K2 INC
Form 424B3
February 27, 2003
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FILED PURSUANT TO RULE 424(b)(3)

REGISTRATION NO. 333-102590

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,

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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.

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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

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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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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, 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.

SUMMARY

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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