockholder s aggregate tax basis in the K2 common stock received in the merger would equal its fair market value, and the stockholder s holding period for the K2 common stock would begin the day after the merger.

Information Reporting and Backup Withholding. Certain U.S. holders may be subject to information reporting with respect to the amount of cash, if any, received instead of a fractional share interest in shares of K2 common stock. U.S. holders who are subject to information reporting and who do not provide appropriate information when requested may also be subject to backup withholding. Any amount withheld under such rules is not an additional tax and may be refunded or credited against such U.S. holders federal income tax liability, provided that the required information is properly furnished in a timely manner to the Internal Revenue Service.

Accounting Treatment of the Merger

K2 will use the purchase method of accounting for the merger with Rawlings under accounting principles generally accepted in the United States. Therefore, the purchase price will be allocated to Rawlings assets and liabilities based on their estimated fair market values at the time of completion of the merger. Any excess of the purchase price over these fair market values will be accounted for as goodwill to the extent not identified as an intangible asset apart from goodwill. The reported financial condition and results of operations of K2 issued after the merger will reflect the combined company s balances and results after completion of the merger, but will not be restated retroactively to reflect the historical financial position or results of operations of Rawlings.

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Interests of Certain Persons in the Merger

In considering the recommendations of the Rawlings board of directors regarding the merger, Rawlings stockholders should be aware that the directors and officers of Rawlings have interests in the merger that differ from those of other stockholders of Rawlings, as described below. The Rawlings board of directors was aware of these matters and considered them in recommending and approving the merger.

As a result of these interests, these directors and officers of Rawlings could be more likely to vote to adopt the merger agreement and authorize the merger than if they did not hold these interests, and may have reasons for doing so that are not the same as the interests of Rawlings stockholders. Rawlings stockholders should consider whether these interest may have influenced these directors and officers to support or recommend the merger.

Acceleration of Stock Options. Certain employees of Rawlings, including executive officers, are eligible to receive, and have received, stock options under Rawlings Long-Term Incentive Plan and individual employment agreements. By operation of the plans and the employment agreements, options granted thereunder and held by employees that were previously unvested will accelerate and become immediately exercisable upon Rawlings stockholders approving the adoption of the merger agreement at the Rawlings meeting. As of January 31, 2003, options to purchase 177,832 shares of Rawlings common stock held by executive officers would vest early upon the adoption by Rawlings stockholders of the merger agreement at the Rawlings meeting.

Severance Agreements. At the time the merger agreement was entered into, twenty-five Rawlings employees were parties to severance agreements with Rawlings which provide for the payment of severance to the employees if they are terminated without cause or if they voluntarily terminate their employment with good reason, as such terms are defined in the employees respective severance agreements. If the severance obligations in all of the severance agreements were triggered, the total payments required thereunder would exceed $3,000,000. The amount, if any, to be paid under these severance agreements will depend on K2 s and the employees actions subsequent to the merger, and cannot be specifically determined at this time.

Possible Future Employment Arrangements. Although no employment or similar agreements have been entered into between K2 and members of Rawlings management, there have been discussions between K2 management and certain officers of Rawlings regarding potential future employment agreements, including discussions with Rawlings Chief Executive Officer, Stephen M. O Hara.

Post-Merger Board Membership. In connection with the merger, the members of the Rawlings board of directors will cease to serve as directors. However, K2 has agreed to expand the number of directors of the K2 board by one and to elect Mr. Edward Ryan, a current Rawlings director, to serve as a director of K2 effective upon the closing of the merger.

Indemnification. The merger agreement provides that, after the merger, K2 will, as permitted by law, indemnify persons who were directors or officers of Rawlings before the merger, who incur liabilities or losses from any threatened or actual claim or proceeding based on the merger agreement or on a claim that arises by reason of the fact that the person was a director or officer of Rawlings. In addition, K2 agreed to fulfill and honor any indemnification agreements and the provisions of Rawlings certificate of incorporation and bylaws which provide for the indemnification of officers and directors, as in effect on December 15, 2002. Finally, K2 has agreed to maintain in effect the current provisions regarding elimination of liability of directors, indemnification of officers, directors and employees, and advancement of expenses currently in Lara Acquisition Sub s certificate of incorporation and bylaws.

K2 has agreed to maintain in effect the current Rawlings directors and officers liability insurance for a period of six years after the completion of the merger. However, K2 is not required to expend in any year an amount in excess of 200% of the current premium paid by Rawlings. If the aggregate expenditure on coverage exceeds that amount, K2 will purchase as much insurance as can be obtained for that amount.

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Regulatory Clearances and Approvals

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the merger may not be consummated unless certain filings have been submitted to the FTC and the Antitrust Division of the United States Department of Justice and certain waiting period requirements have been satisfied. K2 and Rawlings have filed notification and report forms under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 with the FTC and with the Antitrust Division of the United States Department of Justice. Early termination of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 was granted on January 27, 2003.

Under certain circumstances, certain private parties, state attorneys general and other antitrust authorities may challenge the transaction under antitrust laws. The parties do not believe that any antitrust filings are required in any other jurisdiction prior to the completion of the merger, but will make any such filings if it is subsequently determined that they are required.

K2 and Rawlings believe that the completion of the merger will not violate any antitrust laws. There can be no assurance, however, that a challenge to the merger on antitrust grounds will not be made, or, if such a challenge is made, what the result will be.

No Dissenters Appraisal Rights

Dissenters appraisal rights are not available with respect to a merger or consolidation by a corporation the shares of which are either listed on a national securities exchange or held of record by more than 2,000 stockholders, if such stockholders are required to receive only shares of the surviving corporation, shares of any other corporation which are either listed on a national securities exchange or held of record by more than 2,000 holders, with cash in lieu of fractional shares, or a combination of the foregoing. Therefore, stockholders of K2 and Rawlings will not be able to exercise any dissenters appraisal rights in connection with the merger.

Listing on the New York Stock Exchange

It is a condition to completion of the merger that shares of K2 common stock issuable in connection with the merger be authorized for listing on the New York Stock Exchange, subject to official notice of issuance. K2 will file a listing application with the New York Stock Exchange to list the shares of K2 common stock to be issued in the merger.

Delisting and Deregistration of Rawlings Common Stock

If the merger is completed, Rawlings common stock will be delisted from the Nasdaq National Market System and deregistered under the Securities Exchange Act of 1934.

Federal Securities Law Consequences

All shares of K2 common stock that Rawlings stockholders receive in the merger will be freely transferable, except for shares of K2 common stock that are received by persons who are deemed to be affiliates of Rawlings under the Securities Act of 1933 at the time of the Rawlings special meeting. These affiliates may resell the shares of K2 common stock they receive in the merger only in transactions permitted by Rule 145 under the Securities Act of 1933 or as otherwise permitted under the Securities Act of 1933. Persons who may be deemed to be affiliates of Rawlings for the above purposes generally include individuals or entities that control, are controlled by or are under common control with Rawlings, and include directors and certain executive officers of Rawlings. The merger agreement requires that Rawlings use commercially reasonable efforts to cause each of these affiliates to deliver to Rawlings as soon as practicable a letter agreement to the effect that these persons will not sell, transfer or otherwise dispose of any of the shares of K2 common stock issued to them in the merger in violation of the Securities Act of 1933 or the related SEC rules. All current Rawlings directors and executive officers have delivered such a letter agreement.

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Shares of K2 common stock held by persons who are or will become affiliates of K2 as of the time the vote is taken on the merger may be resold by them only in transactions permitted by the resale provisions of Rule 144 or as otherwise permitted under the Securities Act of 1933. In general, under Rule 144, an affiliate of K2 would be entitled to sell within any three-month period a number of shares that does not exceed the greater of one percent of the number of shares of such class of stock then outstanding or the average weekly trading volume of the shares of such class of stock during the four calendar weeks preceding the filing of a Form 144 with respect to such sale. Sales under Rule 144 are also subject to certain requirements pertaining to the manner of such sales, notices of such sales and the availability of current public information concerning the issuer.

In general, Rule 145(d) will impose the same volume and manner of sale limitations as Rule 144 as to sales made during the one year period following the merger. During the period between the first and second year following consummation of the merger, resales by persons subject to Rule 145(d) are permitted to be made without any volume or manner of sale of limitations if K2 is current in meeting its reporting requirements under the Securities Exchange Act of 1934. There are no limitations on resales by persons who are subject to Rule 145(d) after two years have elapsed following the merger if such persons are not then affiliates of K2 and have not been so affiliated during the preceding three months.

The document does not cover any resales of K2 common stock to be received by the Rawlings stockholders upon completion of the merger, and no person is authorized to make any use of the document in connection with any such resale.

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The following summary of the material terms and provisions of the merger agreement is qualified in its entirety by reference to the merger agreement. The merger agreement is attached as Appendix A to this joint proxy statement/prospectus, and is incorporated by reference into this joint proxy statement/prospectus. K2 and Rawlings stockholders should read the merger agreement in its entirety, as it is the legal document governing this merger and the provisions of the merger agreement are complicated and not easily summarized.

The Merger

The merger agreement provides that upon closing, Lara Acquisition Sub, a wholly owned subsidiary of K2, will merge with and into Rawlings, with Rawlings as the surviving corporation. As a result of the merger, Rawlings will become a wholly-owned subsidiary of K2.

Effective Time and Timing of Closing

The merger will be completed and become effective when the certificate of merger is filed with the Secretary of State of the State of Delaware, or at such later time as K2 and Rawlings may agree and as is specified in the certificate of merger, in accordance with Delaware law. The closing of the merger will take place on the second business day after all conditions to the merger have been satisfied or waived, or on such other date as K2 and Rawlings may agree. The companies currently anticipate completion of the merger shortly after the K2 and Rawlings special meetings, assuming K2 s and Rawlings stockholders approve the merger at the meetings and all other conditions to the merger have been satisfied or waived.

Merger Consideration

Exchange Ratio. At the effective time of the merger, each issued and outstanding share of Rawlings common stock will automatically be converted into shares of K2 common stock based on an exchange ratio equal to 0.950 of a share of K2 common stock for each share of Rawlings common stock, unless the base trading price, as described below, is:

- less than $9.47, in which case the exchange ratio will be calculated by dividing $9.00 by the base trading price, rounded to the third (3rd) decimal point; or

- greater than $10.53, in which case the exchange ratio will be calculated by dividing $10.00 by the base trading price, rounded to the third (3rd) decimal point.

The base trading price of a share of K2 common stock is the average daily closing price per share of K2 common stock as reported on the New York Stock Exchange Composite Transactions reporting system for the fifteen consecutive trading days ending on and including the second trading day preceding the date of the closing of the merger.

Fractional Shares. Certificates for fractional shares of K2 common stock will not be issued in the merger. Rawlings stockholders who would otherwise receive a fractional share will instead receive a cash payment equal to the value of the fractional share based on multiplying (i) the closing price of a share of K2 common stock on the New York Stock Exchange, as reported in the New York City edition of the Wall Street Journal or, if not reported thereby, another nationally recognized source, on the date the merger becomes effective, by (ii) the fractional share interest.

Adjustments. The exchange ratio will be adjusted to reflect the effects of any stock split, stock dividend, reclassification, recapitalization or the like on Rawlings or K2 common stock between December 15, 2002 and the time the merger becomes effective.

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What Rawlings Stockholders Will Receive in the Merger

Computershare Trust Company, Inc. will act as exchange agent in the merger. As soon as reasonably practicable after the merger becomes effective, the exchange agent will mail a letter of transmittal to each registered holder of Rawlings common stock. Each holder must properly complete and deliver such letter to the exchange agent along with his or her Rawlings share certificates.

After a record holder of shares of Rawlings common stock delivers certificates for his or her shares along with a properly completed letter of transmittal to the exchange agent, the exchange agent will deliver to the holder:

- the whole number of shares of K2 common stock such holder has a right to receive in the merger in exchange for his or her shares of Rawlings common stock; and

- a check in the amount of cash payable instead of any fractional share of K2 common stock, if any, plus any unpaid dividends and distributions, if any, that the holder has the right to receive in the merger.

Shares of Rawlings common stock surrendered to the exchange agent will be cancelled. No interest will accrue or be paid on any amount payable to Rawlings stockholders. In addition, no holder of shares of Rawlings common stock will receive any dividends or other distributions with respect to shares of K2 common stock to which the holder is entitled until that holder s Rawlings common share certificates are surrendered to the exchange agent with a properly completed letter of transmittal.

Treatment of Rawlings Stock Options

Options to purchase Rawlings common stock were issued pursuant to the Rawlings Long Term Incentive Plan, individual employment agreements and Non-Employee Director Stock Plans. The options granted to non-director employees pursuant to the Long Term Incentive Plan and individual employment agreements, to the extent they were not previously exercisable, accelerate upon approval of the merger agreement by Rawlings stockholders at the Rawlings meeting. However, the options granted pursuant to the Non-Employee Director Stock Plans do not accelerate as a result of the merger.

Each outstanding and vested option to purchase Rawlings common stock will be converted into an option to purchase a number of shares of K2 common stock determined by multiplying the number of shares of Rawlings common stock issuable upon exercise of the option immediately prior to the merger by the same exchange ratio described under Merger Consideration on page 58, rounded down to the nearest whole number. The exercise price per K2 common share for each of these options will be:

- the aggregate exercise price for the Rawlings common shares under that option immediately prior to the merger becoming effective, *divided* by

the product of the number of Rawlings shares otherwise purchasable pursuant to such option and the exchange ratio discussed above, rounded up to the nearest cent.

The replacement options will generally have the same terms and conditions as those under the applicable Rawlings option plans. In the case of incentive stock options, K2 will, if necessary, adjust the conversion formula to comply with Section 424(a) of the Internal Revenue Code.

K2 will file a registration statement with the SEC within ten business days after the merger becomes effective to register the shares of K2 common stock issuable upon exercise of Rawlings stock options assumed in the merger. K2 will use all commercially reasonable efforts to maintain the effectiveness of the registration statement covering these assumed stock options as long as they remain outstanding.

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Representations and Warranties

The merger agreement contains a number of representations and warranties made by K2 and Rawlings, including the following:

- due organization, valid existence, good standing and qualification to do business;
- capital structure;
- corporate power and authority to enter into the merger agreement and authorization, execution, delivery and enforceability of the merger agreement;
- accuracy in all material respects of SEC reports, financial statements and the information provided for inclusion in this joint proxy statement/prospectus;
- governmental consents and filings required for the merger;
- absence of conflicts caused by the merger with corporate governance documents, contracts or laws;
- absence of undisclosed liabilities since August 31, 2002 for Rawlings and September 30, 2002 for K2, outside the ordinary course of business;
- absence of violations or breaches of or defaults under corporate governance documents, contracts or laws;
- absence of certain material adverse changes or events since August 31, 2002 for Rawlings and September 30, 2002 for K2;
- absence of undisclosed material litigation;
- compliance in all material respects with applicable laws;
- employee benefit plans;
- labor matters;
- environmental matters;

- tax matters;
- intellectual property;
- title to property;
- off balance sheet liabilities;
- absence of significant revenue from any new promotions or selling arrangements since August 31, 2002 for Rawlings and September 30, 2002 for K2;
- absence of facts or actions that would prevent the merger from qualifying as a reorganization under Section 368(a) of the Internal Revenue Code; and
- finders or brokers fees.

The merger agreement also contains representations and warranties made solely by Rawlings, including;

- material contracts;
- absence of affiliates under Rule 145 of the Securities Act of 1933, other than those disclosed to K2;
- absence of any material changes to relationships with major customers and suppliers;
- receipt of a fairness opinion from Rawlings financial advisor;
- interested party transactions; and
- the effect of state takeover laws on the merger.

The merger agreement also contains a representation and warranty made solely by K2 and Lara Acquisition Sub that there were no prior activities of Lara Acquisition Sub.

The representations and warranties asserted in the merger agreement will not survive the merger, but they form the basis of certain conditions to K2 s and Rawlings obligations to complete the merger.

Conduct of Business Pending the Merger

Covenants of Rawlings. Except as set forth in the merger agreement, made known in the disclosure letter, required by law or as consented to by K2, Rawlings has agreed that, until completion of the merger or termination of the merger agreement, it will conduct its and its subsidiaries business in the ordinary course of business, consistent with past practice. In addition, Rawlings will seek to preserve its current business organization, keep available the services of its current officers and employees and preserve its relationships with customers and suppliers, with the intention that its goodwill and ongoing businesses shall be unimpaired when the merger becomes effective. Without limiting the above, Rawlings has agreed that it and its subsidiaries will be subject to specific restrictions laid out in the merger agreement relating to:

- any changes in their charters or bylaws;
- any issuance, sale or delivery of capital stock, including through the issuance or granting of options, warrants or otherwise, except pursuant to the exercise of Rawlings stock options outstanding on the date of the merger agreement;
- any split, combination or reclassification of capital stock, the declaration or payment of any dividend or distribution or the redemption, repurchase or acquisition of any securities of Rawlings or any of its subsidiaries;
- any adoption of a plan of merger, liquidation whether complete or partial, dissolution, restructuring, recapitalization or other reorganization, other than the merger with K2;
- any changes in corporate structure or ownership of any subsidiary;
- any incurrence or assumption of indebtedness, except for borrowings under existing lines of credit in the ordinary course of business, consistent with past practice;
- any assumption of obligations of any other person, except for guarantees of wholly-owned subsidiary obligations in the ordinary course of business, consistent with past practice;
- any loans, advances or capital contributions to, or investments in, any other person, except to subsidiaries or customary loans or advances to employees in the ordinary course of business, consistent with past practice;

any mortgage, pledge or encumbrance of Rawlings material assets or properties;

any execution, adoption, amendment or termination of stock option or other stock-related agreements, severance agreements, termination agreements, bonus agreements, profit sharing agreements or compensation agreements, except for an amendment to Stephen M. O Hara s employment agreement that was previously approved by the Rawlings board of directors and which will be made regardless of whether the merger is completed, those agreements entered into with new hires in the ordinary course of business, consistent with past practice, and performance bonuses granted to employees on a basis consistent with past practices;

any execution, adoption, amendment or termination of any employee benefit plan, agreement or other arrangement for the benefit of any director, officer or employee, except in the ordinary course of business, consistent with past practice;

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any increase in compensation or fringe benefits given to any officer, director, employee or consultant of Rawlings, except increases made as required by an existing plan or arrangement or in the ordinary course of business, consistent with past practice;

any acquisition, sale, lease, license or disposition of any asset or assets having an aggregate value in excess of $1,000,000, except the sale or license of products in the ordinary course of business, consistent with past practice;

any entry into an exclusive license, distribution, marketing or sales agreements;

any entry into development services or other similar agreements, except for in the ordinary course of business, consistent with past practice;

any acquisition, transfer or other disposition of any intellectual property, other than in the ordinary course of business, consistent with past practice;

any infringement upon, misappropriation of or otherwise violating of the rights of any third party intellectual property;

any change of accounting principles or practices, except as required by a change in law or United States generally accepted accounting principles;

any revaluation of assets or properties, except in the ordinary course of business, consistent with past practice;

any acquisition of any corporation, limited liability company, partnership or any division or equity interest in any business organization;

any entry into, amendment of, modification of or waiver of any right under any material contract, except for in the ordinary course of business, consistent with past practice;

any modification of standard warranty terms or product or service warranties in a material manner that is adverse to Rawlings or its subsidiaries;

any entry into agreements or arrangements that contain non-competition restrictions or would otherwise restrict Rawlings or its subsidiaries from running their business as presently conducted;

any authorization of new capital expenditures, other than those set forth in the Rawlings disclosure letter, not to exceed in the aggregate $1,000,000;

making or rescinding of any tax election, settling or compromising any tax liability, filing any amended tax return or a claim for a refund of previously paid taxes, agreeing to an extension of the statute of limitations on any tax assessment, failing to comply with tax laws, filing a tax return inconsistent with similar tax returns filed in prior periods or failing to pay taxes when due;

any settlement or compromise of any pending or threatened legal matter:

relating to the merger or the transactions set forth in the merger agreement,

requiring payment by Rawlings or its subsidiaries of damages in excess of $500,000, or

involving any equitable relief;

knowingly taking any action that results in a the cessation of trading of shares of Rawlings common stock on the Nasdaq National Market System;

taking an action that results in the acceleration or vesting of Rawlings stock options, except as required by any agreement in effect as of December 15, 2002;

allowing any insurance policy to be amended or terminated without replacing the policy with one that provides equal coverage and insures against comparable risks; and

taking or agreeing to take any of the above actions.

Notwithstanding the above and certain provisions in the merger agreement, neither K2 nor Lara Acquisition has any right to control Rawlings operations before the merger becomes effective.

Covenants of K2. Except as set out in the merger agreement, made known in the disclosure letter, required by law or as consented to by Rawlings, K2 has agreed that, until the completion of the merger or termination of the merger agreement, it will conduct its and its subsidiaries business in the ordinary course of business, consistent with past practice. In addition, K2 will seek to preserve its current business organization, keep available the services of its current key officers and employees and preserve its relationships with customers and suppliers, with the intention that goodwill and ongoing businesses shall be materially unimpaired when the merger becomes effective. Without limiting the above, K2 has agreed that it and its subsidiaries will be subject to specific restrictions laid out in the merger agreement relating to:

- any changes in their charters, other than to increase the number of authorized shares of K2 common stock, or bylaws;
- any issuance, sale or delivery of capital stock, including through the issuance or granting of options, warrants or otherwise, except for issuances:
  - of K2 common stock or securities convertible into shares of K2 common stock that do not exceed 5% of the total outstanding shares of K2 common stock as of December 15, 2002,
  - in connection with the convertible subordinated debentures described above, or
  - pursuant to derivatives and purchase plans of K2;
- any split, combination or reclassification of capital stock, the declaration or payment of any dividend or distribution, or the redemption, repurchase or acquisition of any securities of K2 or its subsidiaries;
- any adoption of a plan of complete or partial liquidation or dissolution;
- any incurrence or assumption of indebtedness, except for:
  - debt incurred in connection with the convertible subordinated debentures described above,
  - borrowing under existing lines of credit in the ordinary course of business, consistent with past practice,
  - borrowings or refinancings as set forth in K2 s disclosure letter, or
  - trade payables arising in the ordinary course of business, consistent with past practice;

any mortgage or pledge of K2 s material assets or properties, or grant of a lien thereon, except to secure debt provided for below;

any sale, lease, license or disposition of any asset or assets, including intellectual property, having an aggregate value in excess of $25,000,000, except for the sale or license of products in the ordinary course of business, consistent with past practice;

any change in accounting principles or practices, except as required by a change in law or accounting principles generally accepted in the United States;

any acquisition of any corporation, limited liability company, partnership or any division or equity interest in any business organization, except for any acquisition or series of acquisitions not exceeding $25,000,000 in value;

knowingly taking any action that results in the cessation of trading of shares of K2 common stock on the New York Stock Exchange; and

taking or agreeing to take any of the above actions.

Notwithstanding the above and certain provisions in the merger agreement, Rawlings has no right to control K2 s operations before the merger becomes effective.

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