ANALYSIS OF AGREEMENT CONTAINING CONSENT ORDERS
TO AID PUBLIC COMMENT

In the Matter of Jarden Corporation and K2 Incorporated
File No. 071 0168

I. Introduction

The Federal Trade Commission ("Commission") has accepted, subject to final approval, an Agreement Containing Consent Orders ("Consent Agreement") from Jarden Corporation ("Jarden") and K2 Incorporated ("K2"). The purpose of the proposed Consent Agreement is to remedy the anticompetitive effects that would otherwise be likely to result from Jarden's acquisition of K2. Under the terms of the proposed Consent Agreement, Jarden and K2 are required to divest assets related to K2's Cajun Line®, Omniflex®, Outcast®, and Supreme™ monofilament fishing line products.

The proposed Consent Agreement has been placed on the public record for thirty days to solicit comments from interested persons. Comments received during this period will become part of the public record. After thirty days, the Commission will again review the proposed Consent Agreement and the comments received, and will decide whether it should withdraw from the proposed Consent Agreement or make it final.

Pursuant to an Agreement and Plan of Merger dated April 24, 2007, Jarden proposes to acquire K2 in a transaction valued at approximately $1.2 billion ("Proposed Acquisition"). The Commission's complaint alleges that the Proposed Acquisition, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, by lessening competition in the market for monofilament fishing line in the United States. The proposed Consent Agreement would remedy the alleged violations by replacing the competition that would be lost in this market as a result of the Proposed Acquisition.

II. The Parties

Jarden is a leading provider of branded consumer products, including outdoor sporting goods, kitchen appliances, firelogs, playing cards, and a wide variety of consumer and medical plastic products. In 2006, Jarden's revenues were approximately $3.85 billion. In April 2007, Jarden acquired Pure Fishing Inc. ("Pure Fishing"), a fishing tackle company that sells products under several brands, including Abu Garcia®, Berkley®, Stren®, Mitchell®, and Spider®.

K2 is a leading provider of branded consumer outdoor sports equipment. K2 reported annual sales of $1.4 billion in 2006, attributable to four primary business segments: Marine and Outdoor, Team Sports, Action Sports, and Apparel and Footwear. K2 participates in the fishing tackle markets through its Shakespeare division, marketing products under several brand names including Shakespeare®, Ugly Stik®, Penn®, Pflueger®, and Cajun Line®.

III. Monofilament Fishing Line

Monofilament fishing line is the most widely-used and least expensive type of fishing line. While other specialized types of fishing line, including braided (or super line) and fluorocarbon, appear to be growing in popularity, especially among avid anglers, the vast majority of fishing line purchases in the United States are of monofilament line. Monofilament line is acceptable for a broad range of fishing conditions, but is particularly well-suited for situations in which it is important for the fishing line to be flexible and stretch. Due to its low cost and ease of use, monofilament line is popular with both novices and more avid anglers. The evidence indicates that anglers, if faced with a five to ten percent increase in the price of monofilament line, would not switch to braided line or fluorocarbon line. Therefore, monofilament line is the relevant product market in which to analyze the competitive effects of the proposed acquisition.

The relevant geographic market in which to assess the impact of the Proposed Acquisition is the United States. Although monofilament line appears to be routinely sourced by U.S. sellers from contract manufacturers worldwide, no foreign firm is a significant seller in the U.S. and, in light of the entry conditions discussed below, none is likely to become significant within two years.

The market for monofilament fishing line is highly concentrated, with Pure Fishing's three brands, Berkley®, Stren®, and Spider®, dominating the market. Although Shakespeare has a smaller presence in the market than Pure Fishing, Shakespeare appears to be the second-largest firm in the monofilament fishing line market and Pure Fishing's most significant competitor, due, in part, to the recent success of its Cajun Line, a red monofilament that is growing in popularity.

Entry into the market for monofilament fishing line that would be sufficient to deter or counteract the anticipated competitive effects of the proposed transaction is unlikely to occur in the next two to three years. Although obtaining a source of supply for monofilament line does not constitute a significant barrier to entry, the need to develop brand equity, distribution, infrastructure, and a marketing presence for the brand poses a significant barrier to *de novo* entry and to entry by participants in adjacent markets. The relatively limited sales opportunities in the monofilament fishing line market make it unlikely that a new entrant could justify the investment required to develop and market a new fishing line brand.

The Proposed Acquisition raises significant competitive concerns in the U.S. market for monofilament fishing line. Pure Fishing's sales account for a substantial share of the monofilament market. Shakespeare is Pure Fishing's most significant competitor. Consumers have benefitted from competition between Shakespeare and Pure Fishing on pricing, promotional spending, and product innovations. Thus, unremedied, the Proposed Acquisition likely would cause anticompetitive harm by enabling Jarden to profit by raising the prices of its monofilament fishing line unilaterally, as well as reducing its incentives to innovate and develop new monofilament fishing line products.

IV. The Consent Agreement

The proposed Consent Agreement effectively remedies the Proposed Acquisition's likely anticompetitive effects in the market for monofilament fishing line. The proposed Consent Agreement preserves competition by requiring the divestiture of Cajun Line®, Omniflex®, Outcast®, and Supreme™ (the "Divested Assets") to W.C. Bradley/Zebco ("Zebco") within fifteen (15) days after the Proposed Acquisition is consummated.

Shakespeare's Penn® monofilament fishing line was not included in the divested assets because the evidence revealed that this is a rapidly declining brand and did not represent any competitive constraint to Pure Fishing's fishing line brands. Furthermore, Penn is best known for its high-end fishing reels, and as a result, any remedy involving this brand would unnecessarily present complex brand splitting concerns.

The Commission is satisfied that Zebco is a well-qualified acquirer of the divested assets. Zebco is a significant market participant in the fishing tackle market with a variety products, including fishing rods, fishing reels, and fishing rod and reel combination kits. Zebco already has a strong distribution network and knowledgeable sales force with existing relationships with fishing tackle retailers.

The proposed Consent Agreement contains several provisions designed to ensure the success of the divested assets to Zebco by requiring that (1) Jarden and K2 take steps to ensure that confidential information relating to the divested assets will not be used by Jarden; (2) Zebco will have the opportunity to enter into employment contracts with certain key individuals who have experience relating to the divested assets; and (3) certain management employees of K2 who were substantially involved in the research, development, or marketing of the divested assets be precluded from working on competitive fishing line products at Jarden for a period of two years.

The Order to Maintain Assets that is included in the proposed Consent Agreement requires that Jarden and K2 protect the viability, marketability, and competitiveness of the divestiture assets between the time the Commission accepts the proposed Consent Agreement for placement on the public record and when the divestitures take place.

The purpose of this analysis is to facilitate public comment on the proposed Consent Agreement, and it is not intended to constitute an official interpretation of the proposed Decision and Order or to modify its terms in any way.