

K2 INC.

PRINCIPLES OF CORPORATE GOVERNANCE

Adopted by the Board of Directors on February 9, 2006

The Board of Directors of K2 Inc. (the “*Company*”) has adopted the corporate governance principles set forth below as a framework for the governance of the Company. The Corporate Governance and Nominating Committee reviews the Principles annually and recommends changes to the Board of Directors as appropriate.

1. ROLE AND COMPOSITION OF THE BOARD OF DIRECTORS

Role of the Board

The Board of Directors, which is elected by the Company's shareholders, oversees the management of the Company and its business. The Board selects the senior management team, which is responsible for operating the Company's business, and monitors the performance of senior management.

Size, Composition and Membership Criteria

A substantial majority of the Board is made up of independent directors. An “independent” director is a director who meets the New York Stock Exchange definition of independence, as determined by the Board. The Board has adopted the standards set forth in Attachment A to these Principles to assist it in assessing the independence of directors. The Board makes an affirmative determination regarding the independence of each director annually, based upon the recommendation of the Corporate Governance and Nominating Committee.

The Corporate Governance and Nominating Committee considers and makes recommendations to the Board regarding the size, structure, composition and functioning of the Board. The Board seeks to have between nine and twelve directors. The Board is divided into three classes, approximately equal in number, with staggered terms of three years each, so that the term of one class expires at each annual meeting of shareholders. Thus, directors typically stand for reelection every three years.

The Corporate Governance and Nominating Committee is responsible for establishing processes and procedures for the selection and nomination of directors, and for developing and recommending Board membership criteria to the Board for approval and periodically reviewing these criteria. The Board's criteria include business experience and skills, independence, judgment, integrity, the ability to commit sufficient time and attention to Board activities, and the absence of potential conflicts with the Company's interests. The Committee considers these criteria in the context of the perceived needs of the Board as a whole and seeks to achieve a diversity of occupational and personal backgrounds on the Board.

The Corporate Governance and Nominating Committee reviews the qualifications of director candidates in light of criteria approved by the Board and recommends candidates

to the Board for election by the Company's shareholders at the annual meeting. The Committee also considers recommendations from Company shareholders that submit candidates for consideration by the Committee in compliance with the procedures described in the Company's proxy statement.

Board Leadership; Lead Independent Director

The Board presently believes that it is in the best interests of the Company for a single person to serve as Chairman of the Board and Chief Executive Officer (“CEO”). The Board may in its discretion separate the roles if it deems it advisable and in the Company's best interests to do so.

The Board has an independent director who has been designated by the independent directors as the Lead Independent Director. The Lead Independent Director's responsibilities include presiding over and setting the agenda for executive sessions of the independent directors, consulting with the Chairman and CEO regarding agendas and schedules for Board and committee meetings, chairing Board meetings in the Chairman and CEO's absence, overseeing the flow of information to the Board, acting as a liaison between the independent directors and management, and being available for consultation and communication with shareholders as appropriate.

Change in Principal Occupation

When a director's principal occupation or business association changes substantially during the director's tenure on the Board, the director must tender his or her resignation for consideration by the Corporate Governance and Nominating Committee. The Committee recommends to the Board the action, if any, to be taken with respect to the resignation.

Service on Other Boards and Audit Committees

Directors should limit their service as directors on publicly held company and investment company boards to no more than five (including the Company's Board). Service on the boards of subsidiary companies, non-profit organizations and non-public for-profit organizations is not included in this calculation. Moreover, if a director sits on several mutual fund boards within the same fund family, it will count as one board for purposes of this calculation. Directors should also advise the chair of the Corporate Governance and Nominating Committee in advance of accepting an invitation to serve on another corporate board. Members of the Audit Committee may not serve on the audit committees of more than two other public companies unless approved by the Board of Directors.

Retirement

Non-management directors may not stand for reelection after age 72 and management directors may not stand for reelection after age 65.

2. FUNCTIONING OF THE BOARD

Agendas

The Chairman and CEO, in consultation with the Lead Independent Director, establishes the agenda for each Board meeting. Agenda items that fall within the scope of responsibilities of a Board committee are reviewed with the chair of that committee. Directors are encouraged to suggest the inclusion of items on the agenda. Directors are also free to raise subjects at a Board meeting that are not on the agenda for that meeting.

Distribution and Review of Board Materials

Board materials related to agenda items are provided to directors sufficiently in advance of Board meetings to allow directors to review and prepare for discussion of the items at the meeting. In some cases, due to timing or the sensitive nature of an issue, materials are presented only at the Board meeting.

Executive Sessions of Independent Directors

The independent directors meet in executive session without management present at least quarterly. The Lead Independent Director presides at executive sessions and has the authority to call additional executive sessions as appropriate.

Strategic Planning

The Board reviews the Company's strategic plan and business unit initiatives at least annually.

3. STRUCTURE AND FUNCTIONING OF COMMITTEES

Number, Structure and Independence of Committees

The Board has four standing committees: Audit, Corporate Governance and Nominating, Compensation, and Executive.

The Audit, Corporate Governance and Nominating, and Compensation Committees consist solely of independent directors. In addition, directors who serve on the Audit Committee must be “independent” within the meaning of the New York Stock Exchange criteria for audit committee members.

The Board may also establish and maintain other committees from time to time as it deems necessary and appropriate.

Assignment of Committee Members

The Corporate Governance and Nominating Committee considers and makes recommendations to the Board regarding committee size, structure, composition and functioning. Committee members and chairs are recommended to the Board by the Corporate Governance and Nominating Committee and appointed by the full Board.

Responsibilities

Each standing committee operates under a written charter that sets forth the purposes and responsibilities of the committee as well as qualifications for committee membership. The Audit, Corporate Governance and Nominating, and Compensation Committees assess the adequacy of their respective charters annually and recommend changes to the Board as appropriate. All committees report regularly to the full Board with respect to their activities.

Meetings and Agendas

The chair of each committee, in consultation with the Lead Independent Director, and the Chairman and CEO, determines the frequency, length and agenda of the committee's meetings. Materials related to agenda items are provided to committee members sufficiently in advance of meetings where necessary to allow the members to review and prepare for discussion of the items at the meeting.

4. DIRECTOR ACCESS TO MANAGEMENT, EMPLOYEES AND ADVISORS

At the invitation of the Board, members of senior management may attend Board meetings or portions of meetings for the purpose of presenting matters to the Board and participating in discussions. Directors also have full and free access to other members of management and to employees of the Company.

The Board has the authority to retain such outside counsel, experts and other advisors as it determines appropriate to assist it in the performance of its functions. Each of the Audit, Corporate Governance and Nominating, and Compensation Committees has similar authority to retain outside advisors as it determines appropriate to assist it in the performance of its functions.

5. DIRECTOR COMPENSATION; STOCK OWNERSHIP GUIDELINES

The Corporate Governance and Nominating Committee annually reviews the compensation of directors. Director compensation is set by the Board based upon the recommendation of the Committee. Non-management directors receive a combination of cash and equity compensation for service on the Board.

Directors are expected to own stock in the Company in an amount that is appropriate for them.

6. SUCCESSION PLANNING

The Board plans for succession to the position of Chairman and CEO as well as certain other senior management positions. The CEO reports to the Board periodically on succession planning and management development and provides the Board with recommendations and evaluations of potential successors. The Chairman and CEO also makes available to the Board, on a continuing basis, recommendations regarding who should assume the position of Chairman and CEO in the event that he or she becomes unable or unwilling to perform the duties of this position.

7. FORMAL EVALUATION OF THE CEO

The Compensation Committee is responsible for setting annual and long-term performance goals for the CEO, evaluating the CEO's performance against those goals, and recommending the CEO's compensation to the independent directors for approval or approving such compensation. Both the goals and the evaluation are submitted for consideration by the independent directors of the Board meeting in executive session or the Compensation Committee. The results of the evaluation are shared with the CEO and used by the Compensation Committee in considering the CEO's compensation, which is approved by the independent directors of the Board meeting in executive session or the Compensation Committee.

8. DIRECTOR ORIENTATION AND CONTINUING EDUCATION

The Company has an orientation process for Board members that is designed to familiarize new directors with the Company's business, operations, finances, and governance practices. The Board encourages directors to participate in education programs to assist them in performing their responsibilities as directors.

9. ANNUAL PERFORMANCE EVALUATIONS

The Board conducts an annual self-evaluation to assess its performance. The Audit, Corporate Governance and Nominating, and Compensation Committees conduct annual self-evaluations to assess their performance. The ability of individual directors to contribute to the Board is considered in connection with the renomination process.

The Corporate Governance and Nominating Committee is responsible for developing, administering and overseeing processes for conducting evaluations.

Attachment A

An “independent” director is a director whom the Board of Directors has determined has no material relationship with K2 Inc. or any of its consolidated subsidiaries (collectively, the “Company”), either directly, or as a partner, shareholder or officer of an organization that has a relationship with the Company. For purposes of this definition, the Board has determined that a director is not independent if:

1. the director is, or in the past three years has been, an employee of the Company, or an immediate family member of the director is, or in the past three years has been, an executive officer of the Company;
2. (a) the director, or an immediate family member of the director, is a current partner of the Company's outside auditor; (b) the director is a current employee of the Company's outside auditor; (c) a member of the director's immediate family is a current employee of the Company's outside auditor participating in the firm's audit, assurance or tax compliance (but not tax planning) practice; or (d) the director or an immediate family member of the director was in the past three years (but is no longer) a partner or employee of the Company's outside auditor and personally worked on the Company's audit within that time;
3. the director, or a member of the director's immediate family, is or in the past three years has been, an executive officer of another company where any of the Company's present executive officers serves or served on the compensation committee at the same time;
4. the director, or a member of the director's immediate family, has received during any 12-month period in the past three years, any direct compensation from the Company in excess of \$100,000, other than compensation for Board service, compensation received by the director's immediate family member for service as a non-executive employee of the Company, and pension or other forms of deferred compensation for prior service with the Company;
5. the director is a current executive officer or employee, or a member of the director's immediate family is an executive officer, of another company that makes payments to or receives payments from the Company, or during any of the last three fiscal years has made payments to or received payments from the Company, for property or services in an amount that, in any single fiscal year, exceeded the greater of \$1 million or 2% of the other company's consolidated gross revenues; or
6. the director is an executive officer of a non-profit organization to which the Company makes, or in the past three years has made, contributions that, in any single fiscal year, exceeded the greater of \$1 million or 2% of the non-profit organization's consolidated gross revenues (Amounts that the Company

contributes under matching gifts programs are not included in the contributions calculated for purposes of this standard.).

An “immediate family” member includes a director's spouse, parents, children, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than a domestic employee) who shares the director's home.

In addition, a director is not considered independent for purposes of serving on the Audit Committee, and may not serve on the Audit Committee, if the director: (a) accepts, directly or indirectly, from K2 Inc. or any of its subsidiaries, any consulting, advisory, or other compensatory fee, other than Board and committee fees and fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with K2 Inc.; or (b) is an “affiliated person” of K2 Inc. or any of its subsidiaries; each as determined in accordance with Securities and Exchange Commission regulations.