United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 8-K
Current Report

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 28, 2010

Clarus Corporation
(Exact name of registrant as specified in its charter)

Delaware	0-24277	58-1972600
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

2084 East 3900 South, Salt Lake City, Utah	84124
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (801) 278-5552

N/A
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Forward-Looking Statements

This Current Report on Form 8-K (the "Report") includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Clarus may use words such as "anticipates," "believes," "plans," "expects," "intends," "future," and similar expressions to identify forward-looking statements. These forward-looking statements involve a number of risks, uncertainties and assumptions which are difficult to predict. Clarus cautions you that any forward-looking statement is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statement. Examples of forward-looking statements include, but are not limited to: (i) statements about the benefits of Clarus' acquisitions of Black Diamond and Gregory, including future financial and operating results that may be realized from the acquisitions; (ii) statements of plans, objectives and expectations of Clarus or its management or Board of Directors; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements and other statements that are not historical facts. Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include, but are not limited to: (i) our ability to successfully integrate Black Diamond and Gregory; (ii) our ability to realize financial or operating results as expected; (iii) material differences in the actual financial results of the mergers compared with expectations, including the impact of the mergers on Clarus' future earnings per share; (iv) economic conditions and the impact they may have on Black Diamond and Gregory and their respective customers or demand for products; (v) our ability to implement our acquisition growth strategy or obtain financing to support such strategy; (vi) the loss of any member of our senior management or certain other key executives; (vii) our ability to utilize our net operating loss carry forward; (viii) our ability to adequately protect our intellectual property rights; and (ix) our ability to list our common stock on the NASDAQ or another national securities exchange. Additional factors that could cause Clarus' results to differ materially from those described in the forward-looking statements can be found in the "Risk Factors" section of Clarus' filings with the Securities and Exchange Commission, including its latest annual report on Form 10-K and most recently filed Forms 8-K and 10-Q, which may be obtained at our web site at www.claruscorp.com or the Securities and Exchange Commission's web site at www.sec.gov. All forward-looking statements included in this Report are based upon information available to Clarus as of the date of the Report, and speak only as the date hereof. We assume no obligation to update any forward-looking statements to reflect events or circumstances after the date of this Report.

References in this Report to: (i) "Clarus," "Company," "we," "our," and "us," refer to Clarus Corporation; (ii) "Black Diamond" and "BDE" refer to Black Diamond Equipment, Ltd.; and (iii) "Gregory Mountain Products" and "Gregory" refer to Gregory Mountain Products, Inc.

On June 1, 2010, Clarus issued a press release announcing its closing of the acquisitions of each of Black Diamond and Gregory Mountain Products in two separate merger transactions pursuant to agreements and plans of merger dated May 7, 2010. A copy of the press release is filed as Exhibit 99.1 to this Report and incorporated herein by reference.

Item 1.01 Entry into a Material Definitive Agreement.

Zions Bank Loan Agreement and Related Agreements

In connection with the closing of the acquisition of Black Diamond (as discussed in Item 2.01 of this Report under "Acquisition of Black Diamond"), the Company and its direct and indirect subsidiaries entered into a Loan Agreement effective May 28, 2010 among Zions First National Bank, a national banking association ("Lender"), Black Diamond, Black Diamond Retail, Inc. ("BD-Retail"), and Everest/Sapphire Acquisition, LLC, as co-borrowers (together with Gregory Mountain Products, LLC, the "Borrowers") (the "Loan Agreement"). Concurrently with the closing of the acquisition of Gregory Mountain Products (discussed below in Item 2.01 – "Acquisition of Gregory Mountain Products"), Gregory Mountain Products, LLC (the surviving company of Gregory Mountain Products), entered into an Assumption Agreement and became an additional Borrower under the Loan Agreement. Pursuant to the terms of the Loan Agreement, the Lender has made available to the Borrowers a $35,000,000 unsecured revolving credit facility (the "Loan"). The Loan may be prepaid or terminated at the Company's option at any time without penalty. Any outstanding principal balance together with any accrued but unpaid interest or fees, if any, will be due in full on July 2, 2013. The Loan bears interest at the Ninety Day LIBOR rate plus an applicable margin as follows: (i) Ninety Day LIBOR Rate plus 3.5% per annum at all times that the Senior Net Debt (as calculated in the Loan Agreement) to trailing twelve month EBITDA (as calculated in the Loan Agreement) ratio is greater than or equal to 2.5; or (ii) Ninety Day LIBOR Rate plus 2.75% per annum at all times that the Senior Net Debt to trailing twelve month EBITDA ratio is less than 2.5.

The Loan Agreement contains certain financial covenants, including the following that require the Borrowers to maintain:

- a EBITDA based minimum trailing twelve month,
- a minimum tangible net worth, and
- a positive amount of asset coverage, all as calculated pursuant to the Loan Agreement.

In addition, the Loan Agreement contains other covenants that restrict the Borrowers from:

- pledging or encumbering their assets, with certain exceptions, and
- engaging in acquisitions other than acquisitions permitted by the Loan Agreement.

In connection with the closing of the acquisition of Gregory Mountain Products and the addition of Gregory Mountain Products as a borrower under the Loan Agreement (i) Kanders GMP Holdings, LLC ("Kanders GMP") entered into a Subordination Agreement dated May 28, 2010 among Lender, each of the Borrowers and Kanders GMP (the "Kanders Subordination Agreement"), and (ii) Schiller Gregory Investment Company, LLC ("SGIC," together with Kanders GMP, the "Subordinated Noteholders") entered into a Subordination Agreement dated May 28, 2010 among Lender, each of the Borrowers and SGIC (the "Schiller Subordination Agreement" and together with the Kanders Subordination Agreement, the "Subordination Agreements"). Pursuant to the terms of the Subordination Agreements, the Subordinated Noteholders each agreed that so long as any amount is outstanding and owing to Lender under the Loan Agreement (i) the right of the Subordinated Noteholders to receive payment under the Merger Consideration Subordinated Notes (as defined below) is subordinated in right of Lender to receive payment under the Loan Agreement, (ii) to refrain from exercising default rights under their respective Merger Consideration Subordinated Notes, with permitted exceptions, and (iii) to accept only regularly scheduled cash interest payments in respect of their Merger Consideration Subordinated Notes to the extent that certain conditions are met.

Copies of the Loan Agreement, the forms of promissory notes executed in favor of the Lender, the Assumption Agreement and the Subordination Agreements are attached to this Report as Exhibits 10.1 through Exhibits 10.6 and are incorporated herein by reference as though fully set forth herein. The foregoing summary description of the Loan Agreement, the Assumption Agreement and the Subordination Agreements is not intended to be complete and is qualified in its entirety by the complete text of the Loan Agreement, the Assumption Agreement and the Subordination Agreements.

Agreements entered into in connection with the acquisition of Black Diamond

As disclosed in Item 2.01 of this Report under "Acquisition of Black Diamond", on May 28, 2010, in connection with Clarus' acquisition of Black Diamond pursuant to the Agreement and Plan of Merger dated May 7, 2010, by and among Clarus, Black Diamond, Everest/Sapphire Acquisition, LLC, Sapphire Merger Corp., and Ed McCall, Clarus entered into the material agreements identified below. The disclosure set forth in Item 2.01 of this Report under "Acquisition of Black Diamond", is incorporated by reference into this Item 1.01.

Escrow Agreement

Everest/Sapphire Acquisition, LLC ("Purchaser"), a Delaware limited liability company and wholly-owned direct subsidiary of Clarus, entered into an escrow agreement (the "Escrow Agreement"), dated as of May 28, 2010, with U.S. Bank National Association, as escrow agent, Ed McCall, as stockholders representative, and Black Diamond Equipment, Ltd. The Escrow Agreement was executed in connection with the Black Diamond Merger described in Item 2.01 of this Report. Pursuant to the Escrow Agreement, Purchaser has placed approximately $4,500,000 dollars (the "Indemnification Fund") and $375,000 (the "Retention Bonus Fund") into escrow to secure the payment of indemnification obligations pursuant to the Merger Agreement and to provide for the payment by Black Diamond Equipment, Ltd. of certain amounts that may become payable pursuant to retention bonus agreements. No later than ten business days after the first anniversary of the date of the Escrow Agreement, the Escrow Agent is required to deliver the Indemnification Fund (less any amounts in respect of settled indemnification claims or indemnification claims asserted) to the escrow parties and the Retention Bonus Fund, to the Company.

A copy of the Escrow Agreement is attached to this Report as Exhibit 10.7 and incorporated herein by reference as though fully set forth herein. The foregoing summary description of the Escrow Agreement is not intended to be complete and is qualified in its entirety by the complete text of the Escrow Agreement.

Black Diamond Registration Rights Agreement

In connection with the private placement of Clarus common stock with certain accredited investors who were stockholders of Black Diamond described in Item 3.02 of this Report under "Black Diamond Private Placement", Clarus entered into a registration rights agreement (the "Black Diamond Registration Rights Agreement"). Pursuant to the Black Diamond Registration Rights Agreement, Clarus has agreed to use its commercially reasonable efforts to prepare and file with the Securities and Exchange Commission, as soon as reasonably practicable, a "shelf" Registration Statement on Form S-3 covering the 483,767 shares of Clarus common stock, $0.0001 par value (the "Private Placement Shares") received by the stockholders in the private placement. In addition, in the event that Clarus files a registration statement during any period that there is not an effective Registration Statement on Form S-3 covering all of the Private Placement Shares, the stockholders shall have "piggyback" rights, subject to customary underwriter cutbacks.

A copy of the form of Black Diamond Registration Rights Agreement is attached to this report as Exhibit 10.8, and is incorporated herein by reference as though fully set forth herein. The foregoing summary description of the Black Diamond Registration Rights Agreement is not intended to be complete and is qualified in its entirety by the complete text of the Black Diamond Registration Rights Agreement.

Agreements entered into in connection with the acquisition of Gregory Mountain Products.

As disclosed in Item 2.01 of this Report under "Acquisition of Gregory Mountain Products", on May 28, 2010, in connection with Clarus' acquisition of Gregory pursuant to the Agreement and Plan of Merger dated May 7, 2010, by and among Clarus, Gregory, Everest/Sapphire Acquisition, LLC, Everest Merger I Corp., Everest Merger II, LLC, and each of Kanders GMP Holdings, LLC and Schiller Gregory Investment Company, LLC, as the stockholders of Gregory (the "Gregory Stockholders"), Clarus entered into the material agreements identified below. The disclosure set forth in Item 2.01 of this Report under "Acquisition of Gregory Mountain Products", is incorporated by reference into this Item 1.01.

Merger Consideration Subordinated Note

As part of the consideration payable to the Gregory Stockholders, Clarus issued 5% seven year subordinated promissory notes dated May 28, 2010 (the "Merger Consideration Subordinated Notes") to each of Kanders GMP Holdings, LLC in the aggregate principal amount of $14,516,945 and to Schiller Gregory Investment Company, LLC in the aggregate principal amount of $7,538,578. The principle terms of the Merger Consideration Subordinated Notes are as follows: (i) the principal amount is due and payable on May 28, 2017 and is prepayable by Clarus at anytime; (ii) interest will accrue on the principal amount at the rate of 5% per annum and shall be payable quarterly in cash; (iii) the default interest rate shall accrue at the rate of 10% per annum during the occurrence of an event of default; and (iv) events of default, which can only be triggered with the consent of Kanders GMP Holdings, LLC, are: (a) the default by Clarus on any payment due under a Merger Consideration Subordinated Note; (b) Clarus' failure to perform or observe any other material covenant or agreement contained in the Merger Consideration Subordinated Notes; or (c) Clarus instituting or becoming subject to a proceeding under the Bankruptcy Code. The Merger Consideration Subordinated Notes are junior to all senior indebtedness of Clarus, except that payments of interest continue to be made under the Merger Consideration Subordinated Notes as long as no event of default exists under any senior indebtedness. Additionally, an uncured event of default under the Merger Consideration Subordinated Notes may result in an event of default under the Loan Agreement discussed above.

A copy of the form of Merger Consideration Subordinated Note is attached to this Report as Exhibit 10.9, and is incorporated herein by reference as though fully set forth herein. The foregoing summary description of the Merger Consideration Subordinated Note is not intended to be complete and is qualified in its entirety by the complete text of the form of Merger Consideration Subordinated Note.

Gregory Registration Rights Agreement

In connection with Clarus' acquisition of Gregory, on May 28, 2010 Clarus entered into a registration rights agreement (the "Gregory Registration Rights Agreement") with each of the Gregory Stockholders. Pursuant to the Gregory Registration Rights Agreement, Clarus has agreed to use its commercially reasonable efforts to prepare and file with the Securities and Exchange Commission, as soon as reasonably practicable, a "shelf" Registration Statement on Form S-3 covering the 3,675,920 shares of Clarus common stock, $0.0001 par value (the "Gregory Merger Consideration Shares") received by the Gregory Stockholders as part of the consideration received by them pursuant to the Gregory Merger Agreement. In addition, in the event that Clarus files a registration statement during any period that there is not an effective Registration Statement on Form S-3 covering all of the Gregory Merger Consideration Shares, the Gregory Stockholders shall have "piggyback" rights, subject to customary underwriter cutbacks.

A copy of the form of Gregory Registration Rights Agreement is attached to this report as Exhibit 10.10, and is incorporated herein by reference as though fully set forth herein. The foregoing summary description of the Gregory Registration Rights Agreement is not intended to be complete and is qualified in its entirety by the complete text of the Gregory Registration Rights Agreement.

Lock-up Agreement

In connection with Clarus' acquisition of Gregory and the Gregory Stockholders' receipt of the Gregory Merger Consideration Shares, each of the Gregory Stockholders delivered a lock-up agreement (the "Lock-up Agreement") to Clarus. Under the terms of the Lock-up Agreement, except for transfers to immediate family members, for a period of two years (the "Lock-up Period") the Gregory Stockholders may not offer for sale, sell, pledge, transfer, negotiate, assign, or otherwise create any interest in or otherwise dispose of the Gregory Merger Consideration Shares except that they are permitted to hypothecate the Gregory Merger Consideration Shares. Under certain circumstances, the Lock-up Period shall be extended with respect to the Gregory Merger Consideration Shares until indemnification claims made pursuant to the Gregory Merger Agreement (as defined below) are resolved.

A copy of the form of Lock-up Agreement is attached to this Report as Exhibit 10.11, and is incorporated herein by reference as though fully set forth herein. The foregoing summary description of the Lock-up Agreement is not intended to be complete and is qualified in its entirety by the complete text of the Lock-up Agreement.

Restrictive Covenant Agreement

In connection with Clarus' acquisition of Gregory, each of the Gregory Stockholders delivered a restrictive covenant agreement (the "Restrictive Covenant Agreement") to Clarus. Under the terms of the Restrictive Covenant Agreement, for a period of three years, each of the Gregory Stockholders on behalf of themselves, their respective affiliates and any of their respective employees, agents or others under their control, agrees not to: (i) compete with Gregory; (ii) solicit or recruit Gregory employees; (iii) accept competitive business; (iv) own a business competitive with Gregory; (v) make any statements that are disparaging or derogatory concerning Gregory; or (vi) disclose any confidential information.

A copy of the form of Restrictive Covenant Agreement is attached to this Report as Exhibit 10.12, and is incorporated herein by reference as though fully set forth herein. The foregoing summary description of the Restrictive Covenant Agreement is not intended to be complete and is qualified in its entirety by the complete text of the Restrictive Covenant Agreement.

Employment Agreements and Compensation Arrangements

Warren B. Kanders Employment Agreement

On May 28, 2010, the Company entered into an employment agreement with Warren B. Kanders (the "Kanders Employment Agreement"). Mr. Kanders's previously existing employment agreement with the Company dated December 6, 2002, as amended effective as of May 1, 2006 and August 6, 2009, automatically terminated upon the closing of the Black Diamond Merger. The Kanders Employment Agreement provides for his employment as Executive Chairman of the Company for a term of three years, subject to certain termination rights, during which time he will receive an annual base salary of $175,000, subject to annual review by the Company. In addition, Mr. Kanders is entitled, at the discretion of the Compensation Committee of the Company's Board of Directors, to receive performance bonuses, which may be based upon a variety of factors, and stock options and to participate in other bonus plans of the Company. Mr. Kanders will also be entitled, in the sole and absolute discretion of the Compensation Committee of the Company's Board of Directors, to bonuses in the form of cash, stock options and/or restricted stock awards based upon his provision of strategic advice to the Company in connection with capital markets transactions, financings, capital structure optimization and mergers and acquisitions transactions. The Company will maintain term life insurance on Mr. Kanders in the amount of $2,000,000 for the benefit of his designees (the "Kanders Life Insurance").

The Kanders Employment Agreement contains a non-competition covenant and non-interference (relating to the Company's customers) and non-solicitation (relating to the Company's employees) provisions effective during the term of his employment and for a period of three years after termination of the Kanders Employment Agreement.

In the event that Mr. Kanders' employment is terminated (i) by the Company without "cause" (as such term is defined in the Kanders Employment Agreement); (ii) by Mr. Kanders for certain reasons set forth in the Kanders Employment Agreement; or (iii) by Mr. Kanders upon a "change in control" (as such term is defined in the Kanders Employment Agreement), Mr. Kanders will be entitled to receive an amount equal to one year of his base salary in one lump sum payment within five days after the effective date of such termination. In the event that Mr. Kanders fails to comply with any of his obligations under the Kanders Employment Agreement, including, without limitation, the non-competition covenant and the non-interference and non-solicitation provisions, Mr. Kanders will be required to repay such lump sum payment as of the date of such failure to comply and he will have no further rights in or to such lump sum payment. In the event that Mr. Kanders' employment is terminated upon his death, Mr. Kanders' designees will be entitled to receive the proceeds of the Kanders Life Insurance. The Kanders Employment Agreement may also be terminated by the Company for "cause."

A copy of the Kanders Employment Agreement is attached to this Report as Exhibit 10.13, and is incorporated herein by reference as though fully set forth herein. The foregoing summary description of the Kanders Employment Agreement is not intended to be complete and is qualified in its entirety by the complete text of the Kanders Employment Agreement.

Robert R. Schiller Employment Agreement

On May 28, 2010, the Company entered into an employment agreement with Robert R. Schiller (the "Schiller Employment Agreement"). The Schiller Employment Agreement provides for his employment as Executive Vice Chairman of the Company for a term of three years, subject to certain termination rights, during which time he will receive an annual base salary of $175,000, subject to annual review by the Company. In addition, Mr. Schiller is entitled, at the discretion of the Compensation Committee of the Company's Board of Directors, to receive performance bonuses, which may be based upon a variety of factors, and stock options and to participate in other bonus plans of the Company. Mr. Schiller will also be entitled, in the sole and absolute discretion of the Compensation Committee of the Company's Board of Directors, to bonuses in the form of cash, stock options and/or restricted stock awards based upon his provision of strategic advice to the Company in connection with capital markets transactions, financings, capital structure optimization and mergers and acquisitions transactions.

The Schiller Employment Agreement contains a non-competition covenant and non-interference (relating to the Company's customers) and non-solicitation (relating to the Company's employees) provisions effective during the term of his employment and for a period of three years after termination of the Schiller Employment Agreement.

In the event that Mr. Schiller's employment is terminated (i) by the Company without "cause" (as such term is defined in the Schiller Employment Agreement); (ii) by Mr. Schiller for certain reasons set forth in the Schiller Employment Agreement; (iii) or by Mr. Schiller upon a "change in control" (as such term is defined in the Schiller Employment Agreement), Mr. Schiller will be entitled to receive an amount equal to one year of his base salary in one lump sum payment within five days after the effective date of such termination. In the event that Mr. Schiller fails to comply with any of his obligations under the Schiller Employment Agreement, including, without limitation, the non-competition covenant and the non-solicitation provisions, Mr. Schiller will be required to repay such lump sum payment as of the date of such failure to comply and he will have no further rights in or to such lump sum payment. The Schiller Employment Agreement may also be terminated by the Company for "cause."

A copy of the Schiller Employment Agreement is attached to this Report as Exhibit 10.14, and is incorporated herein by reference as though fully set forth herein. The foregoing summary description of the Schiller Employment Agreement is not intended to be complete and is qualified in its entirety by the complete text of the Schiller Employment Agreement.

Peter Metcalf Employment Agreement

On May 7, 2010, the Company entered into an employment agreement with Peter Metcalf (the "Metcalf Employment Agreement"), which became effective on May 28, 2010 upon the closing of the Black Diamond Merger. Also on May 28, 2010, the Company entered into Amendment No. 1 to the Metcalf Employment Agreement with Mr. Metcalf. Amendment No. 1 to the Metcalf Employment Agreement modifies the exercise price of the options to purchase 75,000 shares of the Company's common stock granted to Mr. Metcalf pursuant to the Metcalf Employment Agreement to $6.85, the closing price of the Company's shares of common stock on May 28, 2010.

The principal terms of the Metcalf Employment Agreement were previously disclosed in the Company's Form 8-K filed on May 10, 2010. A copy of the Metcalf Employment Agreement was attached to such report as Exhibit 10.1, and is incorporated herein by reference as though fully set forth herein. The foregoing summary description of the Metcalf Employment Agreement is not intended to be complete and is qualified in its entirety by the complete text of the Metcalf Employment Agreement.

A copy of Amendment No. 1 to the Metcalf Employment Agreement is attached to this Report as Exhibit 10.16, and is incorporated herein by reference as though fully set forth herein. The foregoing summary description of Amendment No. 1 to the Metcalf Employment Agreement is not intended to be complete and is qualified in its entirety by the complete text of Amendment No. 1 to the Metcalf Employment Agreement.

Extension of Term of Non-Plan Options

The Company's Compensation Committee and Board of Directors approved, effective as of May 28, 2010, the extension of the expiration date from December 20, 2012 to May 31, 2020 of an aggregate of 800,000 vested non-plan stock options previously granted to Mr. Kanders pursuant to a stock option agreement, dated December 23, 2002, between the Company and Mr. Kanders (a copy of which is filed as Exhibit 4.6 of the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on August 19, 2005, and incorporated herein by reference).

Acceleration of Vesting of Restricted Shares

The Company's Compensation Committee and Board of Directors approved, effective as of May 28, 2010, the acceleration of vesting of 500,000 shares of restricted common stock ("Restricted Shares") that had been previously granted to Mr. Kanders, pursuant to a restricted stock agreement dated April 11, 2003, between the Company and Mr. Kanders (a copy of which is filed as Exhibit 4.1 of the Company's Form 10-Q filed with the Securities and Exchange Commission on May 15, 2003).

Restricted Stock Award Agreement – Warren B. Kanders

On May 28, 2010, the Company entered into a restricted stock award agreement (the "RSA Agreement") with Mr. Kanders. Under the RSA Agreement, Mr. Kanders has been granted a seven year restricted stock award of 500,000 restricted shares under the Clarus 2005 Stock Incentive Plan, of which (i) 250,000 restricted shares will vest and become nonforfeitable on the date the closing price of the Company's common stock shall have equaled or exceeded $10.00 per share for twenty consecutive trading days; and (ii) 250,000 restricted shares shall vest and become nonforfeitable on the date the closing price of the Company's common stock shall have equaled or exceeded $12.00 per share for twenty consecutive trading days.

A copy of the RSA Agreement is attached to this Report as Exhibit 10.19, and is incorporated herein by reference as though fully set forth herein. The foregoing summary description of the RSA Agreement is not intended to be complete and is qualified in its entirety by the complete text of the RSA Agreement.

Transition Agreement

In connection with Clarus' acquisitions of Black Diamond and Gregory, the Company relocated its corporate headquarters from Stamford, Connecticut to Black Diamond's corporate headquarters in Salt Lake City, Utah and became indemnified from further accrual of liability under the Stamford, Connecticut lease where it shares office space with Kanders & Company, Inc. ("Kanders & Co."), an entity owned and controlled by the Company's Executive Chairman, Warren B. Kanders. On May 28, 2010, the Company entered into a transition agreement (the "Transition Agreement") with Kanders & Co. which provides for, among other things, that (i) Clarus will be released from the lease; (ii) Clarus shall reimburse Kanders & Co. for its assumption of Clarus' remaining lease obligations and any related cancellation fees in an amount equal to approximately $1,076,507, which is comprised of Clarus' 75% pro rata portion of any such remaining lease obligations and any related cancellation fees; (iii) Kanders & Co. shall indemnify and hold Clarus harmless for any such remaining lease obligations and any related cancellation fees; (iv) Clarus shall retain and pay Kanders & Co. an immediate fee of $1,061,058 for severance payments and transition services subsequent to the closing of the acquisitions of Black Diamond and Gregory (the "Services") through March 31, 2011; and (v) Clarus shall indemnify and hold Kanders & Co. harmless for any liability resulting from the Services. In connection with the Services Clarus assigned to Kanders & Co., certain leasehold improvements, fixtures, hardware and office equipment previously used by Clarus.

A copy of the Transition Agreement is attached to this Report as Exhibit 10.20, and is incorporated herein by reference as though fully set forth herein. The foregoing summary description of the Transition Agreement is not intended to be complete and is qualified in its entirety by the complete text of the Transition Agreement.

Item 2.01 Completion of Acquisition or Disposition of Assets.

Acquisition of Black Diamond

On May 28, 2010, Clarus acquired Black Diamond Equipment, Ltd., a Delaware corporation ("BDE") pursuant to the Agreement and Plan of Merger dated May 7, 2010 (the "Black Diamond Merger Agreement"), by and among BDE, Everest/Sapphire Acquisition, LLC ("Purchaser"), a Delaware limited liability company and wholly-owned direct subsidiary of Clarus, Sapphire Merger Corp. ("Merger Sub"), a Delaware corporation and a wholly-owned direct subsidiary of Purchaser, and Ed McCall, as Stockholders' Representative. Under the Black Diamond Merger Agreement, Purchaser acquired BDE and its three subsidiaries through the merger of Merger Sub with and into BDE, with BDE as the surviving company of the merger (the "Black Diamond Merger").

In the Black Diamond Merger Agreement, Clarus acquired all of the outstanding common stock of BDE for an aggregate amount of approximately $85.7 million (after closing adjustments of $4.335 million relating to working capital), $4.5 million of which is being held in escrow for a one year period (the "Escrow Fund") as security for any working capital adjustments to the purchase price or indemnification claims under the Black Diamond Merger Agreement.

The Black Diamond Merger was unanimously approved by the Company's Board of Directors. On May 7, 2010, Rothschild Inc. delivered its opinion to the Company's Board of Directors that the consideration to be paid by the Company pursuant to the Black Diamond Merger Agreement was fair, from a financial point of view, to the Company. The Black Diamond Merger Agreement was approved by the Board of Directors and stockholders of Black Diamond.

A copy of the Black Diamond Merger Agreement is filed as Exhibit 2.1 to Clarus' Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2010, and is incorporated herein by reference as though fully set forth herein. The foregoing summary description of the Black Diamond Merger Agreement is not intended to be complete and is qualified in its entirety by the complete text of the Black Diamond Merger Agreement.

Acquisition of Gregory Mountain Products

On May 28, 2010, Clarus acquired Gregory Mountain Products, Inc., a Delaware corporation ("Gregory") pursuant to the Agreement and Plan of Merger, dated May 7, 2010 (the "Gregory Merger Agreement"), by and among Gregory, Everest/Sapphire Acquisition, LLC ("Purchaser"), a Delaware limited liability company and wholly-owned direct subsidiary of Clarus, Everest Merger I Corp., a Delaware corporation and a wholly-owned direct subsidiary of Purchaser ("Merger Sub One"), Everest Merger II, LLC, a Delaware limited liability company and a wholly-owned direct subsidiary of Gregory Purchaser ("Merger Sub Two"), and each of Kanders GMP Holdings, LLC and Schiller Gregory Investment Company, LLC, as the stockholders of Gregory (the "Gregory Stockholders"). Under the terms of the Gregory Merger Agreement, (i) Merger Sub One merged with and into Gregory (the "First Step Merger"), with Gregory as the surviving corporation of the First Step Merger, and (ii) immediately following the effective time of the First Step Merger, as part of the same overall transaction, Gregory merged with and into Merger Sub Two, (the "Second Step Merger" and together with the First Step Merger, the "Gregory Merger"), with Merger Sub Two as the surviving company of the Second Step Merger. The name of the surviving company of the Gregory Merger is Gregory Mountain Products, LLC, a Delaware limited liability company.

The sole member of Kanders GMP Holdings, LLC is Mr. Warren B. Kanders, Clarus' Executive Chairman and a member of Clarus' Board of Directors, who will continue to serve in such capacity. The sole manager of Schiller Gregory Investment Company, LLC is Mr. Robert R. Schiller, who has become Clarus' Executive Vice Chairman and a member of Clarus' Board of Directors. Except as set forth herein, there is no material relationship, between Gregory, on the one hand, and Clarus or any of its affiliates, or any director or officer of Clarus, or any associate of any such director or officer, on the other hand.

In the Gregory Merger, the Company acquired all of the outstanding common stock of Gregory for an aggregate amount of approximately $44.1 million (after closing adjustments of $889,000 relating to debt repayments, working capital and equity plan allocation), payable to the Gregory Stockholders in proportion to their respective ownership interests of Gregory as follows: (i) the issuance of 2,419,490 shares to Kanders GMP Holdings, LLC and 1,256,429 shares to Schiller Gregory Investment Company, LLC of unregistered Clarus' common stock, and (ii) the issuance by Clarus of the Merger Consideration Subordinated Notes in the aggregate principal amount of $14,516,945 to Kanders GMP Holdings, LLC and in the aggregate principal amount of $7,538,578 to Schiller Gregory Investment Company, LLC.

The Gregory Merger was approved by a special committee comprised of independent directors of the Company's Board of Directors and the merger consideration payable to the Gregory Stockholders was confirmed to be fair to the Company's stockholders from a financial point of view by a fairness opinion received from Ladenburg Thalmann & Co., Inc. The special committee was represented by an independent legal counsel, Richards, Layton & Finger.

A copy of the Gregory Merger Agreement is filed as Exhibit 2.2 to Clarus' Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2010, and is incorporated herein by reference as though fully set forth herein. The foregoing summary description of the Gregory Merger Agreement is not intended to be complete and is qualified in its entirety by the complete text of the Gregory Merger Agreement.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of Registrant.

(a) Direct Financial Obligation. See Item 1.01 under the headings "Loan Agreement" and "Merger Consideration Subordinated Note" which is incorporated herein by reference.

Item 3.02 Unregistered Sales of Equity Securities.

Gregory Merger Consideration Shares and Merger Consideration Subordinated Notes

On May 28, 2010, at the closing of the Gregory Merger, the Company issued, pursuant to the terms of the Gregory Merger Agreement, 3,675,920 Merger Consideration Shares and Merger Consideration Subordinated Notes in the aggregate principal amount of $22,055,523 to Kanders GMP Holdings, LLC and Schiller Gregory Investment Company, LLC. The Merger Consideration Shares are subject to the terms and provisions of the Registration Rights Agreement and Lock-up Agreement discussed in Item 1.01 above, which is incorporated by reference into this Item 3.02. The issuance of the Merger Consideration Shares and Merger Consideration Subordinated Notes is exempt from registration pursuant to Section 4(2) and Regulation D of the Securities Act of 1933, as amended.

Black Diamond Private Placement

Effective May 28, 2010, the Company sold in a private placement offering (the "Private Placement"), an aggregate of 483,767 shares of Clarus common stock (valued at a price of $6.00 per share) to 11 accredited investors who were shareholders of Black Diamond, including Mr. Metcalf, Mr. Peay, Mr. Duff, and certain employees for an aggregate purchase price of $2,902,602. The securities sold by the Company in the Private Placement were exempt from registration under the Securities Act of 1933, as amended, pursuant to Regulation D promulgated thereunder and pursuant to Section 4(2) and/or 4(6) thereof.

Item 5.02 Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

(b) (i) On May 28, 2010, following the closing of the Black Diamond and Gregory mergers, Mr. Burtt Erhlich resigned as a member of the Company's Board of Directors.

(ii) On May 28, 2010, following the closing of the Black Diamond and Gregory mergers, Mr. Philip A. Baratelli resigned as the Company's Chief Financial Officer (its principal financial officer and principal accounting officer).

(c) (i) On May 28, 2010, following the closing of the Black Diamond Merger, the Board of Directors of the Company appointed Mr. Peter Metcalf as the Company's President and Chief Executive Officer (its principal executive officer). Mr. Metcalf, who is 54 years of age, served as the Chief Executive Officer and Chairman of the Board of Directors of BDE since co-founding BDE in 1989. He is a graduate of the University of Colorado, with a major in Political Science. He also earned a Certificate in Management from the Peter Drucker Center of Management. Mr. Metcalf has no family relationships with any other director or officer of the Company. The material terms of Mr. Metcalf's Employment Agreement is set forth in Item 1.01 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2010 and is incorporated herein by reference as though fully set forth herein. Pursuant to the Metcalf Employment Agreement, as amended, upon the closing of the Black Diamond Merger, the Company issued and granted to Mr. Metcalf an option to purchase 75,000 shares of the Company's common stock having an exercise price of $6.85 per share, and vesting in three installments as follows: 30,000 options on December 31, 2012 and 22,500 options on each of December 31, 2013 and December 31, 2014. Additionally, Mr. Metcalf purchased 85,000 shares of Clarus common stock in the private placement discussed under Item 3.02 of this Report. Except as stated herein, there are no transactions in which Mr. Metcalf has an interest requiring disclosure under Item 404(a) of Regulation S-K. Mr. Metcalf was a Black Diamond shareholder prior to its merger with Clarus, which is discussed in Item 2.01 of this Report under "Acquisition of Black Diamond", and incorporated herein by reference.

(ii) On May 28, 2010, following the closing of the Black Diamond Merger, the Board of Directors of the Company appointed Mr. Robert Peay as the Company's Chief Financial Officer (its principal financial officer and principal accounting officer). Mr. Peay, who is 42 years of age, has been the Chief Financial Officer of BDE since 2008. Mr. Peay joined BDE in 1996 and has previously served as Accounting Manager and Financial Controller of BDE. Before joining BDE, Mr. Peay worked in public accounting for two years with Arthur Andersen & Co. Mr. Peay received a Master's degree in addition to a Bachelor of Science in Accounting from the University of Utah. He has also been a Certified Public Accountant since 1996. Mr. Peay has no family relationships with any other director or executive officer of the Company. Mr. Peay's employment with the Company is at-will and the Company pays Mr. Peay a salary of $175,000 per year. Upon the closing of the Black Diamond Merger, the Company issued and granted to Mr. Peay an option to purchase 30,000 shares of the Company's common stock, having an exercise price of $6.85 per share, and vesting in three installments as follows: 12,000 options on December 31, 2012 and 9,000 options on each of December 31, 2013 and December 31, 2014. Additionally, Mr. Peay purchased 1,700 shares of Clarus common stock in the private placement discussed under Item 3.02 of this Report. Except as stated herein, there are no transactions in which Mr. Peay has an interest requiring disclosure under Item 404(a) of Regulation S-K. Mr. Peay was a Black Diamond shareholder prior to its merger with Clarus, which is discussed in Item 2.01 of this Report under "Acquisition of Black Diamond", and incorporated herein by reference.

(iii) On May 28, 2010, the Board of Directors of the Company appointed Mr. Robert R. Schiller to fill a vacancy on the Board of Directors, to serve until the next annual meeting of stockholders, and also appointed Mr. Schiller as the Company's Executive Vice Chairman. Mr. Schiller, who is 47 years of age, has been Vice Chairman of the Board of Gregory since March 2008. Mr. Schiller previously served as a Director from June 2005, President from January 2004, and Chief Operating Officer from April 2003 of Armor Holdings Inc. ("Armor Holdings"), until the completion of the acquisition of Armor Holdings by BAE Systems, PLC on July 31, 2007. Mr. Schiller also held other positions at Armor Holdings and served as Chief Financial Officer and Secretary from November 2000 to March 2004, as Executive Vice President from November 2000 to April 2003, as Executive Vice President and Director of Corporate Development from January 1999 to October 2000, and as Vice President of Corporate Development from July 1996 to December 1998. Mr. Schiller graduated with a B.A. in Economics from Emory University in 1985 and received a M.B.A. from Harvard Business School in 1991. Mr. Schiller has no family relationships with any other director or officer of the Company. The material terms of Mr. Schiller's Employment Agreement are set forth in Item 1.01 above and incorporated herein by reference. Except as stated herein, there are no transactions in which Mr. Schiller has an interest requiring disclosure under Item 404(a) of Regulation S-K. Mr. Schiller is the sole manager of Schiller Gregory Investment Company, LLC, a party to the Gregory Merger Agreement, which is discussed Item 2.01 of this Report under "Acquisition of Gregory Mountain Products", and incorporated herein by reference.

(d) (i) On May 28, 2010, the Board of Directors of the Company appointed Mr. Peter Metcalf to fill a vacancy on the Board of Directors, to serve until the next annual meeting of stockholders. The disclosure set forth in Item 5.02(c)(i) above with respect to Mr. Metcalf is incorporated herein by reference.

(ii) On May 28, 2010, the Board of Directors of the Company appointed Mr. Mr. Schiller to fill a vacancy on the Board of Directors, to serve until the next annual meeting of stockholders. The disclosure set forth in Item 5.02(c)(iii) above with respect to Mr. Schiller is incorporated herein by reference.

(iii) On May 28, 2010, the Board of Directors of the Company appointed Mr. Michael A. Henning to fill a vacancy on the Board of Directors, to serve until the next annual meeting of stockholders. Mr. Henning, who is 70 years of age, served as a director and the Chairman of the Audit Committee of the Board of Directors of Highlands Acquisition Corp., a publicly-held blank check company from May 2007 until September 2009. Since 2000, Mr. Henning has been the Chairman of the Audit Committee and member of the Compensation Committee, and has previously served as the Vice Chairman of the Finance Committee, of the Board of Directors of CTS Corporation, a NYSE-listed company that provides electronic components to auto, wireless and PC businesses. In December 2002, he joined the Board of Directors of Omnicom Group Inc., a global communications company, where he also serves on the Audit Committee and the Compensation Committee. Mr. Henning is also a member of the Board of Directors, and serves on the Audit Committee and Compensation Committee, of Landstar System, Inc., a NASDAQ-listed transportation and logistics services company. Mr. Henning retired as Deputy Chairman from Ernst & Young in 2000 after forty years with the firm. Mr. Henning was the inaugural CEO of Ernst & Young International, serving from 1993 to 1999. From 1991 to 1993, he served as Vice Chairman of Tax Services at Ernst & Young. Mr. Henning was also the Managing Partner of the firm's New York office, from 1985 to 1991, and the Partner in charge of International Tax Services, from 1978 to 1985. From 1994 to 2000, Mr. Henning served as a Co-Chairman of the Foreign Investment Advisory Board of Russia, where he co-chaired a panel of 25 CEOs from the G-7 countries who advised the Russian government in adopting international accounting and tax standards. Mr. Henning is presently on the Board of Trustees of St. Francis College in Brooklyn, New York and St. Francis Prep, Queens, New York. Mr. Henning received a B.B.A. from St. Francis College and a Certificate from the Harvard University Advanced Management Program. Mr. Henning is a Certified Public Accountant.

(iv) On May 28, 2010, the Board of Directors of the Company appointed Mr. Philip N. Duff to fill a vacancy on the Board of Directors, to serve until the next annual meeting of stockholders. Mr. Duff, who is 53 years of age, is the Chief Executive Officer and General Partner at Duff Capital Advisors. Mr. Duff is also the founder of Duff Capital Advisors. Mr. Duff is also the Chairman & CEO of White Oak Global Advisors. Prior to this, Mr. Duff served as one of the founding partners, Chief Executive Officer, and Chairman of FrontPoint Partners, LLC, which he co-founded in 2000. He was formerly the Chief Operating Officer, Senior Managing Director, member of Management Committee, and member of the Advisory Board of Tiger Management LLC. From 1984 to 1998, Mr. Duff was also employed at Morgan Stanley, where his prior positions included serving as Chief Financial Officer at Morgan Stanley Group Inc., as President and Chief Executive Officer at Van Kampen America Capital (acquired by Morgan Stanley), and as the head of Financial Institutions Group in Investment Banking at Morgan Stanley. Prior to Morgan Stanley, Mr. Duff traded grain at Louis Dreyfus, Inc. Mr. Duff currently serves as a member of the Board of Directors of Ambac Financial Group, Solar Power Corporation, and TraDove. Mr. Duff is also a member of the Advisory Board of Westbury Partners. He previously served on the Board of Trustees of the Financial Accounting Foundation, and the Managed Funds Association. Mr. Duff graduated from Massachusetts Institute of Technology with an M.B.A. and from Harvard College with an A.B. in Mathematics.

(e) The disclosure set forth in Item 1.01 and Item 5.02(c) of this Report with respect to each Messrs. Kanders, Schiller, Metcalf and Peay is incorporated herein by reference.

Philip A. Baratelli

On May 28, 2010, in connection with Mr. Baratelli's resignation as the Company Chief Financial Officer, the Company's Compensation Committee and Board of Directors approved (i) the acceleration of vesting of options to purchase an aggregate of 50,000 of the Company's common stock, which represent the unvested portion of stock option awards previously granted to Philip A. Baratelli on December 13, 2007 under the Clarus 2005 Stock Incentive Plan; and (ii) extended the period in which Mr. Baratelli may exercise such stock options until May 28, 2013.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

On May 28, 2010, the Board of Directors of the Company adopted a resolution approving Amendment No. 2 to the Company's Amended and Restated Bylaws to create the position of Executive Vice Chairman of the Board of Directors. The description of the amendment to the Amended and Restated Bylaws is qualified in its entirety by reference to the Amendment No. 2 to the Company's Amended and Restated Bylaws dated May 28, 2010 and attached as Exhibit 3.1 to this Current Report on Form 8-K and incorporated herein by reference.

Item 8.01 Other Events.

We are providing the information set forth below to enhance the understanding of our Company's business following the redeployment of our assets and completion of the Black Diamond and Gregory acquisitions discussed in Item 2.01 above.

BUSINESS

Overview

Clarus is a leading developer, manufacturer and distributor of technical outdoor equipment and lifestyle products for rock and ice climbers, alpinists, hikers, freeride skiers and outdoor enthusiasts and travelers. The Company's products are principally sold under the Black Diamond™ and Gregory® brand names through specialty and online retailers throughout the U.S., Canada, Europe, Asia, South America, New Zealand and Africa.

Operating History

Since the 2002 sale of our e-commerce solutions business, we have engaged in a strategy of seeking to enhance stockholder value by pursuing opportunities to redeploy our assets through an acquisition of, or merger with, an operating business or businesses that would serve as a platform company. On May 28, 2010, we redeployed our capital through our acquisitions of Black Diamond and Gregory. Because the Company had no operations at the time of our acquisition of Black Diamond, Black Diamond is considered to be our predecessor company for financial reporting purposes. The Company expects to seek approval of its stockholders at its next annual meeting to change its name to "Black Diamond Equipment" which we believe more accurately reflects our current business.

Market Overview

Our primary target customers are outdoor-oriented consumers who understand the importance of an active, healthy lifestyle. The users of our products are made up of a wide range of outdoor athletes and enthusiasts, including rock, ice and mountain climbers, skiers, backpackers and campers, cyclists, endurance trail runners, and outdoor-inspired consumers. We believe we have a strong reputation for style, quality, design, and durability in each of our core product lines that address the needs of rock and ice climbers, alpinists, backcountry and freeride skiers, day hikers and backpackers.

As the variety of outdoor sports activities continue to grow and proliferate and existing outdoor sports evolve and become ever more specialized, we believe other outdoor sports and athletic equipment companies are failing to address the unique aesthetics, fit and technical and performance needs of athletes and enthusiasts involved in such specialized activities. We believe we have been able to help address this void in the marketplace by leveraging our user intimacy and improving on our existing product lines, by expanding our product offerings into new niche categories, and by incorporating innovative industrial design and engineering, along with comfort and functionality into our products. Although we were founded to address the needs of core rock and ice climbers, backcountry skiers, and alpinists, we are also successfully designing products for more casual outdoor enthusiasts who also appreciate the technical rigor and premium quality of our products. We believe the credibility and authenticity of our brands expands our potential market beyond committed outdoor athletes to those outdoor generalist consumers who desire to lead active, healthy, and balanced lives.

Growth Strategies

Our growth strategies are to achieve sustainable, profitable growth organically and to expand the business through targeted, strategic acquisitions. We intend to create innovative new products, increase consumer and retailer awareness and demand for our products, and build stronger emotional brand connections with consumers over time across a growing number of geographic markets.

New Product Development. To drive organic growth within our existing businesses, we intend to leverage our strong brand names, customer relationships and proven capacity for innovation to develop new products and product extensions in each of our existing product categories, and to expand into new product categories. Since 1989, our brands have introduced over 200 new products. We have also invested resources to develop processes for developing internally hot-forged carabiners and closed loop anodizing and to manufacture other products in our managed facility in Asia, which we expect to increase our competitiveness. We have also recently developed a new line of harnesses based on our Kinetic Core Construction technology and a new line of Freeride ski boots. Last year, we introduced two via ferrata protection kits with safety technologies previously unavailable to climbers. In addition, we have introduced a number of new packs featuring our BioSync™, Fusion™, JetStream™ and Response™ suspension systems, which provide backpackers with superior comfort, movement and load transfer characteristics. We intend to expand our business into both adjacent and complementary product categories.

Innovation and New Technology. We have a long history of technical innovation, and in recent years have introduced innovations such as the first plastic telemark boot, the AvaLung® backpack, which helps adventurers survive an avalanche, and FlickLock® and Control Shock Technology for its adjustable trekking poles. Our products have introduced many firsts in the backpack market, including being the first to build backpacks in different frame, harness and waist belt sizes; the first (and still only) pack manufacturer to develop a waistbelt system that adjusts to fit different hip angles, automatically improving load transfer; and the first to develop the center-locking bar tack, a stitch that ends and locks off on the center of a seam instead of the side for increased strength at major stress points. Our new technologies are generally inspired by our continuing commitment to maximize the enjoyment and safety of the outdoor sports for which we design our products.

Acquisition of Complementary Businesses. We expect to target acquisitions as a viable opportunity to gain access to new product groups and customer channels and increase penetration of existing markets. To the extent we pursue future acquisitions, we intend to focus on businesses with product offerings that provide geographic or product diversification, or that expand our business into related categories that can be marketed through our existing distribution channels or that provide us access to new distribution channels for our existing products, thereby increasing marketing and distribution efficiencies. We are particularly interested in companies with category-leading brands, recurring revenue, sustainable margins and strong cash flow. We anticipate financing future acquisitions prudently through a combination of cash on hand, operating cash flow, bank financings and new capital markets offerings.

Competitive Strengths

Experienced Management. Our management team has been involved in the successful operation, acquisition and integration of a substantial number of companies. Throughout his 30 year business career, our Executive Chairman, Warren B. Kanders, has established a track record of building public companies through strategic acquisitions to enhance organic growth. Peter Metcalf, the co-founder of Black Diamond and our President and Chief Executive Officer, boasts a lifetime of active participation in outdoor sports and a compelling track record in the outdoor/ski products industry. During the last 20 years, Mr. Metcalf has led Black Diamond through a period of consistent growth and steady diversification, and Black Diamond has emerged as a global brand. We are equally reliant upon the skills and experience of our Executive Vice Chairman, Robert R. Schiller, who previously served as the President, Chief Operating Officer and Chief Financial Officer of Armor Holdings, Inc., and has a proven record of managing operations as well as identifying, executing and integrating strategic acquisitions.

Strong Base of Business. Our outdoor products business benefits from a strong reputation for paradigm changing, high quality, innovative products that make us a leader in the outdoor industry with particular strength in product categories such as backpacking, hiking, rock climbing, ice climbing, skiing, and mountaineering. Underlying our innovative product lines is a strong stable of intellectual property, with multiple patents and patent applications, as well as valuable brands and trademarks. In addition, our user intimacy, strong retailer partnerships, operations and execution acumen and leadership as a champion in the access, education, and stewardship issues that affect our customers contribute to the robustness of our business.

Incentivized Management. The members of our Board of Directors and our executive officers, including Messrs. Kanders, Metcalf and Schiller, are substantial stockholders of the Company, and beneficially own approximately 39% of our outstanding common stock, which we believe aligns the interests of our Board of Directors and our executive officers with that of our stockholders.

Growth-Oriented Capital Structure. Our capital structure provides us with the capacity to fund future growth and our net operating loss and tax credit carryforwards are expected to offset our net taxable income which is expected to allow us to retain cash flow for future growth.

Distribution. Our products are primarily distributed through a strong, global network of independent specialty retailers, specialty chains and consumer catalogs. We enjoy strong relationships with customers in a number of these sales channels that can provide for additional diversification and the ability to pursue growth opportunities in a number of different markets across a variety of product types and price points.

Products

We have developed a reputation for designing, manufacturing and distributing products considered to be both innovative and dependable in their respective market niches. Our commitment to designing innovative, durable and reliable products that enhance our customers' capabilities, comfort and safety in their outdoor endeavors will remain our hallmark and mission. In addition to function, we believe our products' unique aesthetic appearance is another hallmark that distinguishes us in the outdoor marketplace. Our products have won numerous awards from industry magazines including Alpinist, Backpacker, Climbing, Consumers Digest, National Geographic Adventure, Men's Journal, Outside, Popular Science, Powder, Rock & Ice, Ski and Skiing.

Our products include a wide variety of technical outdoor equipment and lifestyle products for rock and ice climbers, alpinists, hikers, freeride skiers, outdoor enthusiasts and travelers. Many of our products are designed for extreme applications, such as high altitude mountaineering, ice and rock climbing, as well as backcountry, Freeride, and alpine skiing. Generally, our product offerings are divided into three primary categories: climb, mountain, and ski. Our climb line consists of technical equipment such as belay/rappel devices, bouldering products, carabiners and quickdraws, chalk, chalk bags, climbing packs, crampons, crash pads, dogbones and runners, harnesses, ice axes and piolets, ice protection and rock protection devices and various other climbing accessories. Our mountain line consists of mountaineering backpacks for alpine expeditions, backpacks for backcountry excursions, overnight trips, and day hikes, bivy sacks, rain sacks, gaiters, gloves, headlamps, lights, tents, trekking poles and various other hiking and mountaineering accessories. Our ski line consists of AvaLung backpacks, winter packs for skiing and snowboarding, bindings, boots, poles, skis, skins, snow gloves, snow packs, and snow safety devices. We also offer hydration packs for trail running and cycling, and travel and lifestyle products such as duffle bags, messenger bags, and small bags and pouches designed to carry electronics and other accessories, and a variety of Black Diamond branded apparel and accessories.

Customers

We market and distribute our products in over 40 countries primarily through independent specialty stores and specialty chains, including premium sporting goods and outdoor recreation stores and consumer catalogs, in the United States, Canada, New Zealand, Europe, Asia and Africa. In addition, our Gregory branded products are sold through Gregory-supplied retail stores in Tokyo, Japan, Seoul, South Korea and Taipei, Taiwan. We also sell our products directly to customers through our wholly-owned retail store in Salt Lake City, Utah and online at www.blackdiamondequipment.com.

We have highly diversified account bases and sell products in over 1,500 retail locations through over 1,000 individual accounts, with the bulk of our business being done through independent retailers. Despite the benefits of this diversification, we remain highly dependent on consumer discretionary spending patterns and the purchasing patterns of our wholesale and other customers as they attempt to match their seasonal purchase volumes to volatile consumer demand.

Our end users constitute a broad range of consumers including mountain climbers, winter outdoor enthusiasts, backpackers and campers, cyclists, top endurance trail runners, and outdoor-inspired consumers. Such consumers demand high quality, reliable, and well-designed products to enhance their performance and safety in a multitude of outdoor activities in virtually any climate. We expect to leverage our user intimacy, engineering prowess and design ability to expand into related technical product categories that target the same demographic group and distribution channels while leveraging our user intimacy, engineering prowess and design ability.

During 2009, Recreational Equipment, Inc. (“REI”) accounted for approximately 14% of our sales, while Kabushiki Kaisha A&F (“A&F (Japan)”) accounted for approximately 9% of our sales. The loss of either of these customers could have a material adverse effect on the Company.

Sales and Marketing

Our sales force is generally deployed by geographic region: Canada, Europe, Latin America, Asia, and the United States. Our focus is on providing our products to a broad spectrum of outdoor enthusiasts, from expert rock climbers to beginner skiers. Within each of our brands, we strive to create a unique look for our products and are beginning to utilize new and enhanced in-store merchandising displays and techniques to communicate those differences to the consumer. In addition, we are exploring uses for brand and market research. We also regularly utilize various promotions and public relations campaigns.

We have consistently established relationships with professional athletes to help evaluate, promote and establish product performance and authenticity with customers. Such endorsers are one of many elements in our array of marketing materials, including in-store displays, brochures and on our website.

In addition to brand development, we are focused on expanding our licensing strategy to enhance brand exposure, brand equity and recognition through appropriate product extensions, while generating incremental high margin revenue. Our reputation for high quality, reliability and excellent value attracts and is, in turn, required of our licensees.

Research and Development

The Company commits significant resources to new product research and development. We conduct our product research and design activities at our locations in Salt Lake City, Utah, Sacramento, California, Zhuhai, China, and conduct product evaluations at our offices located outside of Basel, Switzerland.

The Company expenses research and development costs as incurred. Over the last three calendar years we have spent approximately $9.3 million in connection with research and development activities.

Manufacturing, Distribution and Sourcing

Manufacturing and Global Distribution

Most of our products are manufactured in our facilities in the United States and Asia. Certain of our products are also manufactured to our specifications by independently owned facilities in China and the Philippines. While we do not maintain a long-term manufacturing contract with such facilities, we believe that our long-term relationship with our manufacturing facilities in Asia will help to ensure that a sufficient supply of goods built to our specification are available in a timely manner and on satisfactory economic terms in the future.

In 2006, Black Diamond Equipment Asia Ltd. (“Black Diamond Asia”), a wholly-owned subsidiary of Black Diamond, was established in southeast China. The facility in southeast China is a Black Diamond-managed 100,000 sq. ft. facility that is operated and staffed by our employees. Each piece of equipment is tested to the same degree at the Black Diamond Asia facility as they are at our Salt Lake City facility. Each of those facilities rely on identical, thoroughly documented systems and procedures to ensure consistent quality and safety for every piece of gear we put our name on. Our manufacturing operations in Salt Lake City and southeast China are each ISO 9001 certified by European-based auditors.

In addition to manufacturing, we run our own global distribution and quality control operation at our Salt Lake City facility, allowing us to aggregate for global shipping the goods that we and our Asian-based facilities manufacture.

Sourcing

We source raw materials and components from a variety of suppliers. Our primary raw materials include aluminum, steel, nylon, corrugated cardboard for packaging, electrical components, plastic resin, urethane and various textiles, foams and fabrics. The raw materials used in the manufacture of our products are generally available from numerous suppliers in quantities sufficient to meet normal requirements.

We source packaging materials both domestically as well as from sources in Asia and Europe. We believe that all of our purchased products and materials could be readily obtained from alternative sources at comparable costs.

Competition

Because of the diversity of our product offerings, we compete by niche with a variety of companies. Our products must stand up to the high standards set by the world's elite mountain climbers, alpine skiers and adventurers. In the outdoor industry, quality and durability are paramount among such athletes, who rely on our products to withstand some of the world's most extreme conditions. In addition to extreme adventurers, we believe all outdoor enthusiasts benefit from the high quality standards of our products. We also believe our products compete favorably on the basis of product innovation, product performance, marketing support, and price.

The popularity of outdoor activities and changing design trends affect the desirability of our products. Therefore, we seek to anticipate and respond to trends and shifts in consumer preferences by adjusting the mix of available product offerings, developing new products with innovative performance features and designs, and by marketing our products in a persuasive and memorable fashion to drive consumer awareness and demand. Failure to anticipate or respond to consumer needs and preferences in a timely and adequate manner could have a material adverse effect on our sales and profitability.

We compete with niche, privately-owned companies and with a number of brands owned by large multinational companies, such as those set forth below.

- *Climbing:* Our climbing products and accessories, including but not limited to, belays devices, carabiners, and harnesses, compete with products from companies such as Arc'Teryx, Petzl and Mammut.

- *Skiing:* Our skiing equipment and accessories, including but not limited to, skis, ski bindings, poles and boots, compete with products from competitors such as Atomic, Dynafit (Salewa), Dynastar (Lange), Garmont, K2, Volkl, Marker, Nordica, Rossignol, Salomon, Scarpa, and Scott.

- *Mountaineering:* Our mountaineering products, including but not limited to, backpacks, trekking poles, headlamps and tents, compete with products from companies such as Peltz, Mammut, Deuter, Kelty, Leki, Komperdell, Marmot, Mountain Hardwear, Mountainsmith, Osprey, Dakine, Sierra Designs and The North Face.

In addition, we compete with certain of our large wholesale customers who focus on the outdoor market, such as REI, Eastern Mountain Sports, Mountain Equipment Co-op ("MEC") and Decathlon which manufacture, market and distribute their own climbing, skiing and mountaineering products under their own private labels.

Patents and Trademarks

We believe our primary and pending word and icon trademarks worldwide, including the Black Diamond and Gregory logos, Black Diamond™, ATC®, Camalot®, Gregory®, AvaLung®, FlickLock®, Ascension®, Time is Life®, Hexentric®, Stopper® and Bibler Tents® create international brand recognition for our products.

We believe our brands have an established reputation for high quality, reliability and value and, accordingly, we actively monitor and police our brands against infringement to ensure their viability and enforceability.

In addition to trademarks, we hold over 70 patents worldwide for a wide variety of technologies across our product lines.

Our success with our proprietary products is generally derived from our "first mover" advantage in the market as well as our commitment to protecting our current and future proprietary technologies and products, which acts as a deterrent to infringement of our intellectual property rights. While we believe our patent and trademark protection policies are robust and effective, if we fail to adequately protect our intellectual property rights, competitors may manufacture and market products similar to ours. Our principal intellectual property rights include our patents and trademarks but also include products containing proprietary trade secrets.

We cannot be sure that we will receive patents for any of our patent applications or that any existing or future patents that we receive or license will provide competitive advantages for our products. While we actively monitor our competitors to ensure that we do not compromise the intellectual property of others, we cannot be sure that competitors will not challenge, invalidate or avoid the application of any existing or future patents that we receive or license. In addition, patent rights may not prevent our competitors from developing, using or selling products that are in similar product niches as ours.

Employees

As of June 4, 2010, our combined company has over 475 employees, located in California, Utah, China, Germany, Japan, the Philippines and Switzerland. None of our employees are represented by unions or covered by any collective bargaining agreements. We have not experienced any work stoppages or employee-related slowdowns and believe that our relationship with employees is satisfactory.

Seasonality

The Company's products are outdoor recreation related, which results in seasonal variations in sales and profitability. On a calendar year basis, we generally experience our greatest sales in the first and second quarters for certain of our products including rock climbing gear, headlamps, lanterns, packs, trekking poles and tents, and in the third and fourth quarters for our ski, glove and ice climbing products. Sales of these products may be negatively affected by unfavorable weather conditions and other market trends. The fall/winter season represents approximately 60% of our sales while spring/summer represents approximately 40%.

Working capital requirements vary throughout the year. Working capital increases during the first and third quarters of the year as inventory builds to support peak shipping periods and then decreases during the second and fourth quarters of the year as those inventories are sold and accounts receivable are collected. Cash provided by operating activities is substantially higher in the first half of the year due to reduced working capital requirements.

Available Information

Our Internet address is www.claruscorp.com. We make available free of charge on or through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, and the proxy statement for our annual meeting of stockholders as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. Forms 3, 4 and 5 filed with respect to our equity securities under section 16(a) of the Securities Exchange Act of 1934, as amended, are also available on our website. All of the foregoing materials are located at the "SEC Filings" tab under the section titled "Investor Relations". The information found on our website shall not be deemed incorporated by reference by any general statement incorporating by reference this report into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, and shall not otherwise be deemed filed under such Acts.

Materials we file with the Securities and Exchange Commission may be read and copied at the Securities and Exchange Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Securities and Exchange Commission's Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission also maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Securities and Exchange Commission at www.sec.gov. In addition, you may request a copy of any such materials, without charge, by submitting a written request to: Clarus Corporation, c/o the Secretary, 2084 East 3900 South, Salt Lake City, UT 84124.

RISK FACTORS

In addition to other information in this Current Report on Form 8-K, the following risk factors should be carefully considered in evaluating our business, because such factors may have a significant impact on our business, operating results, liquidity and financial condition. As a result of the risk factors set forth below, actual results could differ materially from those mentioned in any forward-looking statements. Additional risks and uncertainties not presently known to us, or that we currently consider to be immaterial, may also impact our business, operating results, liquidity and financial condition. If any of the following risks occur, our business, operating results, liquidity and financial condition, and the price of our common stock, could be materially adversely affected.

Risks Related to Our Industry

Many of the products we sell are used for inherently risky mountain and outdoor pursuits and could give rise to product liability or product warranty claims and other loss contingencies, which could affect our earnings and financial condition.

Many of our products are used in applications and situations that involve high levels of risk of personal injury and death. As a result, we maintain staff who focus on testing and seek to assure the quality and safety of our products. In addition, we provide thorough and protective disclaimers and instructions on all of our products and packaging. Failure to use our products for their intended purposes, failure to use or care for them properly, or their malfunction, or, in some limited circumstances, even correct use of our products, could result in serious bodily injury or death.

As a manufacturer and distributor of consumer products, we are subject to the Consumer Products Safety Act, which empowers the Consumer Products Safety Commission to exclude from the market products that are found to be unsafe or hazardous. Under certain circumstances, the Consumer Products Safety Commission could require us to repurchase or recall one or more of our products. Additionally, laws regulating certain consumer products exist in some cities and states, as well as in other countries in which we sell our products, and more restrictive laws and regulations may be adopted in the future. Any repurchase or recall of our products could be costly to us and could damage our reputation. If we were required to remove, or we voluntarily removed, our products from the market, our reputation could be tarnished and we might have large quantities of finished products that we could not sell.

We also face exposure to product liability claims in the event that one of our products is alleged to have resulted in property damage, bodily injury or other adverse effects. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product or activities associated with the product, negligence, strict liability, and a breach of warranties. Although we maintain product liability insurance in amounts that we believe are reasonable, there can be no assurance that we will be able to maintain such insurance on acceptable terms, if at all, in the future or that product liability claims will not exceed the amount of insurance coverage. Additionally, we do not maintain product recall insurance. As a result, product recalls or product liability claims could have a material adverse effect on our business, results of operations and financial condition.

In addition, we face potential exposure to unusual or significant litigation arising out of alleged defects in our products or otherwise. We spend substantial resources ensuring compliance with governmental and other applicable standards. However, compliance with these standards does not necessarily prevent individual or class action lawsuits, which can entail significant cost and risk. We do not maintain insurance against many types of claims involving alleged defects in our products that do not involve personal injury or property damage. As a result, these types of claims could have a material adverse effect on our business, results of operations and financial condition.

Our product liability insurance program is an occurrence-based program based on our current and historical claims experience and the availability and cost of insurance. We currently either self insure or administer a high retention insurance program for product liability risks. Historically, product liability awards have not exceeded our individual per occurrence self-insured retention. We cannot assure you, however, that our future product liability experience will be consistent with our past experience.

A substantial portion of our revenues and gross profit is derived from a small number of large customers. The loss of any of these customers could substantially reduce our profits.

A few of our customers account for a significant portion of revenues. In the year ended December 31, 2009, REI and A&F (Japan) accounted for approximately 14% and 9%, respectively, of revenues. Sales are generally on a purchase order basis, and we do not have long-term agreements with any of our customers. A decision by any of our major customers to decrease significantly the number of products purchased from us could substantially reduce revenues and have a material adverse effect on our business, financial condition and results of operations. Moreover, in recent years, the retail industry has experienced consolidation and other ownership changes. In the future, retailers may further consolidate, undergo restructurings or reorganizations, realign their affiliations or reposition their stores' target market. These developments could result in a reduction in the number of stores that carry our products, increased ownership concentration within the retail industry, increased credit exposure or increased retailer leverage over their suppliers. These changes could impact our opportunities in the market and increase our reliance on a smaller number of large customers.

We are subject to risks related to our dependence on the strength of retail economies in various parts of the world and our performance may be affected by general economic conditions and the current global financial crisis.

The Company's business depends on the strength of the retail economies in various parts of the world, primarily in North America and to a lesser extent Asia, Central and South America and Europe, which have recently deteriorated significantly and may remain depressed, or be subject to further deterioration, for the foreseeable future. These retail economies are affected primarily by factors such as consumer demand and the condition of the retail industry, which, in turn, are affected by general economic conditions and specific events such as natural disasters, terrorist attacks and political unrest. The impact of these external factors is difficult to predict, and one or more of the factors could adversely impact our business, results of operations and financial condition.

Purchases of many consumer products are discretionary and tend to be highly correlated with the cycles of the levels of disposable income of consumers. As a result, any substantial deterioration in general economic conditions could adversely affect consumer discretionary spending patterns, our sales and our results of operations. In particular, decreased consumer confidence or a reduction in discretionary income as a result of unfavorable macroeconomic conditions may negatively affect our business. If the current macroeconomic environment persists or worsens, consumers may reduce or delay their purchases of our products. Any such reduction in purchases could have a material adverse effect on our business, financial condition and results of operations.

Changes in the retail industry and markets for consumer products affecting our customers or retailing practices could negatively impact existing customer relationships and our results of operations.

We sell our products to retailers, including sporting goods and specialty retailers, as well as direct to consumers. A significant deterioration in the financial condition of our major customers could have a material adverse effect on our sales and profitability. We regularly monitor and evaluate the credit status of our customers and attempt to adjust sales terms as appropriate. Despite these efforts, a bankruptcy filing by a key customer could have a material adverse effect on our business, results of operations and financial condition.

In addition, as a result of the desire of retailers to more closely manage inventory levels, there is a growing trend among retailers to make purchases on a “just-in-time” basis. This requires us to shorten our lead time for production in certain cases and more closely anticipate demand, which could in the future require us to carry additional inventories.

We may be negatively affected by changes in the policies of our retailer customers, such as inventory destocking, limitations on access to and time on shelf space, use of private label brands, price demands, payment terms and other conditions, which could negatively impact our results of operations.

There is a growing trend among retailers in the U.S. and in foreign markets to undergo changes that could decrease the number of stores that carry our products or increase the concentration of ownership within the retail industry, including:

- consolidating their operations;
- undergoing restructurings or store closings;
- undergoing reorganizations; or
- realigning their affiliations.

These consolidations could result in a shift of bargaining power to the retail industry and in fewer outlets for our products. Further consolidations could result in price and other competition that could reduce our margins and our net sales.

Competition in our industries may hinder our ability to execute our business strategy, achieve profitability, or maintain relationships with existing customers.

We operate in a highly competitive industry. In this industry, we compete against numerous other domestic and foreign companies. Competition in the markets in which we operate is based primarily on product quality, product innovation, price and customer service and support, although the degree and nature of such competition vary by location and product line. Some of our competitors are more established in their industries and have substantially greater revenue or resources than we do. Our competitors may take actions to match new product introductions and other initiatives. Since many of our competitors source their products from third parties, our ability to obtain a cost advantage through sourcing is reduced. Certain of our competitors may be willing to reduce prices and accept lower profit margins to compete with us. Further, retailers often demand that suppliers reduce their prices on existing products. Competition could cause price reductions, reduced profits or losses or loss of market share, any of which could have a material adverse effect on our business, results of operations and financial condition.

To compete effectively in the future in the consumer products industry, among other things, we must:

- maintain strict quality standards;
- develop new and innovative products that appeal to consumers;
- deliver products on a reliable basis at competitive prices;
- anticipate and respond to changing consumer trends in a timely manner;
- maintain favorable brand recognition; and
- provide effective marketing support.

Our inability to do any of these things could have a material adverse effect on our business, results of operations and financial condition.

If we fail to develop new or expand existing customer relationships, our ability to grow our business will be impaired.

Our growth depends to a significant degree upon our ability to develop new customer relationships and to expand existing relationships with current customers. We cannot guarantee that new customers will be found, that any such new relationships will be successful when they are in place, or that business with current customers will increase. Failure to develop and expand such relationships could have a material adverse effect on our business, results of operations and financial condition.

Seasonality and weather conditions may cause our operating results to vary from quarter to quarter.

Sales of certain of our products are seasonal. Sales of our outdoor recreation products such as carabiners, harnesses and related climbing equipment products increase during warm weather months and decrease during winter, while sales of winter sports equipment such as our skis, boots, bindings and related ski equipment increase during the cold weather months and decrease during summer. Weather conditions may also negatively impact sales. For instance, fewer than anticipated natural disasters (i.e., ice storms) could negatively affect the sale of certain outdoor recreation products; mild winter weather may negatively impact sales of our winter sports products. These factors could have a material adverse effect on our business, results of operations and financial condition.

If we fail to adequately protect our intellectual property rights, competitors may manufacture and market products similar to ours, which could adversely affect our market share and results of operations.

Our success with our proprietary products depends, in part, on our ability to protect our current and future technologies and products and to defend our intellectual property rights. If we fail to adequately protect our intellectual property rights, competitors may manufacture and market products similar to ours. Our principal intellectual property rights include our trademarks and patents.

We hold numerous utility patents covering a wide variety of products. We cannot be sure that we will receive patents for any of our patent applications or that any existing or future patents that we receive or license will provide competitive advantages for our products. We also cannot be sure that competitors will not challenge, invalidate or avoid the application of any existing or future patents that we receive or license. In addition, patent rights may not prevent our competitors from developing, using or selling products that are similar or functionally equivalent to our products.

Third parties may have patents of which we are unaware, or may be awarded new patents, that may materially adversely affect our ability to market, distribute, and sell our products. Accordingly, our products, including, but not limited to, our technical climbing and backpack products, may become subject to patent infringement claims or litigation or interference proceedings, any adverse determination of which could have a material adverse effect on our business, results of operations and financial condition.

Changes in foreign, cultural, political and financial market conditions could impair our international operations and financial performance.

Some of our operations are conducted or products are sold in countries where economic growth has slowed, such as Japan; or where economies have suffered economic, social and/or political instability or hyperinflation or where the ability to repatriate funds has been delayed or impaired in recent years. Current government economic and fiscal policies, including stimulus measures and currency exchange rates and controls, in these economies may not be sustainable and, as a result, our sales or profits related to those countries may decline. The economies of other foreign countries important to our operations, including other countries in Asia and Europe, could also suffer slower economic growth or economic, social and/or political instability or hyperinflation in the future. International operations, including manufacturing and sourcing operations (and the international operations of our customers), are subject to inherent risks which could adversely affect us, including, among other things:

- protectionist policies restricting or impairing the manufacturing, sales or import and export of our products;
- new restrictions on access to markets;
- lack of developed infrastructure;
- inflation or recession;
- devaluations or fluctuations in the value of currencies;
- changes in and the burdens and costs of compliance with a variety of foreign laws and regulations, including tax laws, accounting standards, environmental laws and occupational health and safety laws;
- social, political or economic instability;
- acts of war and terrorism;
- natural disasters or other crises;
- reduced protection of intellectual property rights in some countries;
- increases in duties and taxation; and
- restrictions on transfer of funds and/or exchange of currencies; expropriation of assets; and other adverse changes in policies, including monetary, tax and/or lending policies, encouraging foreign investment or foreign trade by our host countries.

Should any of these risks occur, our ability to sell or export our products or repatriate profits could be impaired and we could experience a loss of sales and profitability from our international operations, which could have a material adverse impact on our business.

If we cannot continue to develop new products in a timely manner, and at favorable margins, we may not be able to compete effectively.

We believe that our future success will depend, in part, upon our ability to continue to introduce innovative design extensions for our existing products and to develop, manufacture and market new products. We cannot assure you that we will be successful in the introduction, manufacturing and marketing of any new products or product innovations, or develop and introduce, in a timely manner, innovations to our existing products that satisfy customer needs or achieve market acceptance. Our failure to develop new products and introduce them successfully and in a timely manner, and at favorable margins, would harm our ability to successfully grow our business and could have a material adverse effect on our business, results of operations and financial condition.

Our results of operations could be materially harmed if we are unable to accurately forecast demand for our products.

We often schedule internal production and place orders for products with independent manufacturers before our customers' orders are firm. Therefore, if we fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of product to deliver to our customers. Factors that could affect our ability to accurately forecast demand for our products include:

- an increase or decrease in consumer demand for our products or for products of our competitors;
- our failure to accurately forecast customer acceptance of new products;
- new product introductions by competitors;
- unanticipated changes in general market conditions or other factors, which may result in cancellations of orders or a reduction or increase in the rate of reorders placed by retailers;
- weak economic conditions or consumer confidence, which could reduce demand for discretionary items such as our products; and
- terrorism or acts of war, or the threat of terrorism or acts of war, which could adversely affect consumer confidence and spending or interrupt production and distribution of product and raw materials.

Inventory levels in excess of customer demand may result in inventory write-downs and the sale of excess inventory at discounted prices, which could have an adverse effect on our business, results of operations and financial condition. On the other hand, if we underestimate demand for our products, our manufacturing facilities or third party manufacturers may not be able to produce products to meet customer requirements, and this could result in delays in the shipment of products and lost revenues, as well as damage to our reputation and customer relationships. There can be no assurance that we will be able to successfully manage inventory levels to exactly meet future order and reorder requirements.

Our operating results can be adversely affected by changes in the cost or availability of raw materials.

Pricing and availability of raw materials for use in our businesses can be volatile due to numerous factors beyond our control, including general, domestic and international economic conditions, labor costs, production levels, competition, consumer demand, import duties and tariffs and currency exchange rates. This volatility can significantly affect the availability and cost of raw materials for us, and may, therefore, have a material adverse effect on our business, results of operations and financial condition.

During periods of rising prices of raw materials, there can be no assurance that we will be able to pass any portion of such increases on to customers. Conversely, when raw material prices decline, customer demands for lower prices could result in lower sale prices and, to the extent we have existing inventory, lower margins. As a result, fluctuations in raw material prices could have a material adverse effect on our business, results of operations and financial condition.

Supply shortages or changes in availability for any particular type of raw material can delay production or cause increases in the cost of manufacturing our products. We may be negatively affected by changes in availability and pricing of raw materials, which could negatively impact our results of operations.

Our operations in international markets, and earnings in those markets, may be affected by legal, regulatory, political and economic risks.

Our ability to maintain the current level of operations in our existing international markets and to capitalize on growth in existing and new international markets is subject to risks associated with international operations. These include the burdens of complying with a variety of foreign laws and regulations, unexpected changes in regulatory requirements, new tariffs or other barriers to some international markets.

We cannot predict whether quotas, duties, taxes, exchange controls or other restrictions will be imposed by the United States, the European Union or other countries upon the import or export of our products in the future, or what effect any of these actions would have on our business, financial condition or results of operations. We cannot predict whether there might be changes in our ability to repatriate earnings or capital from international jurisdictions. Changes in regulatory, geopolitical policies and other factors may adversely affect our business or may require us to modify our current business practices.

Approximately 54.9% of our revenue is earned in international jurisdictions. We are exposed to risks of changes in U.S. policy for companies having business operations outside the United States. In recent months, the President and others in his Administration have proposed changes in U.S. income tax laws that could, among other things, accelerate the U.S. taxability of non-U.S. earnings or limit foreign tax credits. Although such proposals have been deferred, if new legislation were enacted, it is possible our U.S. income tax expense could increase, which would reduce our earnings.

We use foreign suppliers and manufacturing facilities for a significant portion of our raw materials and finished products, which poses risks to our business operations.

During fiscal 2009, a significant portion of our products sold were produced by and purchased from independent manufacturers primarily located in Asia, with substantially all of the remainder produced by our manufacturing facilities located in California, Switzerland, Utah, China and the Philippines. Although no single supplier and no one country is critical to our production needs, any of the following could materially and adversely affect our ability to produce or deliver our products and, as a result, have a material adverse effect on our business, financial condition and results of operations:

- political or labor instability in countries where our facilities, contractors and suppliers are located;
- political or military conflict, which could cause a delay in the transportation of raw materials and products to us and an increase in transportation costs;

- heightened terrorism security concerns, which could subject imported or exported goods to additional, more frequent or more lengthy inspections, leading to delays in deliveries or impoundment of goods for extended periods or could result in decreased scrutiny by customs officials for counterfeit goods, leading to lost sales, increased costs for our anti-counterfeiting measures and damage to the reputation of its brands;

- disease epidemics and health-related concerns, such as the H1N1 virus, bird flu, SARS, mad cow and hoof-and-mouth disease outbreaks in recent years, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargo of ours goods produced in infected areas;

- imposition of regulations and quotas relating to imports and our ability to adjust timely to changes in trade regulations, which, among other things, could limit our ability to produce products in cost-effective countries that have the labor and expertise needed;

- imposition of duties, taxes and other charges on imports; and

- imposition or the repeal of laws that affect intellectual property rights.

Our business is subject to foreign, national, state and local laws and regulations for environmental, employment, safety and other matters. The costs of compliance with, or the violation of, such laws and regulations by us or by independent suppliers who manufacture products for us could have an adverse effect on our business, results of operations and financial condition.

Numerous governmental agencies in the United States and in other countries in which we have operations, enforce comprehensive national, state and local laws and regulations on a wide range of environmental, employment, health, safety and other matters. We could be adversely affected by costs of compliance or violations of those laws and regulations. In addition, the costs of products purchased by us from independent contractors could increase due to the costs of compliance by those contractors. Further, violations of such laws and regulations could affect the availability of inventory, thereby affecting our net sales.

We may incur significant costs in order to comply with environmental remediation obligations.

Environmental laws also impose obligations on various entities to clean up contaminated properties or to pay for the cost of such remediation, often upon parties that did not actually cause the contamination. Accordingly, we may be liable, either contractually or by operation of law, for remediation costs even if the contaminated property is not presently owned or operated by us, is a landfill or other location where we have disposed wastes, or if the contamination was caused by third parties during or prior to our ownership or operation of the property. Given the nature of the past industrial operations conducted by us and others at these properties, there can be no assurance that all potential instances of soil or groundwater contamination have been identified, even for those properties where an environmental site assessment has been conducted. Future events, such as changes in existing laws or policies or their enforcement, or the discovery of currently unknown contamination, may give rise to additional remediation liabilities that may have a material adverse effect upon our business, results of operations or financial condition.

Risks Related to our Business

There are significant risks associated with our strategy of acquiring and integrating businesses.

A key element of our strategy is the acquisition of businesses and assets that will complement our current business, increase size, expand our geographic scope of operations, and otherwise offer growth opportunities. We may not be able to successfully identify attractive acquisition opportunities, obtain financing for acquisitions, make acquisitions on satisfactory terms, or successfully acquire and/or integrate identified targets. In identifying, evaluating and selecting a target business for a potential acquisition, we expect to encounter intense competition from other entities including blank check companies, private equity groups, venture capital funds, leveraged buyout funds, and operating businesses seeking strategic acquisitions. Many of these entities are well-established and have extensive experience identifying and effecting business combinations directly or through affiliates. Moreover, many of these competitors possess greater financial, technical, human and other resources than us which will give them a competitive advantage in pursuing the acquisition of certain target businesses.

Our ability to implement our acquisition strategy is also subject to other risks and costs, including:

- loss of key employees, customers or suppliers of acquired businesses;
- diversion of management's time and attention from our core businesses;
- adverse effects on existing business relationships with suppliers and customers;
- our ability to secure necessary financing;
- our ability to realize operating efficiencies, synergies, or other benefits expected from an acquisition;
- risks associated with entering markets in which we have limited or no experience;
- risks associated with our ability to execute successful due diligence; and
- assumption of contingent or undisclosed liabilities of acquisition targets.

The above risks could have a material adverse effect on the market price of our common stock and our business, financial condition and results of operations

Recent turmoil across various sectors of the financial markets may negatively impact the Company’s business, financial condition and/or operating results as well as our ability to effectively execute our acquisition strategy.

Recently, the various sectors of the credit markets and the financial services industry have been experiencing a period of unprecedented turmoil and upheaval characterized by disruption in the credit markets and availability of credit and other financing, the failure, bankruptcy, collapse or sale of various financial institutions and an unprecedented level of intervention from the United States federal government. While the ultimate outcome of these events cannot be predicted, they may have a material adverse effect on our ability to obtain financing necessary to effectively execute our acquisition strategy, the ability of our customers and suppliers to continue to operate their businesses or the demand for our products which could have a material adverse effect on the market price of our common stock and our business, financial condition and results of operations.

We may not be able to adequately manage our growth.

We have expanded, and are seeking to continue to expand, our business. This growth has placed significant demands on our management, administrative, operating and financial resources as well as our manufacturing capacity capabilities. The continued growth of our customer base, the types of products offered and the geographic markets served can be expected to continue to place a significant strain on our resources. Personnel qualified in the production and marketing of our products are difficult to find and hire, and enhancements of information technology systems to support growth are difficult to implement. Our future performance and profitability will depend in large part on our ability to attract and retain additional management and other key personnel as well as our ability to increase and maintain our manufacturing capacity capabilities to meet the needs of our current and future customers. Any failure to adequately manage our growth could have a material adverse effect on the market price of our common stock and our business, financial condition and results of operations.

The Company's existing credit agreement contains financial and restrictive covenants that may limit our ability to operate our business

The agreement governing the Company's credit facility contains, and any of its other future debt agreements may contain, covenant restrictions that limit its ability to operate its business, including restrictions on its ability to:

- incur debt (including secured debt) or issue guarantees;
- grant liens on its assets;
- sell substantially of our assets; and
- enter into certain mergers or consolidations or make certain acquisitions.

In addition, the Company's credit facility contains other affirmative and negative covenants, including the requirements to maintain a minimum level of earnings before interest, tax, depreciation and amortization, tangible net worth, and asset coverage. The Company's ability to comply with these covenants is dependent on its future performance, which will be subject to many factors, some of which are beyond its control, including prevailing economic conditions. Any failure to comply with the restrictions of our credit facility or any subsequent financing agreements may result in an event of default. An event of default may allow the creditors, if the agreements so provide, to accelerate the related debt as well as any other debt to which a cross-acceleration or cross-default provision applies. In addition, the lender under our credit facility may be able to terminate any commitments it had made to supply us with further funds. If we default on the financial covenants in our credit facility, our lender could exercise all rights and remedies available to it, which could have a material adverse effect on our business, results of operations, and financial condition.

As a result of these covenants, the Company's ability to respond to changes in business and economic conditions and to obtain additional financing, if needed, may be significantly restricted, and the Company may be prevented from engaging in transactions or making acquisitions of a business that might otherwise be beneficial to it.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under the revolving portion of our credit facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows would decrease.

Compliance with the Sarbanes-Oxley Act of 2002 will require substantial financial and management resources and may increase the time and costs of completing an acquisition.

Section 404 of the Sarbanes-Oxley Act of 2002 requires that we evaluate and report on our system of internal controls and requires that we have such system of internal controls audited. If we fail to maintain the adequacy of our internal controls, we could be subject to regulatory scrutiny, civil or criminal penalties and/or stockholder litigation. Any inability to provide reliable financial reports could harm our business. Section 404 of the Sarbanes-Oxley Act also requires that our independent registered public accounting firm report on management's evaluation of our system of internal controls. An acquisition target may not be in compliance with the provisions of the Sarbanes-Oxley Act regarding adequacy of their internal controls. The development of the internal controls of any such entity to achieve compliance with the Sarbanes-Oxley Act may increase the time and costs necessary to complete any such acquisition. Furthermore, any failure to implement required new or improved controls, or difficulties encountered in the implementation of adequate controls over our financial processes and reporting in the future, could harm our operating results or cause us to fail to meet our reporting obligations. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

Our Board of Directors and executive officers have significant influence over our affairs.

The members of our Board of Directors and our executive officers, which includes Warren B. Kanders, Peter Metcalf and Robert R. Schiller, beneficially own approximately 39% of our outstanding common stock. As a result, our Board of Directors and executive officers, to the extent they vote their shares in a similar manner, have influence over our affairs and could exercise such influence in a manner that is not in the best interests of our other stockholders, including by attempting to delay, defer or prevent a change of control transaction that might otherwise be in the best interests of our stockholders.

We may be unable to realize the benefits of our net operating loss ("NOL") and tax credit carryforwards.

NOLs may be carried forward to offset federal and state taxable income in future years and eliminate income taxes otherwise payable on such taxable income, subject to certain adjustments. Based on current federal corporate income tax rates, our NOL and other carryforwards could provide a benefit to us, if fully utilized, of significant future tax savings. However, our ability to use these tax benefits in future years will depend upon the amount of our otherwise taxable income. If we do not have sufficient taxable income in future years to use the tax benefits before they expire, we will lose the benefit of these NOL carryforwards permanently.

Additionally, if we underwent an ownership change, the NOL carryforward limitations would impose an annual limit on the amount of the taxable income that may be offset by our NOL generated prior to the ownership change. If an ownership change were to occur, we may be unable to use a significant portion of our NOL to offset taxable income. In general, an ownership change occurs when, as of any testing date, the aggregate of the increase in percentage points of the total amount of a corporation's stock owned by "5-percent stockholders" within the meaning of the NOL carryforward limitations whose percentage ownership of the stock has increased as of such date over the lowest percentage of the stock owned by each such "5-percent stockholder" at any time during the three-year period preceding such date is more than 50 percentage points. In general, persons who own 5% or more of a corporation's stock are "5-percent stockholders," and all other persons who own less than 5% of a corporation's stock are treated together as a public group. The issuance of a large number of shares of common stock in connection with our acquisition strategy could result in a limitation of the use of our NOLs.

Moreover, if a corporation experiences an ownership change and does not satisfy the continuity of business enterprise, or COBE, requirement (which generally requires that the corporation continue its historic business or use a significant portion of its historic business assets in a business for the two-year period beginning on the date of the ownership change), it cannot, subject to certain exceptions, use any NOL from a pre-change period to offset taxable income in post-change years.

The actual ability to utilize the tax benefit of any existing NOLs will be subject to future facts and circumstances with respect to meeting the above described COBE requirements at the time NOLs are being utilized on a tax return. The realization of NOLs and the recognition of asset and valuation allowances for deferred taxes require management to make estimates and judgments about the Company's future profitability which are inherently uncertain. Deferred tax assets are reduced by valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. If, in the opinion of management, it becomes more likely than not that some portion or all of the deferred tax assets will not be realized, deferred tax assets would be reduced by a valuation allowance and any such reduction could have a material adverse effect on the financial condition of the Company.

The amount of NOL and tax credit carryforwards that we have claimed has not been audited or otherwise validated by the U.S. Internal Revenue Service (the "IRS"). The IRS could challenge our calculation of the amount of our NOL or our determinations as to when a prior change in ownership occurred and other provisions of the Internal Revenue Code of 1986, as amended (the "Code") may limit our ability to carry forward our NOL to offset taxable income in future years. If the IRS was successful with respect to any such challenge, the potential tax benefit of the NOL carryforwards to us could be substantially reduced.

Certain protective measures implemented by us to preserve our NOL may not be effective or may have some unintended negative effects.

On July 24, 2003, at our Annual Meeting of Stockholders, our stockholders approved an amendment (the "Amendment") to our Amended and Restated Certificate of Incorporation to restrict certain acquisitions of our securities in order to help assure the preservation of our NOL. The Amendment generally restricts direct and indirect acquisitions of our equity securities if such acquisition will affect the percentage of Clarus' capital stock that is treated as owned by a "5% stockholder." Additionally, on February 7, 2008, our board of directors approved a Rights Agreement which is designed to assist in limiting the number of 5% or more owners and thus reduce the risk of a possible "change of ownership" under Section 382 of the Code.

Although the transfer restrictions imposed on our capital stock and the Rights Agreement are intended to reduce the likelihood of an impermissible ownership change, there is no guarantee that such protective measures would prevent all transfers that would result in an impermissible ownership change. These protective measures also will require any person attempting to acquire a significant interest in us to seek the approval of our board of directors. This may have an "anti-takeover" effect because our board of directors may be able to prevent any future takeover. Similarly, any limits on the amount of capital stock that a stockholder may own could have the effect of making it more difficult for stockholders to replace current management. Additionally, because protective measures implemented by us to preserve our NOL will have the effect of restricting a stockholder's ability to acquire our common stock, the liquidity and market value of our common stock might suffer.

The loss of any member of our senior management or certain other key executives could significantly harm our business.

Our ability to maintain our competitive position is dependent to a large degree on the efforts and skills of our senior management team, including Warren B. Kanders, Peter Metcalf and Robert R. Schiller. If we lose the services of any member of our senior management, our business may be significantly impaired. In addition, many of our senior executives have strong industry reputations, which aid us in identifying acquisition and borrowing opportunities, and having such opportunities brought to us. The loss of the services of these key personnel could materially and adversely affect our operations because of diminished relationships with lenders, existing and prospective tenants, property sellers and industry personnel.

Our board of directors may change significant corporate policies without stockholder approval.

Our investment, financing, borrowing and dividend policies and our policies with respect to all other activities, including growth, debt, capitalization and operations, will be determined by our board of directors. These policies may be amended or revised at any time and from time to time at the discretion of the board of directors without a vote of our stockholders. In addition, the board of directors may change our policies with respect to conflicts of interest provided that such changes are consistent with applicable legal requirements. A change in these policies could have an adverse effect on our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay dividends to you.

Compensation awards to our management may not be tied to or correspond with our improved financial results or share price.

The compensation committee of our board of directors is responsible for overseeing our compensation and employee benefit plans and practices, including our executive compensation plans and our incentive compensation and equity-based compensation plans. Our compensation committee has significant discretion in structuring compensation packages and may make compensation decisions based on any number of factors. As a result, compensation awards may not be tied to or correspond with improved financial results at our company or the share price of our common stock.

Risks Related to our Common Stock

Our common stock is not currently listed on any securities exchange, quotation system or market.

Although the Company announced that it has applied to list its shares of common stock on the NASDAQ Global Market ("NASDAQ") under the ticker symbol "BDE", there can be no assurance that such listing application will be approved or that a regular trading market will develop or that if developed, will be sustained. Our common stock is not currently listed on any securities exchange, quotation system or market and is currently quoted on the OTC Pink Sheets Electronic Quotation Service under the symbol "CLRS.PK". As a result, stockholders may find it more difficult to dispose of, or to obtain accurate quotations as to the price of, our common stock, the liquidity of our stock may be reduced, making it difficult for a stockholder to buy or sell our stock at competitive market prices or at all, we may lose support from institutional investors and/or market makers that currently buy and sell our stock and the price of our common stock could decline.

Our Amended and Restated Certificate of Incorporation authorizes the issuance of shares of preferred stock.

Our Amended and Restated Certificate of Incorporation provides that our board of directors will be authorized to issue from time to time, without further stockholder approval, up to 5,000,000 shares of preferred stock in one or more series and to fix or alter the designations, preferences, rights and any qualifications, limitations or restrictions of the shares of each series, including the dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, including sinking fund provisions, redemption price or prices, liquidation preferences and the number of shares constituting any series or designations of any series. Such shares of preferred stock could have preferences over our common stock with respect to dividends and liquidation rights. We may issue additional preferred stock in ways which may delay, defer or prevent a change in control of Clarus without further action by our stockholders. Such shares of preferred stock may be issued with voting rights that may adversely affect the voting power of the holders of our common stock by increasing the number of outstanding shares having voting rights, and by the creation of class or series voting rights.

We may issue a substantial amount of our common stock in the future, which could cause dilution to current investors and otherwise adversely affect our stock price.

A key element of our growth strategy is to make acquisitions. As part of our acquisition strategy, we may issue additional shares of common stock as consideration for such acquisitions. These issuances could be significant. To the extent that we make acquisitions and issue our shares of common stock as consideration, your equity interest in us will be diluted. Any such issuance will also increase the number of outstanding shares of common stock that will be eligible for sale in the future. Persons receiving shares of our common stock in connection with these acquisitions may be more likely to sell off their common stock, which may influence the price of our common stock. In addition, the potential issuance of additional shares in connection with anticipated acquisitions could lessen demand for our common stock and result in a lower price than might otherwise be obtained. We may issue common stock in the future for other purposes as well, including in connection with financings, for compensation purposes, in connection with strategic transactions or for other purposes. The issuance of a large number of shares of common stock in connection with our acquisition strategy could also have a negative effect on our ability to use our NOLs.

We do not expect to pay dividends on our common stock in the foreseeable future.

Although our stockholders may receive dividends if, as and when declared by our board of directors, we do not intend to pay dividends on our common stock in the foreseeable future. Therefore, you should not purchase our common stock if you need immediate or future income by way of dividends from your investment. In addition, upon an event of default under our credit facility, we are prohibited from declaring or paying any dividends on our common stock or generally making other distributions to our stockholders.

The price of our common stock has been and is expected to continue to be volatile, which could affect a stockholder's return on investment.

There has been significant volatility in the stock market and in particular in the market price and trading volume of securities, which has often been unrelated to the performance of the companies. The market price of our common stock has been subject to significant fluctuations, and we expect it to continue to be subject to such fluctuations for the foreseeable future. We believe the reasons for these fluctuations include, in addition to general market volatility, the relatively thin level of trading in our stock, and the relatively low public float. Therefore, variations in financial results, announcements of material events, technological innovations or new products by us or our competitors, our quarterly operating results, changes in general conditions in the economy or the health care industry, other developments affecting us or our competitors or general price and volume fluctuations in the market are among the many factors that could cause the market price of our common stock to fluctuate substantially.

Shares of our common stock have been thinly traded in the past.

The trading volume of our common stock has not been significant, and there may not be an active trading market for our common stock in the future. As a result of the thin trading market or "float" for our stock, the market price for our common stock may fluctuate significantly more than the stock market as a whole. Without a large float, our common stock is less liquid than the stock of companies with broader public ownership and, as a result, the trading prices of our common stock may be more volatile. In the absence of an active public trading market, an investor may be unable to liquidate his investment in our common stock. Trading of a relatively small volume of our common stock may have a greater impact on the trading price for our stock than would be the case if our public float were larger. We cannot predict the prices at which our common stock will trade in the future.

PROPERTIES

The following table identifies and provides certain information regarding our principal facilities.

Location	Annual Rent	Owned/ Leased	Approximate Size	Activity
2084 East 3900 South Salt Lake City, Utah	N/A	Owned	90,000 (sq ft)	Manufacturing, resale, research, and office.
2080 East 3900 South, Building N Salt Lake City, Utah	N/A	Owned	1,235 (sq ft)	Leased to G.M.C.A. LLC for retail of food and drinks.
1957 South West Salt Lake City, Utah	$198,441	Leased	47,248(sq ft)	Distribution and retail operations
2074 East 3900 South Salt Lake City, Utah	N/A	Owned	2,600 (sq ft)	Leased to OldRock, Inc.
Gangyun Factory, Lot 2 Free Trade Zone, Zhuhai City, Guangdong Providence, PR China	$352,960	Leased	100,000 (sq ft)	Warehousing and light manufacturing
Christoph Merain Ring 7 4153 Reinach, Switzerland	$123,797	Leased	6,360(sq ft)	Office; storage and parking
1026 Echandens, Switzerland	$13,858	Leased	600 (sq ft)	Showroom Floor
Trendhouse Thurgauerstrasse 117 II 8152 Glattbrugg, Switzerland	$14,900	Leased	485 (sq ft)	Showroom
1414 K Street, Suite 100 Sacramento, California	$246,872	Leased	8,540(sq ft)	Office
416 W. 5th Street Calexico, California	$156,948	Leased	40,680(sq ft)	Manufacturing and distribution operations
1631 Enterprise Blvd, Suite 30 West Sacramento, California	$50,400	Leased	16,000(sq ft)	Office and distribution operations
1-17-1 Aioicho, Naka-Ward Yokohama City, Japan	$35,455	Leased	1,046(sq ft)	Office

LEGAL PROCEEDINGS

The Company is involved in various legal disputes and other legal proceedings that arise from time to time in the ordinary course of business. Based on currently available information, the Company does not believe that the disposition of any of the legal disputes the Company or its subsidiaries is currently involved in will have a material adverse effect upon the Company's consolidated financial condition, results of operations or cash flows. It is possible that, as additional information becomes available, the impact on the Company of an adverse determination could have a different effect.

Litigation

The Company is involved in various lawsuits arising from time to time that the Company considers ordinary routine litigation incidental to its business. Amounts accrued for litigation matters represent the anticipated costs (damages and/or settlement amounts) in connection with pending litigation and claims and related anticipated legal fees for defending such actions. The costs are accrued when it is both probable that a liability has been incurred and the amount can be reasonably estimated. The accruals are based upon the Company's assessment, after consultation with counsel (if deemed appropriate), of probable loss based on the facts and circumstances of each case, the legal issues involved, the nature of the claim made, the nature of the damages sought and any relevant information about the plaintiffs and other significant factors that vary by case. When it is not possible to estimate a specific expected cost to be incurred, the Company evaluates the range of probable loss and records the minimum end of the range. The Company believes that anticipated probable costs of litigation matters have been adequately reserved to the extent determinable. Based on current information, the Company believes that the ultimate conclusion of the various pending litigation of the Company, in the aggregate, will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Product Liability

As a consumer goods manufacturer and distributor, the Company faces the risk of product liability and related lawsuits involving claims for substantial money damages, product recall actions and higher than anticipated rates of warranty returns or other returns of goods. The Company is therefore party to various personal injury and property damage lawsuits relating to its products and incidental to its business.

Based on current information, the Company believes that the ultimate conclusion of the various pending product liability claims and lawsuits of the Company, in the aggregate, will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

SELECTED UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following selected unaudited pro forma financial information contains the non-GAAP measures: EBITDA, Adjusted EBITDA, cash earnings per share and adjusted cash earnings per share.

The selected unaudited pro forma financial information below is being provided in connection with the other financial information included as part of this Current Report on Form 8-K because the Company believes the presentation of these non-GAAP measures provides useful information for the understanding of its future combined operations included therein. It its intended to enable investors to focus on period-over-period future operating performance, and thereby enhance the user's overall understanding of the Company's current financial performance relative to past performance. It is also intended to provide, to the nearest GAAP measures, a better baseline for modeling future earnings expectations. The Company cautions that non-GAAP measures should be considered in addition to, but not as a substitute for, the Company's reported GAAP results.

EBITDA and Adjusted EBITDA

"EBITDA" which represents earnings before interest, taxes, depreciation and amortization and other special items and "Adjusted EBITDA" which includes EBITDA plus transaction costs, non-cash equity compensation and merger and integration, are presented in the following selected unaudited pro forma financial information because management believes that EBITDA, as defined above, is a common alternative to measure value and performance. We cannot assure you that this measure is comparable to similarly titled measures presented by other companies.

RECONCILIATION FROM OPERATING INCOME TO EBITDA AND ADJUSTED EBITDA
FOR THE YEAR ENDED DECEMBER 31, 2009
(IN THOUSANDS)

	Clarus	Black Diamond Equipment	Gregory Mountain Products	BDE Pro Forma Adjustments	GMP Pro Forma Adjustment	Pro Forma Combined Clarus, BDE and GMP
Operating (loss) income	$ (5,552)	$ 6,494	$ 2,370	$ (364)	$ (66)	$ 2,882
Depreciation in cost of goods sold		1,106	56	(181)	(27)	954
Depreciation in selling, general and admin	342	1,144	272	(187)	(132)	1,439
Amortization	-	4	243	845	225	1,317
EBITDA	$ (5,210)	$ 8,748	$ 2,941	$ 113	$ -	$ 6,592
Transaction costs	1,613	-	-	-	-	1,613
Non-cash equity compensation	490	-	-	48	-	538
Merger and integration	-	-	739	-	-	739
Adjusted EBITDA	$ (3,107)	$ 8,748	$ 3,680	$ 161	$ -	$ 9,482

RECONCILIATION FROM OPERATING INCOME TO EBITDA AND ADJUSTED EBITDA
FOR THE THREE MONTHS ENDED MARCH 31, 2010
(IN THOUSANDS)

	Clarus	Black Diamond Equipment	Gregory Mountain Products	BDE Pro Forma Adjustments	GMP Pro Forma Adjustment	Pro Forma Combined Clarus, BDE and GMP
Operating (loss) income	$ (2,377)	$ 1,805	$ 1,847	$ 1,326	$ (6)	$ 2,595
Depreciation in cost of goods sold		196	14	(10)	(8)	192
Depreciation in selling, general and admin	79	299	73	(14)	(43)	394
Amortization	-	1	61	212	57	331
EBITDA	$ (2,298)	$ 2,301	$ 1,995	$ 1,514	$ -	$ 3,512
Transaction costs	1,509	-	-	(1,486)	-	23
Non-cash equity compensation	118	-	-	12	-	130
Merger and integration	-	-	64	-	-	64
Adjusted EBITDA	$ (671)	$ 2,301	$ 2,059	$ 40	$ -	$ 3,729

Cash Earnings Per Share and Adjusted Cash Earnings Per Share

"Cash earnings per share", which represents net income adjusted for amortization, other non-cash items, GAAP and cash taxes, and "adjusted cash earnings per share," which represents cash earnings per share plus transaction costs and merger and integration expenses, net of the cash tax effect, are presented in the following selected unaudited pro forma financial information because management believes that cash earnings per share more accurately reflects the benefit of our net operating loss carryforward's ability to offset the majority of our federal income taxes. We cannot assure you that this measure is comparable to similarly titled measures presented by other companies.

RECONCILIATION FROM NET INCOME TO CASH NET INCOME, ADJUSTED CASH NET INCOME AND CASH EARNINGS PER SHARE AND ADJUSTED CASH EARNINGS PER SHARE
FOR THE YEAR ENDED DECEMBER 31, 2009
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Clarus	Black Diamond Equipment	Gregory Mountain Products	BDE Pro Forma Adjustments	GMP Pro Forma Adjustment	Pro Forma Combined Clarus, BDE and GMP
Net (loss) income	$ (4,845)	$ 4,050	$ 1,634	$ 892	$ (1,725)	$ 6
Amortization of intangibles	-	4	243	845	225	1,317
Depreciation in cost of goods sold		1,106	56	(181)	(27)	954
Depreciation in selling, general and admin	342	1,144	272	(187)	(132)	1,439
Accretion of note discount					1,389	1,389
Non-cash equity compensation	490			48		538
GAAP tax provision/(benefit)	(6)	1,820	812	(1,753)	(868)	5
Cash income taxes	6	(1,045)	(1,280)	901	1,163	(255)
Cash net income	$ (4,013)	$ 7,079	$ 1,737	$ 565	$ 25	$ 5,393
Transaction costs	1,613	-	-	-	-	1,613
Merger and integration	-	-	739	-	-	739
State cash taxes on adjustments	(81)	-	(37)	-	-	(118)
AMT cash taxes on adjustments	(31)	-	(14)	-	-	(45)
Adjusted cash net income	$ (2,512)	$ 7,079	$ 2,425	$ 565	$ 25	$ 7,582
Cash earnings per common share attributable to stockholders:						
Basic earnings per common share	$ (0.24)					$ 0.26
Diluted earnings per common share	$ (0.24)					$ 0.26
Adjusted cash earnings per common share attributable to stockholders:						
Basic earnings per common share	$ (0.15)					$ 0.36
Diluted earnings per						

common share	$ (0.15)			$ 0.36
Weighted average common shares outstanding for earnings per share:				
Basic	16,867	484	3,707	21,058
Diluted	16,867	484	3,707	21,124
		66		

RECONCILIATION FROM NET INCOME TO CASH INCOME, ADJUSTED CASH INCOME AND CASH EARNINGS PER SHARE AND ADJUSTED CASH EARNINGS PER SHARE FOR THE THREE MONTHS ENDED MARCH 31, 2010 (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Clarus	Black Diamond Equipment	Gregory Mountain Products	BDE Pro Forma Adjustments	GMP Pro Forma Adjustment	Pro Forma Combined Clarus, BDE and GMP
Net (loss) income	$ (2,355)	$ 1,117	$ 1,096	$ 1,441	$ (346)	$ 953
Amortization of intangibles	-	1	61	212	57	331
Depreciation in cost of goods sold	-	196	14	(10)	(8)	192
Depreciation in selling, general and admin	79	299	73	(14)	(43)	394
Accretion of note discount			-	-	347	347
Non-cash equity compensation	118			12		130
GAAP tax provision/(benefit)	-	331	757	(205)	(292)	591
Cash income taxes	-	(418)	(19)	381	(97)	(153)
Cash net income	$ (2,158)	$ 1,526	$ 1,982	$ 1,817	$ (382)	$ 2,785
Transaction costs	1,509	-	-	(1,486)	-	23
Merger and integration	-	-	64	-	-	64
State cash taxes on adjustments	(75)	-	(3)	74	-	(4)
AMT cash taxes on adjustments	(29)	-	(1)	28	-	(2)
Adjusted cash net income	$ (753)	$ 1,526	$ 2,042	$ 433	$ (382)	$ 2,866
Cash earnings per common share attributable to stockholders:						
Basic earnings per common share	$ (0.13)					$ 0.13
Diluted earnings per common share	$ (0.13)					$ 0.13
Adjusted cash earnings per common share attributable to stockholders:						
Basic earnings per common share	$ (0.04)					$ 0.14
Diluted earnings per common share	$ (0.04)					$ 0.14

Weighted average common shares outstanding for earnings per share:				
Basic	16,867	484	3,707	21,058
Diluted	16,867	484	3,707	21,182

124

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of the Business Acquired. The financial statements required by this item are hereby included in Exhibit 99.2 attached hereto with respect to Black Diamond in Exhibit 99.3 attached hereto with respect to Gregory.

(b) Pro Forma Financial Information. The pro forma financial information required by this item is hereby included in Exhibit 99.4 attached hereto with respect to the Company.

(d) Exhibits. The following Exhibits are filed herewith as a part of this report:

Exhibit	Description
2.1	Agreement and Plan of Merger, dated as of May 7, 2010, by and among Clarus Corporation, Everest/Sapphire Acquisition, LLC, Sapphire Merger Corp., Black Diamond Equipment, Ltd. and Ed McCall, as Stockholders' Representative (incorporated herein by reference to Exhibit 2.1 of the Current Report on Form 8-K dated May 7, 2010, filed by Clarus Corporation, on May 10, 2010).
2.2	Agreement and Plan of Merger, dated as of May 7, 2010, by and among Clarus Corporation, Everest/Sapphire Acquisition, LLC, Everest Merger I Corp., Everest Merger II, LLC, Gregory Mountain Products, Inc., Kanders GMP Holdings, LLC and Schiller Gregory Investment Company, LLC (incorporated herein by reference to Exhibit 2.2 of the Current Report on Form 8-K dated May 7, 2010, filed by Clarus Corporation, on May 10, 2010).
3.1	Amendment No. 2 to the Amended and Restated Bylaws of the Company.
10.1	Loan Agreement, dated May 28, 2010, by and among Zions First National Bank, a national banking association, the Company and its direct and indirect subsidiaries, Black Diamond Equipment Ltd., Black Diamond Retail, Inc., and Everest/Sapphire Acquisition, LLC, as co-borrowers.
10.2	Promissory Note, dated May 28, 2010, by and among Zions First National Bank, a national banking association, the Company, Black Diamond Equipment Ltd., Black Diamond Retail, Inc., and Everest/Sapphire Acquisition, LLC, as co-borrowers.
10.3	Assumption Agreement, dated May 28, 2010, between Zions First National Bank, a national banking association and Gregory Mountain Products, LLC.
10.4	First Substitute Promissory Note, dated May 28, 2010, by and among Zions First National Bank, a national banking association, the Company, Black Diamond Equipment Ltd., Black Diamond Retail, Inc., Everest/Sapphire Acquisition, LLC and Gregory Mountain Products, LLC, as co-borrowers.
10.5	Subordination Agreement, dated May 28, 2010, by and among Zions First National Bank, a national banking association, the Company, Black Diamond Equipment Ltd., Black Diamond Retail, Inc., Everest/Sapphire Acquisition, LLC and Gregory Mountain Products, LLC, as co-borrowers, and Kanders GMP Holdings, LLC.

10.6	Subordination Agreement, dated May 28, 2010, by and among Zions First National Bank, a national banking association, the Company, Black Diamond Equipment Ltd., Black Diamond Retail, Inc., Everest/Sapphire Acquisition, LLC and Gregory Mountain Products, LLC, as co-borrowers, and Schiller Gregory Investment Company, LLC.
10.7	Escrow Agreement, dated May 28, 2010, by and among Clarus Corporation, Everest/Sapphire Acquisition, LLC, U.S. Bank National Association, Ed McCall, and Black Diamond Equipment, Ltd.
10.8	Form of Black Diamond Registration Rights Agreement, dated May 28, 2010.
10.9	Form of 5% Subordinated Promissory Note Due May 28, 2017.
10.10	Form of Gregory Registration Rights Agreement, dated May 28, 2010.
10.11	Form of Lock-up Agreement dated May 28, 2010.
10.12	Form of Restrictive Covenant Agreement, dated May 28, 2010.
10.13	Employment Agreement, dated as of May 28, 2010, between Clarus Corporation and Warren B. Kanders.
10.14	Employment Agreement, dated as of May 28, 2010, between Clarus Corporation and Robert R. Schiller.
10.15	Employment Agreement, dated as of May 7, 2010, between Clarus Corporation and Peter Metcalf (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2010).
10.16	Amendment No. 1 to Employment Agreement, dated as of May 28, 2010, between Clarus Corporation and Peter Metcalf.
10.17	Stock Option Agreement, dated December 23, 2002, between Clarus Corporation and Warren B. Kanders (incorporated herein by reference to Exhibit 4.6 of the Company's Registration Statement Form S-8 filed with the Securities and Exchange Commission on August 19, 2005).
10.18	Restricted Stock Agreement, dated April 11, 2003, between Clarus Corporation and Warren B. Kanders (a copy of which is filed as Exhibit 4.1 of the Company's Form 10-Q filed with the Securities and Exchange Commission on May 15, 2003).
10.19	Restricted Stock Agreement, dated May 28, 2010, between Clarus Corporation and Warren B. Kanders
10.20	Transition Agreement, dated May 28, 2010 between Clarus Corporation and Kanders and Company, Inc.
23.1	Consent of Tanner LC

23.2	Consent of Burr Pilger Mayer, Inc.
99.1	Press Release, dated June 1, 2010 (incorporated herein by reference to Exhibit 99.1 of the Current Report on Form 8-K dated June 1, 2010, filed by Clarus Corporation, on June 1, 2010).
99.2	Financial Statements of Black Diamond Equipment, Ltd.
99.3	Financial Statements of Gregory Mountain Products, Inc.
99.4	Pro Forma Financial Statements of Clarus Corporation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: June 4, 2010

CLARUS CORPORATION

By: /s/ Robert Peay
Name: Robert Peay
Title: Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

Exhibit	Description
2.1	Agreement and Plan of Merger, dated as of May 7, 2010, by and among Clarus Corporation, Everest/Sapphire Acquisition, LLC, Sapphire Merger Corp., Black Diamond Equipment, Ltd. and Ed McCall, as Stockholders' Representative (incorporated herein by reference to Exhibit 2.1 of the Current Report on Form 8-K dated May 7, 2010, filed by Clarus Corporation, on May 10, 2010).
2.2	Agreement and Plan of Merger, dated as of May 7, 2010, by and among Clarus Corporation, Everest/Sapphire Acquisition, LLC, Everest Merger I Corp., Everest Merger II, LLC, Gregory Mountain Products, Inc., Kanders GMP Holdings, LLC and Schiller Gregory Investment Company, LLC (incorporated herein by reference to Exhibit 2.2 of the Current Report on Form 8-K dated May 7, 2010, filed by Clarus Corporation, on May 10, 2010).
3.1	Amendment No. 2 to the Amended and Restated Bylaws of the Company.
10.1	Loan Agreement, dated May 28, 2010, by and among Zions First National Bank, a national banking association, the Company and its direct and indirect subsidiaries, Black Diamond Equipment Ltd., Black Diamond Retail, Inc., and Everest/Sapphire Acquisition, LLC, as co-borrowers.
10.2	Promissory Note, dated May 28, 2010, by and among Zions First National Bank, a national banking association, the Company, Black Diamond Equipment Ltd., Black Diamond Retail, Inc., and Everest/Sapphire Acquisition, LLC, as co-borrowers.
10.3	Assumption Agreement, dated May 28, 2010, between Zions First National Bank, a national banking association and Gregory Mountain Products, LLC.
10.4	First Substitute Promissory Note, dated May 28, 2010, by and among Zions First National Bank, a national banking association, the Company, Black Diamond Equipment Ltd., Black Diamond Retail, Inc., Everest/Sapphire Acquisition, LLC and Gregory Mountain Products, LLC, as co-borrowers.
10.5	Subordination Agreement, dated May 28, 2010, by and among Zions First National Bank, a national banking association, the Company, Black Diamond Equipment Ltd., Black Diamond Retail, Inc., Everest/Sapphire Acquisition, LLC and Gregory Mountain Products, LLC, as co-borrowers, and Kanders GMP Holdings, LLC.
10.6	Subordination Agreement, dated May 28, 2010, by and among Zions First National Bank, a national banking association, the Company, Black Diamond Equipment Ltd., Black Diamond Retail, Inc., Everest/Sapphire Acquisition, LLC and Gregory Mountain Products, LLC, as co-borrowers, and Schiller Gregory Investment Company, LLC.

10.7	Escrow Agreement, dated May 28, 2010, by and among Clarus Corporation, Everest/Sapphire Acquisition, LLC, U.S. Bank National Association, Ed McCall, and Black Diamond Equipment, Ltd.
10.8	Form of Black Diamond Registration Rights Agreement, dated May 28, 2010.
10.9	Form of 5% Subordinated Promissory Note Due May 28, 2017.
10.10	Form of Gregory Registration Rights Agreement, dated May 28, 2010.
10.11	Form of Lock-up Agreement, dated May 28, 2010.
10.12	Form of Restrictive Covenant Agreement dated May 28, 2010.
10.13	Employment Agreement, dated as of May 28, 2010, between Clarus Corporation and Warren B. Kanders.
10.14	Employment Agreement, dated as of May 28, 2010, between Clarus Corporation and Robert R. Schiller.
10.15	Employment Agreement, dated as of May 7, 2010, between Clarus Corporation and Peter Metcalf (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 10, 2010).
10.16	Amendment No. 1 to Employment Agreement, dated as of May 28, 2010, between Clarus Corporation and Peter Metcalf.
10.17	Stock Option Agreement, dated December 23, 2002, between Clarus Corporation and Warren B. Kanders (incorporated herein by reference to Exhibit 4.6 of the Company's Registration Statement Form S-8 filed with the Securities and Exchange Commission on August 19, 2005).
10.18	Restricted Stock Agreement, dated April 11, 2003, between Clarus Corporation and Warren B. Kanders (a copy of which is filed as Exhibit 4.1 of the Company's Form 10-Q filed with the Securities and Exchange Commission on May 15, 2003).
10.19	Restricted Stock Agreement, dated May 28, 2010, between Clarus Corporation and Warren B. Kanders
10.20	Transition Agreement, dated May 28, 2010 between Clarus Corporation and Kanders and Company, Inc.
23.1	Consent of Tanner LC
23.2	Consent of Burr Pilger Mayer, Inc.
99.1	Press Release, dated June 1, 2010 (incorporated herein by reference to Exhibit 99.1 of the Current Report on Form 8-K dated June 1, 2010, filed by Clarus Corporation, on June 1, 2010).
99.2	Financial Statements of Black Diamond Equipment, Ltd.
99.3	Financial Statements of Gregory Mountain Products, Inc.
99.4	Pro Forma Financial Statements of Clarus Corporation.

Exhibit 3.1

AMENDMENT NO. 2
TO THE
AMENDED AND RESTATED BY-LAWS
OF
CLARUS CORPORATION

The Amended and Restated By-laws of Clarus Corporation, a Delaware corporation (the "By-laws"), shall be amended as follows:

1. Article VII, Section 1 of the By-laws is hereby amended by deleting the first sentence of Section 1 in its entirety and inserting the following in lieu thereof:

"*Section 1. Titles*. The officers of the Corporation shall be elected by the Board of Directors and shall consist of a Chairman of the Board, a Vice Chairman of the Board, a Chief Executive Officer, a President, a Chief Financial Officer, a Secretary, and a Treasurer."

2. Article VII of the By-laws is hereby amended by supplementing such article to include the following new Section 18:

"*Section 18. Vice Chairman of the Board*. In the absence of the Chairman of the Board or in the event of his inability or refusal to act, the Vice Chairman of the Board, if present, shall preside at all meetings of the Board of Directors. The Vice Chairman of the Board may but need not be an employee of the Corporation. The Vice Chairman of the Board shall have such other powers and perform such other duties as the Board of Directors shall designate or as may be provided by applicable law or elsewhere in these by-laws."

[the remainder of this page is intentionally left blank]

I hereby certify that the foregoing is a full, true and correct copy of Amendment No. 2 to the Amended and Restated By-laws of Clarus Corporation, a Delaware corporation, as in effect on the date hereof.

Dated: May 28, 2010

/s/ Philip A. Baratelli
Philip A. Baratelli
Secretary of Clarus Corporation

Exhibit 10.1

LOAN AGREEMENT

Between

ZIONS FIRST NATIONAL BANK
Lender

and

BLACK DIAMOND EQUIPMENT, LTD.
BLACK DIAMOND RETAIL, INC.
CLARUS CORPORATION
EVEREST/SAPPHIRE ACQUISITION, LLC
Co-Borrowers

Effective Date: May 28, 2010

LOAN AGREEMENT

This Loan Agreement is made and entered into by and between Zions First National Bank, Black Diamond Equipment, Ltd., Black Diamond Retail, Inc., Clarus Corporation, and Everest/Sapphire Acquisition, LLC.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions

1.1 Definitions

Terms defined in the singular shall have the same meaning when used in the plural and vice versa. As used herein, the term:

"Accounting Standards" means (i) in the case of financial statements and reports, conformity with generally accepted accounting principles fairly representing the financial condition as of the date thereof and the results of operations for the period or periods covered thereby, consistent in all material respects with other financial statements of that company previously delivered to Lender in connection with the Loan, and (ii) in the case of calculations, definitions, and covenants, generally accepted accounting principles consistent in all material respects with those used in the preparation of financial statements of Borrowers previously delivered to Lender.

"Assumption Agreement" means an agreement whereby a company which is the subject of a Permitted Acquisition agrees to become a Borrower and be bound by the terms and conditions of the Loan Documents, in substantially the form of Exhibit F.

"Banking Business Day" means any day not a Saturday, Sunday, legal holiday in the State of Utah, or day on which national banks in the State of Utah are authorized to close.

"BD Merger Agreement" means that certain Agreement and Plan of Merger dated May 7, 2010, by and among Clarus, Everest, BDEL, Sapphire Merger Corp., and Ed McCall as Stockholder's representative of BDEL, a copy of which is attached hereto as Exhibit D.

"BD-Asia" means Black Diamond Equipment Asia Ltd., a company whose registered office is located in Guangdong, China.

"BDEL" means Black Diamond Equipment, Ltd., a corporation organized and existing under the laws of the State of Delaware.

"BDEAG" means Black Diamond Equipment AG, a limited company whose registered office is in Reinach, canton Basellandschaft, Switzerland.

"BD-Retail" means Black Diamond Retail, Inc., a corporation organized and existing under the laws of the State of Delaware.

"Borrowers" means BDEL, BD-Retail, Clarus, Everest, and any entities which execute and deliver a Substitute Promissory Note and Assumption Agreement in connection with a Permitted Acquisition to become obligated as a Borrower hereunder as provided in Section 5.17 Mergers, Consolidations, Acquisitions, Sale of Assets, or any of them, their successors, and, if permitted, assigns.

"Clarus" means Clarus Corporation, a corporation organized and existing under the laws of the State of Delaware.

"Consolidated Financial Statements" means the consolidated financial statements of Clarus and its Subsidiaries prepared in accordance with Accounting Standards.

"CS Loan" shall have the meaning set forth in Section 2.9 Payment of Prior Loans and Release of Liens and Security Interests.

"Debt" means, without duplication, (a) indebtedness or liability for borrowed money; (b) obligations evidenced by bonds, debentures, notes, or other similar instruments; (c) obligations for the deferred purchase price of property or services (including trade obligations); (d) obligations as lessee under capital leases; (e) current liabilities in respect of unfunded vested benefits under Plans covered by ERISA; (f) obligations under letters of credit; (g) obligations under acceptance facilities; (h) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business), and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any person or entity, or otherwise to assure a creditor against loss; and (i) obligations secured by any mortgage, deed of trust, lien, pledge, or security interest or other charge or encumbrance on property, whether or not the obligations have been assumed.

"EBITDA" means earnings (excluding extraordinary gains and losses realized other than in the ordinary course of business and excluding the sale or writedown of intangible or capital assets) before Interest Expense, Income Tax Expense, depreciation, amortization, other non-cash charges, LIFO conversion charges, Restructuring Expenses, and Transaction Expenses.

"Effective Date" shall mean the date the parties intend this Loan Agreement to become binding and enforceable, which is the date stated at the conclusion of this Loan Agreement.

"Environmental Condition" shall mean any condition involving or relating to Hazardous Materials and/or the environment affecting the Real Property, whether or not yet discovered, which is reasonably likely to or does result in any damage, loss, cost, expense, claim, demand, order, or liability to or against Borrowers or Lender by any third party (including, without limitation, any government entity), including, without limitation, any condition resulting from the operation of Borrowers' business and/or operations in the vicinity of the Real Property and/or any activity or operation formerly conducted by any person or entity on or off the Real Property.

"Environmental Health and Safety Law" shall mean any legal requirement that requires or relates to:

a. advising appropriate authorities, employees, or the public of intended or actual releases of Hazardous Materials, violations of discharge limits or other prohibitions, and of the commencement of activities, such as resource extraction or construction, that do or could have significant impact on the environment;

b. preventing or reducing to acceptable levels the release of Hazardous Materials;

c. reducing the quantities, preventing the release, or minimizing the hazardous characteristics of wastes that are generated;

d. assuring that products are designed, formulated, packaged, and used so that they do not present unreasonable risks to human health or the environment when used or disposed of;

e. protecting resources, species, or ecological amenities;

f. use, storage, transportation, sale, or transfer of Hazardous Materials or other potentially harmful substances;

g. cleaning up Hazardous Materials that have been released, preventing the threat of release, and/or paying the costs of such clean up or prevention; or

h. making responsible parties pay for damages done to the health of others or the environment or permitting self-appointed representatives of the public interest to recover for injuries done to public assets.

"Event of Default" shall have the meaning set forth in Section 6.1 Events of Default.

"Everest" means Everest/Sapphire Acquisition, LLC, a limited liability company organized and existing under the laws of the State of Delaware.

"Existing Debt" means the existing debt of Borrowers and its Subsidiaries as set forth on Exhibit B attached hereto and incorporated hereby.

"Fiscal Year End" means December 31 for any year.

"GMP" means Gregory Mountain Products, LLC, a limited liability company organized and existing under the laws of the State of Delaware.

"GMP Closing" means the closing of the transactions contemplated by the GMP Merger Agreement.

"GMP Merger Agreement" means that certain Agreement and Plan of Merger, dated as of May 7, 2010, by and among Clarus, Everest, Everest Merger Corp., Gregory Mountain Products, Inc., Kanders GMP Holdings, LLC and Schiller Gregory Investment Company, LLC, a copy of which is attached hereto as Exhibit E.

"Hazardous Materials" means (i) "hazardous waste" as defined by the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901 et. seq.), including any future amendments thereto, and regulations promulgated thereunder, and as the term may be defined by any contemporary state counterpart to such act; (ii) "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 9601 et. seq.), including any future amendments thereto, and regulations promulgated thereunder, and as the term may be defined by any contemporary state counterpart of such act; (iii) asbestos; (iv) polychlorinated biphenyls; (v) underground or above ground storage tanks, whether empty or filled or partially filled with any substance; (vi) any substance the presence of which is or becomes prohibited by any federal, state, or local law, ordinance, rule, or regulation; and (vii) any substance which under any federal, state, or local law, ordinance, rule or regulation requires special handling or notification in its collection, storage, treatment, transportation, use or disposal.

"Income Tax Expense" means expenditures and accruals for federal and state income taxes and foreign income taxes, each determined in accordance with Accounting Standards.

"Intercompany Loans" means any loan or extension of credit from Borrowers or Subsidiaries to any Borrower or Subsidiary, now existing or in the future, including, without limitation, (i) that certain Intercompany Debt Agreement by and between BDEL and BD-Asia dated April 1, 2008, as amended by (a) the Amendment to Intercompany Debt Agreement dated January 22, 2009, increasing the revolving line of credit to five million dollars ($5,000,000.00), (b) the Amendment to Intercompany Debt Agreement dated January 22, 2009, extending the maturity date of the loan to April 1, 2010, (c) the Amendment to Intercompany Debt Agreement dated April 1, 2010, extending the maturity date of the loan to April 1, 2011, and (d) the Amended and Restated Intercompany Debt Agreement by and between BDEL and BD-Asia dated the date hereof (collectively, the "BD-Asia Intercompany Debt Agreement"); and (ii) that certain Intercompany Debt Agreement by and between BDEL and BDEAG dated the date hereof.

"Interest Expense" means expenditures and accruals for interest determined in accordance with Accounting Standards.

"Interest Rate Management Transaction" means any transaction (including an agreement with respect thereto) now existing or hereafter entered into between Borrowers and Lender and/or affiliates of Lender which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, equity or equity transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures, including but not limited to the ISDA Master Agreement and Schedule thereto, both dated as of August 31, 2005, and the Confirmation (as such term is defined in the ISDA Master Agreement) between Lender, BDEL and BD-Retail executed in connection with an interest rate derivative transaction in the notional amount of four million dollars ($4,000,000.00) dated on or about September 14, 2005 and that certain Foreign Exchange Agreement by and between BDEL and California Bank & Trust dated July 31, 2009.

"Lender" means Zions First National Bank, its successors, and assigns.

"Loan" means the loan to be made pursuant to Section 2 Loan Description.

"Loan Agreement" means this agreement, together with any exhibits, amendments, addendums and modifications.

"Loan Documents" means the Loan Agreement, Promissory Note, all other agreements and documents contemplated by any of the aforesaid documents, and all amendments, modifications, addendums, and replacements, whether presently existing or created in the future.

"Loan Hold Back" means ten million dollars ($10,000,000.00) of the Loan which will be held back and not available for disbursement except upon fulfillment of the conditions set forth in Section 2.6 Loan Hold Back.

"Loan Hold Back Termination Event" shall have the meaning set forth in Section 2.1 Amount of Loan.

"Material Adverse Effect" means a material adverse effect on Borrowers' financial condition, conduct of its business, or ability to perform its obligations under the Loan Documents.

"Organizational Documents" means, in the case of a corporation, its Articles of Incorporation or Certificate of Incorporation and By-Laws; in the case of a general partnership, its Articles of Partnership; in the case of a limited partnership, its Articles of Limited Partnership; in the case of a limited liability company, its Articles of Organization or Certificate of Formation and Operating Agreement or Regulations, if any; in the case of a limited liability partnership, its Articles of Limited Liability Partnership; and all amendments, modifications, and changes to any of the foregoing which are currently in effect.

"Permitted Acquisitions" shall have the meaning set forth in Section 5.17 Mergers, Consolidations, Acquisitions, Sale of Assets.

"Permitted Business" means any business in which the Borrowers are currently engaged or any other business in the outdoor recreation industry, including without limitation, climbing, hiking, skiing and camping products, and any business reasonably similar, ancillary, related or complementary thereto, or a reasonable extension, development or expansion thereof.

"Prior Loans" shall have the meaning set forth in Section 2.9 Payment of Prior Loans and Release of Liens and Security Interests.

"Prior Zions Loan" shall have the meaning set forth in Section 2.9 Payment of Prior Loans and Release of Liens and Security Interests.

"Promissory Note" means the Promissory Note to be executed by Borrowers pursuant to Section 2.3 Promissory Note in the form of Exhibit A hereto, which is incorporated herein by reference, any Substitute Promissory Note, and any and all renewals, extensions, modifications, and replacements thereof.

"Real Property" means any and all real property or improvements thereon owned or leased by Borrowers or in which Borrowers have any other interest of any nature whatsoever.

"Responsible Officer" means, with respect to any Borrower, the chairman, vice chairman, chief executive officer, chief financial officer, vice president, treasurer or controller of such Borrower.

"Restructuring Expenses" means those non-recurring expenses not to exceed (other than in respect to non-cash expenses) a cumulative amount of one million five hundred thousand dollars ($1,500,000.00) in the aggregate that are associated with the restructuring, consolidation and integration of the operations of Clarus, BDEL, BD-Retail, BD-Asia, BDEAG, Everest, and GMP, and any future Permitted Acquisitions, including, but not limited to, relocation expenses, lease breakage fees and cash severance payments made in connection with Permitted Acquisitions.

"Senior Net Debt" means Debt minus cash on hand, cash equivalents, marketable securities, and Subordinated Debt.

"Subordinated Debt" means those certain 5% Unsecured Subordinated Notes not to exceed an aggregate amount of up to twenty-three million dollars ($23,000,000.00), to be executed by Clarus: (i) at the GMP Closing in favor of Kanders GMP Holdings, LLC and Schiller Gregory Investment Company, LLC; and (ii) at or after the GMP Closing in favor of the following individuals: (a) Jim BoisD'Enghien, (b) John Sears, (c) Dion Goldsworthy, (d) Wayne Gregory, and (e) Jason Dunlap.

"Subsidiaries" means any existing or future domestic or foreign corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned by any Borrower, or the management of which is otherwise controlled by any Borrower, directly, or indirectly through one or more intermediaries, including, without limitation, BDEAG and BD-Asia.

"Substitute Promissory Note" means a modified Promissory Note executed by all Borrowers and any future Subsidiary of Borrowers, modified to add the new Subsidiary as a Borrower.

"Trailing Twelve Month" means the twelve (12) calendar month period immediately preceding the date of calculation.

"Transaction Expenses" means (i) reasonable and customary costs and fees paid or accrued in connection with the closing of the BD Merger Agreement, GMP Merger Agreement, and the Loan Documents, and (ii) reasonable and customary costs and fees paid or accrued in connection with the closing of future Permitted Acquisitions, including in the case of (i) and (ii) above, all legal accounting, banking and underwriting fees and expenses, commissions, discounts and other issuance expenses.

2. Loan Description

2.1 Amount of Loan

Upon fulfillment of all conditions precedent set forth in this Loan Agreement, and so long as no Event of Default exists which has not been waived or timely cured, and no other breach has occurred which has not been waived or timely cured under the Loan Documents, Lender agrees to loan Borrowers up to thirty-five million dollars ($35,000,000.00). Twenty-five million dollars ($25,000,000.00) of the Loan is available for immediate disbursement. The remaining ten million dollars ($10,000,000.00) constitutes the Loan Hold Back and will be available for disbursement only upon satisfaction of the terms and conditions provided in Section 2.6 Loan Hold Back. However, the Loan Hold Back shall no longer be available for disbursement after a Responsible Officer of Clarus provides written notice to Lender that (i) the GMP Closing has not occurred, and (ii) Clarus elects to reduce the Loan by ten million dollars ($10,000,000.00) representing the amount of the Loan Hold Back ("Loan Hold Back Termination Event").

2.2 Nature and Duration of Loan

The Loan shall be payable in full upon the date and upon the terms and conditions provided in the Promissory Note. Lender and Borrowers intend the Loan to be in the nature of a line of credit under which Borrowers may repeatedly draw funds on a revolving basis in accordance with the terms and conditions of this Loan Agreement and the Promissory Note. The right of Borrowers to draw funds and the obligation of Lender to advance funds shall not accrue until all of the conditions set forth in Section 3 Conditions to Loan Disbursements have been fully satisfied, and shall terminate upon the earlier of: (a) upon occurrence of an Event of Default or (b) upon maturity of the Promissory Note, unless the Promissory Note is renewed or extended by Lender in which case such termination shall occur upon the maturity of the final renewal or extension of the Promissory Note. Upon such termination, any and all amounts owing to Lender pursuant to the Promissory Note and this Loan Agreement shall thereupon be due and payable in full.

Borrowers may request that Lender or Lender's affiliates issue letters of credit against the Promissory Note. All requests for issuance of letters of credit shall be subject to approval of Lender. Borrowers shall pay all fees and charges for issuance of letters of credit customarily charged by Lender, except stand-by letters of credit shall be subject to an additional upfront fee as follows: (i) three and five-tenth percent (3.5%) per annum at all times that Borrowers' Senior Net Debt to Trailing Twelve Month EBITDA ratio is greater than or equal to two and five-tenths (2.5); and (ii) two and seventy-five hundredths percent (2.75%) per annum at all times that Borrowers' Senior Net Debt to Trailing Twelve Month EBITDA ratio is less than two and five-tenths (2.5).

Upon issuance of a letter of credit against the Promissory Note, an amount of the Promissory Note equal to the amount of the letter of credit shall be frozen and unavailable for disbursement upon request of Borrowers so long as the letter of credit is outstanding. Upon payment by Lender of any drawing on any letter of credit issued against the Promissory Note, Lender may remove the aforesaid freeze and disburse funds under the Promissory Note to reimburse Lender for the amount of the drawing.

2.3 Consideration Among Co-Borrowers

The transactions evidenced by the Loan Documents are in the best interests of Borrowers, including non-Borrower Subsidiaries, and creditors of Borrowers, including non-Borrower Subsidiaries. Borrowers and non-Borrower Subsidiaries are a single integrated financial enterprise and each of the Borrowers and non-Borrower Subsidiaries receives a substantial benefit from the availability of credit under the Loan Documents. Borrowers and non-Borrower Subsidiaries would not be able to obtain financing in the amounts or upon terms as favorable as provided in the Loan Documents on an individual basis. The Loan will enable each of the Borrowers and non-Borrower Subsidiaries to operate their business more efficiently, more profitably, and to expand their businesses. The direct and indirect benefits that inure to each of the Borrowers and non-Borrower Subsidiaries by entering into the Loan Documents constitute substantially more than "reasonable equivalent value" (as such term is used in § 548 of the United States Bankruptcy Code) and "valuable consideration", "fair value", and "fair consideration" (as such terms are used in state fraudulent transfer law).

2.4 Promissory Note

The Loan shall be evidenced by the Promissory Note. The Promissory Note shall be executed and delivered to Lender upon execution and delivery of this Loan Agreement.

2.5 Notice and Manner of Borrowing

Requests for advances on the Promissory Note shall be given in writing or orally no later than 1:00 p.m. Mountain Time of the Banking Business Day on which the advance is to be made.

Disbursements under the Loan may be made upon request by any of the Borrowers without further approval or authorization from the other Borrowers. Each Borrower hereby authorizes and ratifies all such requests by the other Borrowers. Disbursements under the Loan may be made automatically pursuant to a cash manager program linked to one or more depository accounts of any of the Borrowers.

2.6 Loan Hold Back

The Loan Hold Back shall not be available for disbursement unless and until all of the following conditions have been met: (i) No Event of Default or event which, with the giving of notice or passage of time or both, would become an Event of Default has occurred which has not been waived or timely cured; (ii) the acquisition of GMP has been completed upon substantially the terms set forth in the GMP Merger Agreement, and copies of the executed merger documentation having been received by Lender; (iii) GMP has executed an Assumption Agreement; (iv) all Borrowers have executed a Substitute Promissory Note; and (v) Lender has received executed subordination agreements concerning the Subordinated Debt from Schiller Gregory Investment Company and Kanders GMP Holdings, LLC.

2.7 Funding Fee

Upon execution and delivery of this Loan Agreement, Borrowers shall pay Lender a funding fee of ten thousand dollars ($10,000.00). No portion of such fee shall be refunded in the event of early termination of this Loan Agreement or any termination or reduction of the right of Borrowers to request advances under this Loan Agreement. Lender is authorized and directed upon execution of this Loan Agreement and fulfillment of all conditions precedent hereunder, to disburse a sufficient amount of the Loan proceeds to pay the loan fee in full.

2.8 Unused Commitment Fee

Borrowers shall pay to Lender an unused commitment fee for the Loan for so long as this Loan Agreement is in effect. The unused commitment fee shall be the unused portion of the Loan (including the Loan Hold Back until the occurrence of the Loan Hold Back Termination Event, at which time the Loan Hold Back shall not be included in the unused portion of the Loan), calculated on the average unused portion of the Loan each calendar month, multiplied by the following applicable rate: (i) six tenths percent (0.6%) per annum, at all times that Borrowers' ratio of consolidated Senior Net Debt to Trailing Twelve Month EBITDA is greater than or equal to two and five-tenths (2.5), and (ii) four and five-hundredths percent (0.45%) per annum, at all times that Borrowers' ratio of consolidated Senior Net Debt to Trailing Twelve Month EBITDA is less than two and five-tenths (2.5). Letters of credit issued hereunder which are outstanding shall be considered usage in the calculation of the unused commitment fee.

The unused commitment fee shall be calculated, adjusted and payable on a quarterly basis.

2.9 Payment of Prior Loans and Release of Liens and Security Interests

This Loan succeeds and replaces the loan evidenced by that certain Promissory Note (Revolving Line of Credit) dated August 28, 2009 executed by BDEL and BD-Retail in favor of Lender in the original principal amount of thirty million dollars ($30,000,000.00) (the "Prior Zions Loan"). The proceeds of this Loan shall also pay off that unsecured loan from Credit Suisse with a borrowing limit of CHF 4,000,000 (the "CS Loan") (collectively, the Prior Zions Loan and CS Loan are the "Prior Loans"). Lender is authorized and directed to disburse a sufficient amount of the funds pursuant to the Promissory Note to pay all obligations owing on the Prior Loans pursuant to payoff letters or disbursement instructions provided to Borrowers in connection with each of the Prior Loans.

Upon Lender's receipt of payment in full for the Prior Zions Loan, Lender shall (a) release all security interests, liens, and assignments securing the Prior Zions Loan, including termination of all UCC Financing Statements, (b) return to BDEL of the original stock certificates and the Intercompany Debt Agreement and its amendments in Lender's possession, and (c) record a deed of reconveyance for the Trust Deed against the real property of BDEL located at 2084 East 3900 South, Salt Lake City, Utah 84124.

3. Conditions to Loan Disbursements

3.1 Conditions to Loan Disbursements

Lender's obligation to make disbursements of the Loan is expressly subject to, and shall not arise until all of the conditions set forth below have been satisfied. All of the documents referred to below must be in a form and substance acceptable to Lender.

a. All of the Loan Documents and all other documents contemplated to be delivered to Lender prior to funding have been fully executed and delivered to Lender.

b. All other conditions precedent provided in or contemplated by the Loan Documents or any other agreement or document have been performed.

c. As of the date of disbursement of all or any portion of the Loan, the following shall be true and correct: (i) all representations and warranties made by Borrowers in the Loan Documents are true and correct in all material respects as of the date of such disbursement; and (ii) no Event of Default has occurred which has not been waived or timely cured and no conditions exist and no event has occurred, which, with the passage of time or the giving of notice, or both, would constitute an Event of Default.

d. The transaction contemplated by the BD Merger Agreement has been, or simultaneously with funding of the Loan, will be completed and closed upon substantially the terms set forth in the BD Merger Agreement and Lender has received a Borrowers' certificate from Clarus, BDEL and Everest confirming such closing.

All conditions precedent set forth in this Loan Agreement and any of the Loan Documents are for the sole benefit of Lender and may be waived unilaterally by Lender.

3.2 No Default, Adverse Change, False or Misleading Statement

Lender's obligation to advance any funds at any time pursuant to this Loan Agreement and the Promissory Note shall, at Lender's sole discretion, terminate upon the occurrence of any Event of Default, any event which could have a Material Adverse Effect, or upon the reasonable determination by Lender that any of Borrowers' representations made in any of the Loan Documents were false in any material respects or materially misleading when made. Upon the exercise of such discretion, Lender shall be relieved of all further obligations under the Loan Documents.

4. Representations and Warranties

4.1 Organization and Qualification

BDEL represents and warrants that it is a corporation duly organized and existing in good standing under the laws of the State of Delaware, and that it is qualified and in good standing as a foreign corporation in the State of Utah under the name Black Diamond Equipment, Ltd.

BD-Retail represents and warrants that it is a corporation duly organized and existing in good standing under the laws of the State of Delaware, and that it is qualified and in good standing as a foreign corporation in the State of Utah.

Clarus represents and warrants that it is a corporation duly organized and existing in good standing under the laws of the State of Delaware, and that it is qualified and in good standing as a foreign corporation in the States of Connecticut and Utah.

Everest represents and warrants that it is a limited liability company duly organized and existing in good standing under the laws of the State of Delaware, and that it is qualified and in good standing as a foreign corporation in the State of Utah.

Each Borrower represents and warrants that it is duly qualified to do business in each jurisdiction where the conduct of its business requires qualification, except where the failure to so qualify could not reasonably be expected to have a Material Adverse Effect on Clarus and its Subsidiaries, taken as a whole.

Each Borrower represents and warrants that it has the full power and authority to own its property and to conduct the business in which it engages and to enter into and perform its obligations under the Loan Documents.

Each Borrower represents and warrants that it has delivered to Lender or Lender's counsel accurate and complete copies of such Borrower's Organizational Documents which are operative and in effect as of the Effective Date.

4.2 Authorization

Borrowers represent and warrant that the execution, delivery, and performance by Borrowers of the Loan Documents has been duly authorized by all necessary action on the part of Borrowers and do not violate the Borrowers' Organizational Documents or any resolution of the Board of Directors or similar body of Borrowers, do not and will not contravene any provision of, or constitute a default under, any indenture, mortgage, contract, or other instrument to which Borrowers are a party or by which they are bound, and that upon execution and delivery thereof, the Loan Documents will constitute legal, valid, and binding agreements and obligations of Borrowers, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency and similar laws affecting rights of creditors generally, and general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law.

4.3 Corporate Relationships

Borrowers represent and warrant that as of the Effective Date (i) BDEL owns all of the issued and outstanding stock of all classes of BD-Retail, BDEAG and BD-Asia, (ii) Everest is a wholly owned subsidiary of Clarus; and (iii) BDEL is a wholly owned subsidiary of Everest. GMP will be a wholly owned subsidiary of Everest upon the GMP Closing.

4.4 No Governmental Approval Necessary

Borrowers represent and warrant that no consent by, approval of, giving of notice to, registration with, or taking of any other action with respect to or by any federal, state, or local governmental authority or organization is required for Borrowers' execution, delivery, or performance of the Loan Documents, except where any failure to so obtain such consent or approval or take any other action could not reasonably be expected to have a Material Adverse Effect.

4.5 Accuracy of Financial Statements

Borrowers represent and warrant that all of the audited consolidated financial statements of BDEL and its Subsidiaries for the years ended June 30, 2008 and 2009 have been prepared in accordance with Accounting Standards, except as set forth on Schedule 4.5.

Borrowers represent and warrant that all of the unaudited financial statements heretofore delivered to Lender in connection with this Loan fairly present in all material respects Borrowers' financial condition as of the date thereof and the results of Borrowers' operations for the period or periods covered thereby and are consistent in all material respects with other financial statements previously delivered to Lender.

Borrowers represent and warrant that since the dates of the most recent audited and unaudited financial statements delivered to Lender, there has been no event which would have a Material Adverse Effect on its financial condition.

Borrowers represent and warrant that the management financial projections attached hereto as Exhibit G and all of their pro forma financial statements heretofore delivered to Lender have been prepared consistently with Borrowers' actual financial statements and fairly present in all material respects Borrowers' anticipated financial condition and the anticipated results of Borrowers' operation for the period or periods covered thereby.

4.6 No Pending or Threatened Litigation

Borrowers represent and warrant that, except as set forth on Schedule 4.6, there are no actions, suits, or proceedings pending or, to Borrowers' knowledge, threatened against or affecting Borrowers in any court or before any governmental commission, board, or authority which, if adversely determined, would have a Material Adverse Effect.

4.7 Full and Accurate Disclosure

Borrowers represent and warrant that this Loan Agreement, the financial statements referred to herein and any loan application submitted to Lender, and all other statements furnished by Borrowers to Lender in connection herewith contain no untrue statement of a material fact and omit no material fact necessary to make the statements contained therein or herein not misleading in any material respect. Borrowers represent and warrant that it has not failed to disclose, by submission of the Schedules to the BD Merger Agreement and the Schedules to the GMP Merger Agreement, or otherwise in writing to Lender any fact that would have a Material Adverse Effect.

4.8 Compliance with ERISA

Borrowers represent and warrant that Borrowers are in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, and the regulations and published interpretations thereunder. Neither a Reportable Event as set forth in Section 4043 of ERISA or the regulations thereunder ("Reportable Event") nor a prohibited transaction as set forth in Section 406 of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended, has occurred and is continuing with respect to any employee benefit plan established, maintained, or to which contributions have been made by Borrowers or any trade or business (whether or not incorporated) which together with Borrowers would be treated as a single employer under Section 4001 of ERISA ("ERISA Affiliate") for its employees which is covered by Title I or Title IV of ERISA ("Plan"); no notice of intent to terminate a Plan has been filed nor has any Plan been terminated which is subject to Title IV of ERISA; no circumstances exist that constitute grounds under Section 4042 of ERISA entitling the Pension Benefit Guaranty Corporation ("PBGC") to institute proceedings to terminate, or appoint a trustee to administer a Plan, nor has the PBGC instituted any such proceedings; neither Borrowers nor any ERISA Affiliate has completely or partially withdrawn under Section 4201 or 4204 of ERISA from any Plan described in Section 4001(a)(3) of ERISA which covers employees of Borrowers or any ERISA Affiliate ("Multi-employer Plan"); Borrowers and each ERISA Affiliate has met its minimum funding requirements under ERISA with respect to all of its Plans and the present fair market value of all Plan assets equals or exceeds the present value of all vested benefits under or all claims reasonably anticipated against each Plan, as determined on the most recent valuation date of the Plan and in accordance with the provisions of ERISA and the regulations thereunder and the applicable statements of the Financial Accounting Standards Board ("FASB") for calculating the potential liability of Borrowers or any ERISA Affiliate under any Plan; neither Borrowers nor any ERISA Affiliate has incurred any liability to the PBGC (except payment of premiums, which is current) under ERISA.

Borrowers, each ERISA Affiliate and each group health plan (as defined in ERISA Section 733) sponsored by Borrowers and each ERISA Affiliate, or in which Borrowers or any ERISA Affiliate is a participating employer, are in material compliance with, have satisfied and continue to satisfy (to the extent applicable) all requirements for continuation of group health coverage under Section 4980B of the Internal Revenue Code and Sections 601 et seq. of ERISA, and are in compliance with, have satisfied and continue to satisfy Part 7 of ERISA and all corresponding and similar state laws relating to portability, access and renewability of group health benefits and other requirements included in Part 7.

4.9 Compliance with USA Patriot Act

Borrowers represent and warrant that they are not subject to any law, regulation, or list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list) that prohibits or limits Lender from making any advance or extension of credit to Borrowers or from otherwise conducting business with Borrowers.

4.10 Compliance with All Other Applicable Law

Borrowers represent and warrant that, except as set forth on Schedule 4.10, they have complied in all material respects with all applicable statutes, rules, regulations, orders, and restrictions of any domestic or foreign government, or any instrumentality or agency thereof having jurisdiction over the conduct of Borrowers' business or the ownership of its properties, the failure to comply with which could reasonably be expected to have a Material Adverse Effect on Clarus and its Subsidiaries, taken as a whole.

4.11 Environmental Representations and Warranties

Borrowers represent and warrant that, except as set forth on Schedule 4.11, no Hazardous Materials are now located on, in, or under the Real Property, nor is there any Environmental Condition on, in, or under the Real Property and neither Borrowers nor, to Borrowers' knowledge, after due inquiry and investigation, any other person has ever caused or permitted any Hazardous Materials to be placed, held, used, stored, released, generated, located or disposed of on, in or under the Real Property, or any part thereof, nor caused or allowed an Environmental Condition to exist on, in or under the Real Property, except in the ordinary course of Borrowers' business under conditions that are generally recognized to be appropriate and safe and that are in compliance with all applicable Environmental Health and Safety Laws. Borrowers further represent and warrant that no investigation, administrative order, consent order and agreement, litigation or settlement with respect to Hazardous Materials and/or an Environmental Condition is proposed, threatened, anticipated or in existence with respect to the Real Property.

4.12 Operation of Business

Borrowers represent and warrant that, except as set forth on Schedule 4.12, Borrowers possess all material licenses, permits, franchises, patents, copyrights, trademarks, and trade names, or rights thereto, to conduct its business substantially as now conducted and as presently proposed to be conducted, and Borrowers are not in violation of any valid rights of others which would have a Material Adverse Effect on Borrowers with respect to any of the foregoing.

4.13 Payment of Taxes

Borrowers represent and warrant that Borrowers have filed all material tax returns (federal, state, and local) required to be filed and have paid all material taxes, assessments, and governmental charges and levies, including interest and penalties, on Borrowers' assets, business and income, except such as are being contested in good faith by proper proceedings and as to which adequate reserves are maintained.

4.14 Solvency

Borrowers represent and warrant that immediately before and immediately after the closing of the BD Merger Agreement and of the GMP Merger Agreement, the parties to each agreement are solvent and able to pay their debts as the debts become due.

5. Borrowers' Covenants

Borrowers make the following agreements and covenants, which shall continue so long as this Loan Agreement is in effect and so long as Borrowers are indebted to Lender for obligations arising out of, identified in, or contemplated by this Loan Agreement.

5.1 Use of Proceeds

Borrowers shall use the proceeds of the Loan for general corporate purposes, including funds for working capital, capital expenditures, loans and/or investments in wholly-owned foreign Subsidiaries, the issuance of letters of credit and Permitted Acquisitions, including the transactions contemplated by the BD Merger Agreement and GMP Merger Agreement.

Borrowers shall not, directly or indirectly, use any of the proceeds of the Loan for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, or to extend credit to any person or entity for the purpose of purchasing or carrying any such margin stock or for any purpose which violates, or is inconsistent with, Regulation X of said Board of Governors, or for any other purpose not permitted by Section 7 of the Securities Exchange Act of 1934, as amended, or by any of the rules and regulations respecting the extension of credit promulgated thereunder.

5.2 Continued Compliance with ERISA

Borrowers covenant that, with respect to all Plans (as defined in Section 4.8 Compliance with ERISA) which Borrowers or any ERISA Affiliate currently maintains or to which Borrowers or any ERISA Affiliate is a sponsoring or participating employer, fiduciary, party in interest or disqualified person or which Borrowers or any ERISA Affiliate may hereafter adopt, Borrowers and each ERISA Affiliate shall continue to comply in all material respects with all applicable provisions of the Internal Revenue Code and ERISA and with all representations made in Section 4.8 Compliance with ERISA, including, without limitation, conformance with all notice and reporting requirements, funding standards, prohibited transaction rules, multi-employer plan rules, necessary reserve requirements, and health care continuation, coverage and portability requirements, except where the failure to so comply would not have a Material Adverse Effect on Clarus and its Subsidiaries, taken as a whole.

5.3 Continued Compliance with USA Patriot Act

Borrowers shall (a) not be or become subject at any time to any law, regulation, or list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list) that prohibits or limits Lender from making any advance or extension of credit to Borrowers or from otherwise conducting business with Borrowers, and (b) provide documentary and other evidence of Borrowers' identity as may reasonably be requested by Lender at any time to enable Lender to verify Borrowers' identity or to comply with any applicable law or regulation, including, without limitation, Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318.

5.4 Continued Compliance with Applicable Law

Borrowers shall conduct their business in a lawful manner and in material compliance with all applicable federal, state, and local laws, ordinances, rules, regulations, and orders; shall maintain in good standing all licenses and organizational or other qualifications reasonably necessary to its business and existence; and shall not engage in any business not authorized by and not in accordance with its Organizational Documents and other governing documents.

5.5 Prior Consent for Amendment or Change

Except as set forth in Schedule 5.5 or changes that would not have any adverse effect on Lender, Borrowers shall not modify, amend, waive, or otherwise alter, or fail to enforce, their Organizational Documents or other governing documents without Lender's prior written consent.

5.6 Payment of Taxes and Obligations

Borrowers shall pay when due all material taxes, assessments, and governmental charges and levies on Borrowers' assets, business, and income, and all material obligations of Borrowers of whatever nature, except such as are being contested in good faith by proper proceedings and as to which adequate reserves are maintained.

5.7 Financial Statements and Reports

Borrowers shall provide Lender with such financial statements and reports concerning Borrowers and Subsidiaries as Lender may reasonably request. Audited financial statements and reports shall be prepared in accordance with Accounting Standards. Unaudited financial statements and reports shall fairly present in all material respects Borrowers' financial condition as of the date thereof and the results of Borrowers' operations for the period or periods covered thereby and shall be consistent in all material respects with other financial statements previously delivered to Lender in connection with this Loan.

Until requested otherwise by Lender, Borrowers shall provide the following financial statements and reports to Lender:

a. Annual audited Consolidated Financial Statements for each fiscal year of Clarus, together with an annual budget for the upcoming fiscal year, to be delivered to Lender within one hundred five (105) days of such Fiscal Year End. Borrowers shall also submit to Lender copies of any management letters or other reports submitted by independent certified public accountants in connection with the examination of the financial statements of Borrowers made by such accountants.

b. Quarterly Consolidated Financial Statements for each fiscal quarter of Clarus, to be delivered within forty-five (45) days of the end of the fiscal quarter. The quarterly financial statements shall include a certification by a Responsible Officer of Clarus that the quarterly financial statements fairly represent Borrowers' financial condition in all material respects as of the date thereof and the results of the operations of the period covered thereby and are consistent, except as disclosed in the footnotes thereto, in all material respects with other financial statements previously delivered to Lender.

c. Together with each of the annual and quarterly Consolidated Financial Statements required to be delivered pursuant to the provisions of paragraphs (a) and (b) above, Borrowers shall submit to Lender a compliance certificate in a form reasonably acceptable to Lender certifying that Borrowers are in compliance with all terms and conditions of this Loan Agreement, including compliance with the financial covenants provided in Section 5.14 Financial Covenants. The compliance certificate shall include the data and calculations supporting all financial covenants, whether in compliance or not, and shall be signed by a Responsible Officer of Clarus.

5.8 Insurance

Borrowers shall maintain insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated, which insurance may provide for reasonable deductibility from coverage thereof.

5.9 Inspection

Borrowers shall at any reasonable time during normal business hours and from time to time permit Lender or any representative of Lender to examine and make copies of and abstracts from the records and books of account of, and visit and inspect the properties and assets of, Borrowers, and to discuss the affairs, finances, and accounts of Borrowers with any of Borrowers' officers and directors and with Borrowers' independent accountants.

5.10 Operation of Business

Borrowers shall maintain all material licenses, permits, franchises, patents, copyrights, trademarks, and trade names, or rights thereto, necessary in the operation of their business. Borrowers shall continue to engage in a Permitted Business.

5.11 Maintenance of Records and Properties

Borrowers shall keep adequate records and books of account in which complete entries will be made in accordance with Accounting Standards. Borrowers shall maintain, keep and preserve all of their material properties (tangible and intangible) necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted.

5.12 Notice of Claims

Borrowers shall promptly notify Lender in writing of all actions, suits or proceedings filed against or affecting Borrowers in any court or before any governmental commission, board, or authority which, if adversely determined, would have a Material Adverse Effect.

5.13 Environmental Covenants

Borrowers covenant that they will:

a. Not permit the presence, use, disposal, storage or release of any Hazardous Materials on, in, or under the Real Property, except in the ordinary course of Borrowers' business under conditions that are generally recognized to be appropriate and safe and that are in compliance with all applicable Environmental Health and Safety Laws.

b. Not permit any substance, activity or Environmental Condition on, in, under or affecting the Real Property which is in violation of any Environmental Health and Safety Laws.

c. Comply in all material respects with the provisions of all Environmental Health and Safety Laws.

d. Notify Lender promptly of any discharge of Hazardous Materials, Environmental Condition, or environmental complaint or notice received from any governmental agency or any other party.

e. Upon any discharge of Hazardous Materials or upon the occurrence of any Environmental Condition, immediately contain and remediate the same in compliance with all Environmental Health and Safety Laws, promptly pay any fine or penalty assessed in connection therewith, and immediately notify Lender of such events.

f. Permit Lender to inspect the Real Property for Hazardous Materials and Environmental Conditions, to conduct tests thereon, and to inspect all books, correspondence, and records pertaining thereto.

g. From time to time upon Lender's request, and at Borrowers' expense, provide a Phase 1 report (including all validated and unvalidated data generated for such reports) of a qualified independent environmental engineer reasonably acceptable to Lender, reasonably satisfactory to Lender in scope, form, and content, and provide to Lender such other and further assurances reasonably satisfactory to Lender, that Borrowers are in compliance with these covenants concerning Hazardous Materials and Environmental Conditions, and that any past violation thereof has been corrected in compliance with all applicable Environmental Health and Safety Laws.

h. Immediately advise Lender of any additional, supplemental, new, or other information concerning any Hazardous Materials or Environmental Conditions relating to the Real Property.

5.14 Financial Covenants

Except as otherwise provided herein, each of the accounting terms used in this Section 5.14 shall have the meanings used in accordance with Accounting Standards. Each of the financial covenants listed below shall be tested on a quarterly basis.

a. Minimum EBITDA. Clarus and its Subsidiaries, on a consolidated basis, measured quarterly, shall maintain Trailing Twelve Month EBITDA as follows:

(i) Until the GMP Closing, commencing on the Effective Date and through December 31, 2010, not less than six million dollars ($6,000,000.00); plus one million dollars ($1,000,000.00) per year, commencing on March 31, 2011 and on each March 31 thereafter.

(ii) After the GMP Closing, not less than eight million dollars ($8,000,000.00); plus one million dollars ($1,000,000.00) per year, commencing on March 31, 2011 and on each March 31 thereafter

EBITDA shall be adjusted on a pro forma basis for future Permitted Acquisitions, such adjustments to be subject to approval by Lender. For purposes of calculating Trailing Twelve Month EBITDA, the maximum amount of EBITDA loss for Clarus (on a stand alone basis) prior to the Effective Date shall be deemed to be two hundred eight thousand three hundred thirty-three dollars and thirty-three cents ($208,333.33) for each month before the Effective Date for purposes of determining the applicable Trailing Twelve Month EBITDA calculation (or two million five hundred thousand dollars ($2,500,000.00) for the entire twelve (12) month period immediately prior to the Effective Date).

b . Tangible Net Worth . Clarus and its Subsidiaries will maintain at all times, on a consolidated basis, a tangible net worth, measured quarterly, as follows:

(i) If the GMP Closing occurs prior to June 30, 2010, then commencing on June 30, 2010 and through March 31, 2011, not less than ninety percent (90%) of actual tangible net worth on June 30, 2010, plus an increase of one million dollars ($1,000,000.00) per year, commencing on March 31, 2011 and on each March 31 thereafter.

(ii) If the GMP Closing occurs after June 30, 2010, commencing on the last day of the quarterly period in which the GMP Closing occurs, and through March 31, 2011, not less than ninety percent (90%) of actual tangible net worth on such quarterly period end, plus an increase of one million dollars ($1,000,000.00) per year, commencing on March 31, 2011 and on each March 31 thereafter.

Tangible net worth means the excess of total assets over total liabilities, excluding, however, from the determination of total assets all assets which would be classified as intangible assets under generally accepted accounting principles, including, without limitation, goodwill, licenses, patents, trademarks, trade names, copyrights, and franchises.

c . Asset Coverage. Borrowers shall at all times maintain a positive amount of Asset Coverage. Asset Coverage shall be adjusted on a pro forma basis for future Permitted Acquisitions, such adjustments to be subject to approval by Lender.

Asset Coverage means seventy-five percent (75%) of the sum of the net book value (as determined by Lender) of the accounts receivable, inventory and property, plant and equipment, less Total Senior Net Liabilities of Clarus and its Subsidiaries on a consolidated basis, as reflected on Clarus' financial statements.

Total Senior Net Liabilities means total liabilities minus cash on hand and cash equivalents, marketable securities, Subordinated Debt and deferred tax liabilities.

5.15 Negative Pledge

Borrowers will not, and will not allow any Subsidiary to, create, incur, assume, or suffer to exist any mortgage, deed of trust, pledge, lien, security interest, hypothecation, assignment, deposit arrangement, or other preferential arrangement, charge, or encumbrance (including, without limitation, any conditional sale, other title retention agreement, or finance lease) of any nature, upon or with respect to any of its domestic or foreign properties or assets, now owned or hereafter acquired, or sign or file, under the Uniform Commercial Code of any jurisdiction, a financing statement under which Borrowers appears as debtor, or sign any security agreement authorizing any secured party thereunder to file such financing statement, except (a) those contemplated by this Loan Agreement; (b) liens arising in the ordinary course of business (such as liens of carriers, warehousemen, mechanics, repairmen, and materialmen) and other similar liens imposed by law for sums not yet due and payable or, if due and payable, those being contested in good faith by appropriate proceedings and for which appropriate reserves are maintained in accordance with Accounting Standards; (c) easements, rights of way, restrictions, minor defects or irregularities in title or other similar liens which alone or in the aggregate do not interfere in any material way with the ordinary conduct of the business of Borrowers; (d) liens for taxes and assessments not yet due and payable or, if due and payable, those being contested in good faith by appropriate proceedings and for which appropriate reserves are maintained in accordance with Accounting Standards; (e) Permitted Liens set forth on Schedule 5.15 hereto; (f) liens securing Debt not to exceed an aggregate outstanding amount of three million dollars ($3,000,000.00), except as authorized by prior written consent of Lender; (g) pledges or deposits in the ordinary course of business in connection with workers' compensation, employment and unemployment insurance and other social security legislation, other than any lien imposed by ERISA; (h) deposits to secure the performance of bids, trade contracts and leases (other than Debt), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, or arising as a result of process payments under government contracts to the extent required or imposed by applicable laws, all to the extent incurred in the ordinary course of business; and (i) liens granted by a Borrower in favor of a licensor under any intellectual property license agreement entered into by such Borrower, as licensee, in the ordinary course of such Borrower's business; *provided*, that such liens do not encumber any property other than the intellectual property licensed by such Borrower pursuant to the applicable license agreement and the property manufactured or sold by such Borrower utilizing such intellectual property.

Borrowers will not, and will not allow any Subsidiary to, enter into any agreement with any third party (each a "Negative Pledge") whereby any Borrower or such Subsidiary is prohibited from creating, incurring, assuming or suffering to exist any mortgage, deed of trust, pledge, lien, security interest, hypothecation, assignment, deposit arrangement, or other preferential arrangement, charge, or encumbrance (including, without limitation, any conditional sale, other title retention agreement, or finance lease) of any nature, upon or with respect to any of its properties or assets, now owned or hereafter acquired, or from signing or filing, under the Uniform Commercial Code of any jurisdiction, a financing statement under which Borrowers or any of its Subsidiaries appear as debtor, or signing any security agreement authorizing any secured party thereunder to file such financing statement, or enter into any agreement with any third party whereby Borrowers' or such Subsidiary's rights to do any of the foregoing are limited or restricted in any way, other than standard and customary Negative Pledge provisions in property acquired with the proceeds of any capital lease or purchase money financing that extend and apply only to such acquired property.

5.16 Restriction on Debt

Borrowers will not, and will not allow any Subsidiary to, create, incur, assume, or suffer to exist any Debt except as permitted by this Section 5.16.

Permitted exceptions to this covenant are: (a) the Loan; (b) Intercompany Loans; (c) obligations under Interest Rate Management Transactions with Lender or its affiliates; (d) Debt, not to exceed an aggregate outstanding principal amount of three million dollars ($3,000,000.00), which amount includes Existing Debt and debt authorized under Section 5.15(e) and (f) of this Loan Agreement; (e) the Subordinated Debt; (f) any foreign currency or interest rate hedge in the ordinary course of business; (g) contingent obligations of (A) the Borrowers in respect of Debt otherwise permitted hereunder of the Borrowers, and (B) the Borrowers for customary and commercially reasonable indemnification obligations incurred in good faith in connection with any Permitted Acquisitions or otherwise in connection with contractual obligations entered into in the ordinary course of business; and (h) obligations for deferred compensation related to the GMP Merger paid or payable solely in stock.

5.17 Mergers, Consolidations, Acquisitions, Sale of Assets

None of the Borrowers shall wind up, liquidate, or dissolve itself, reorganize, merge, or consolidate into, acquire, or convey, sell, assign, transfer, lease, or otherwise dispose of (whether in one transaction or a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to any person or entity except in connection with Permitted Acquisitions.

Permitted Acquisitions means the GMP Merger and mergers, consolidations or acquisitions meeting the following requirements:

a. At the time of completion of the Permitted Acquisition, no Event of Default which has not been waived or timely cured or event which, with the passage of time or giving of notice or both, without cure, would constitute an Event of Default, exists.

b. Prior to closing of the Permitted Acquisition, Borrowers shall present information concerning the business conducted by the potential Permitted Acquisition to Lender and Lender shall respond to Borrowers as to whether or not the potential Permitted Acquisition is deemed to be a Permitted Business within five (5) Banking Business Days.

c. Prior to the closing of the Permitted Acquisition, Borrowers shall have provided Lender with a pro forma compliance certificate in the form provided in Section 5.7 Financial Statements and Reports, showing that upon completion of the Permitted Acquisition, Borrowers will be in compliance with the financial covenants provided in Section 5.14 Financial Covenants. The method and information used in the calculation of the financial covenants for the pro forma compliance certificate shall be acceptable to Lender.

d. If the Permitted Acquisition is a merger or a consolidation, either (i) one of the Borrowers will be the surviving entity, or (ii) the acquiring company will become a wholly-owned Subsidiary of one of the Borrowers.

e. If the Permitted Acquisition is an acquisition of ownership interests in a company, the acquired company will be a wholly owned subsidiary of one of the Borrowers.

f. If the Permitted Acquisition is an acquisition of ownership interests in a company or is a merger where a Borrower is not the surviving company and the company is not a foreign Subsidiary, within fifteen (15) days of completion of the Permitted Acquisition, Borrowers and the company which is the subject of the Permitted Acquisition will execute and deliver a Substitute Promissory Note and the company which is the subject of the Permitted Acquisition shall execute an Assumption Agreement. Borrowers hereby consent and agree to the addition of any such acquired company as an additional Borrower hereunder through the execution of the Assumption Agreement.

5.18 Change in Control

a. No Change of Control of Clarus shall occur.

Change of Control means (i) the acquisition by any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under such Act) of forty percent (40%) or more of the outstanding common stock of Clarus, other than a "person" or "group" that includes Warren B. Kanders; or (ii) during any 24-month period individuals who at the beginning of such period constituted the Board of Directors of Clarus (together with any new directors whose election by the Board of Directors or whose nomination for election by the shareholders of Clarus was approved by a vote of a majority of the directors who either were directors at the beginning of such period or whose election or nomination was previously so approved) ceasing for any reason to constitute a majority of the Board of Directors of Clarus.

b. Clarus shall own, either directly or indirectly, all of the equity interests of each of the other Borrowers.

5.19 Loans and Distributions

Upon the occurrence of an Event of Default which has not been waived or timely cured or an event which with the passage of time or giving of notice or both, without waiver or timely cure, would constitute an Event of Default, Clarus shall not (i) declare or pay any dividends, (ii) purchase, redeem, retire or otherwise acquire for value any of its capital stock or equity interests now or hereafter outstanding, (iii) make any distribution of assets to its stockholders, investors, or equity holders, whether in cash, assets, or in obligations of Borrowers, (iv) allocate or otherwise set apart any sum for the payment of any dividend or distribution on, or for the purchase, redemption, or retirement of any shares of its capital stock or equity interests, or (v) make any other distribution by reduction of capital or otherwise in respect of any shares of its capital stock or equity interests.

Borrowers shall not make any loans or pay any advances of any nature whatsoever to any person or entity, except advances in the ordinary course of business to vendors, suppliers, and contractors and Intercompany Loans. Borrowers shall notify Lender in writing within ten (10) days after amending or creating a new Intercompany Loan, which amendment or new Intercompany Loan agreement shall be substantially in the form of Exhibit C.

5.20 GMP Merger

The GMP Merger shall be completed within ninety (90) days of the Effective Date. Upon the GMP Closing, the lien upon all assets of GMP held by Wells Fargo Bank shall be released.

5.21 Subordinated Debt

Upon execution of each promissory note constituting Subordinated Debt, Borrowers and the payee on the promissory note shall simultaneously execute a subordination agreement in substantially the form of Exhibit H hereto. The original Subordination Agreements shall be promptly delivered to Lender.

6. Default

6.1 Events of Default

Time is of the essence of this Loan Agreement. The occurrence of any of the following events shall constitute a default under this Loan Agreement and under the Loan Documents and shall be termed an "Event of Default":

a. Borrowers fail in the payment or performance of any obligation, covenant, agreement, or liability created by any of the Loan Documents.

b. Any representation, warranty, or financial statement made by or on behalf of Borrowers in any of the Loan Documents, or any document contemplated by the Loan Documents, is materially false or materially misleading.

c. Default occurs or Borrowers fail to comply with any term in any of the Loan Documents.

d. Any indebtedness of Borrowers or Subsidiaries in an aggregate amount in excess of seven hundred thousand dollars ($700,000.00) under any note, indenture or any other debt instrument is accelerated, excluding this Loan.

e. Default or an event which, with the passage of time or the giving of notice or both, would constitute a default, by Borrowers or Subsidiaries, having an aggregate liability to the Borrowers in excess of seven hundred thousand dollars ($700,000.00), occurs on any note, indenture, contract, agreement or any other debt instrument.

f. Borrowers are dissolved or substantially cease business operations.

g. A receiver, trustee, or custodian is appointed for any part of Borrowers' property, or any part of Borrowers' property is assigned for the benefit of creditors.

h. Any proceeding is commenced or petition filed under any bankruptcy or insolvency law by or against Borrowers.

i. Any judgment or regulatory fine is entered against Borrowers which may materially affect Borrowers.

j. Borrowers become insolvent or fail to pay their debts as they mature.

k. Default occurs or Borrowers fail to comply with any term in any Interest Rate Management Transaction.

l. Failure to close the GMP Merger in the time provided in Section 5.20 GMP Merger.

6.2 Cure Periods

Borrowers shall not be entitled to any notice of an Event of Default. Borrowers shall not have any right to cure any Event of Default under Section 6.1(a), (f), (g), (h), (i), (j), or (k). For any other Event of Default, Borrowers may cure such default within ten (10) Banking Business Days of the occurrence of the default, or if it is commercially unreasonable to cure such default within ten (10) Banking Business Days and with Lender's consent, within such longer period of time as is reasonably necessary to accomplish the cure, provided (i) Borrowers promptly commence such cure, (ii) such cure period does not exceed ninety (90) days under any circumstances, and (iii) Borrowers shall pay to Lender all of Lender's reasonable costs to confirm that the Event of Default has been cured. If an Event of Default is cured, provided Borrowers immediately pay all of Lender's reasonable enforcement costs, including attorneys' fees, incurred through the date Lender received notice of the cure, Lender shall cease its enforcement actions and remedies, including any acceleration remedy provided herein or elsewhere in the Loan Documents, and the parties shall proceed under the Loan Documents as if no default has occurred. Notwithstanding Lender's obligation to terminate its remedies upon a cure as set forth above, Lender shall have no obligation to suspend or delay its enforcement of its rights and remedies under the Loan Documents and at law during any applicable cure period after the expiration of the initial ten (10) Banking Business Days. In no event shall Borrowers have the right to cure Events of Default more than three (3) times during the term of this Agreement.

An Event of Default shall not exist during any cure period. If the cure period expires without Borrowers having cured the Event of Default and the Event of Default is not waived, the Event of Default shall be deemed to have occurred as of the date the event or omission giving rise to the Event of Default first occurred. Furthermore, if during the cure period any proceeding is commenced or petition filed under any bankruptcy or insolvency law by or against Borrowers, the cure period shall terminate upon such commencement or filing and the Event of Default shall be deemed to have occurred as of the date the event or omission giving rise to the Event of Default first occurred.

6.3 No Waiver of Event of Default

No course of dealing or delay or failure to assert any Event of Default shall constitute a waiver of that Event of Default or of any prior or subsequent Event of Default.

7. Remedies

7.1 Remedies upon Event of Default

Upon the occurrence of an Event of Default, and at any time thereafter, all or any portion of the obligations due or to become due from Borrowers to Lender, whether arising under this Loan Agreement, the Promissory Note, or otherwise, at the option of Lender and without notice to Borrowers of the exercise of such option, shall accelerate and become at once due and payable in full, and Lender shall have all rights and remedies created by or arising from the Loan Documents, and all other rights and remedies existing at law, in equity, or by statute.

Additionally, Lender shall have the right, immediately and without prior notice or demand, to set off against Borrowers' obligations to Lender, whether or not due, all money and other amounts owed by Lender in any capacity to Borrowers, including, without limitation, checking accounts, savings accounts, and other depository accounts, and Lender shall be deemed to have exercised such right of setoff and to have made a charge against any such money or amounts immediately upon occurrence of an Event of Default, even though such charge is entered on Lender's books subsequently thereto.

7.2 Rights and Remedies Cumulative

The rights and remedies herein conferred are cumulative and not exclusive of any other rights or remedies and shall be in addition to every other right, power, and remedy that Lender may have, whether specifically granted herein or hereafter existing at law, in equity, or by statute. Any and all such rights and remedies may be exercised from time to time and as often and in such order as Lender may deem expedient.

7.3 No Waiver of Rights

No delay or omission in the exercise or pursuance by Lender of any right, power, or remedy shall impair any such right, power, or remedy or shall be construed to be a waiver thereof.

8. General Provisions

8.1 Governing Agreement

In the event of conflict or inconsistency between this Loan Agreement and the other Loan Documents, excluding the Promissory Note and any Interest Rate Management Transactions, the terms, provisions and intent of this Loan Agreement shall govern.

8.2 Borrowers' Obligations Cumulative

Every obligation, covenant, condition, provision, warranty, agreement, liability, and undertaking of Borrowers contained in the Loan Documents shall be deemed cumulative and not in derogation or substitution of any of the other obligations, covenants, conditions, provisions, warranties, agreements, liabilities, or undertakings of Borrowers contained herein or therein.

8.3 Co-Borrowers

All obligations of Borrowers under this Loan Agreement and the Loan Documents shall be joint and several. Each reference to Borrowers in the Loan Documents shall be deemed to refer to each Borrower individually and collectively and each obligation to be performed by Borrowers hereunder shall be performed by each Borrower.

Each of the Borrowers hereby irrevocably appoints the other as its agent and attorney-in-fact for all purposes related to the Loan Documents, including, without limitation, making requests for advances, giving and receiving of notices and other communications, and the making of all certifications and reports required pursuant to the Loan Documents. The action of any of the Borrowers with respect to any advance and the requests, notices, reports and other materials submitted by any of the Borrowers shall bind each of the Borrowers.

Lender shall have no responsibility to inquire into the apportionment, allocation or disposition of any advances.

Each of the Borrowers hereby agrees to indemnify Lender and to hold Lender harmless, pursuant to Section 8.12 Indemnification, from and against any and all liabilities and damages (including contract, tort and equitable claims) which may be awarded against Lender, and for all reasonable attorneys fees, legal expenses and other expenses incurred in defending such claims, arising from or related in any manner to the joint nature of the borrowings hereunder or the status of Borrowers as co-borrowers.

Each of the Borrowers represents and warrants that each of the Borrowers is engaged in operations that require financing on such a joint basis with each other and that each of the Borrowers will derive benefit, directly or indirectly, from the advances made under the Loan Agreement.

Each of the Borrowers shall be a direct, primary and independent obligor and shall not be a guarantor, accommodation party or other person secondarily liable for the Loan, on the Promissory Note, or under any of the Loan Documents.

8.4 Payment of Expenses and Attorney's Fees

Borrowers shall pay all reasonable expenses of Lender relating to the negotiation, drafting of documents, documentation of the Loan, and administration and supervision of the Loan, including, without limitation, title insurance, recording fees, filing fees, and reasonable attorneys fees and legal expenses, whether incurred in making the Loan, in future amendments or modifications to the Loan Documents, or in ongoing administration and supervision of the Loan.

Upon occurrence of an Event of Default which has not been waived or timely cured, Borrowers agree to pay appraisal fees, environmental inspection fees and field examination expenses upon request of Lender, and all costs and expenses, including reasonable attorney fees and legal expenses, incurred by Lender in enforcing, or exercising any remedies under, the Loan Documents, and any other rights and remedies.

Borrowers agree to pay all expenses, including reasonable attorney fees and legal expenses, incurred by Lender in any bankruptcy proceedings of any type involving Borrowers, the Loan Documents, including, without limitation, expenses incurred in modifying or lifting the automatic stay, determining adequate protection, use of cash collateral or relating to any plan of reorganization.

8.5 Right to Perform for Borrowers

During the existence of an Event of Default, Lender may, in its sole discretion and without any duty to do so, elect to discharge taxes, tax liens, security interests, or any other encumbrance upon any property or asset of Borrowers, to pay any filing, recording, or other charges payable by Borrowers, or to perform any other obligation of Borrowers under this Loan Agreement.

8.6 Assignability

Borrowers may not assign or transfer any of the Loan Documents and any such purported assignment or transfer is void.

Lender may assign or transfer any of the Loan Documents. Funding of this Loan may be provided by an affiliate of Lender.

8.7 Third Party Beneficiaries

The Loan Documents are made for the sole and exclusive benefit of Borrowers and Lender and are not intended to benefit any other third party. No third party may claim any right or benefit or seek to enforce any term or provision of the Loan Documents.

8.8 Governing Law

The Loan Documents shall be governed by and construed in accordance with the laws of the State of Utah, except to the extent that any such document expressly provides otherwise.

8.9 Severability of Invalid Provisions

Any provision of this Loan Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction only, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or thereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.10 Interpretation of Loan Agreement

The article and section headings in this Loan Agreement are inserted for convenience only and shall not be considered part of the Loan Agreement nor be used in its interpretation.

All references in this Loan Agreement to the singular shall be deemed to include the plural when the context so requires, and vice versa. References in the collective or conjunctive shall also include the disjunctive unless the context otherwise clearly requires a different interpretation.

8.11 Survival and Binding Effect of Representations, Warranties, and Covenants

All agreements, representations, warranties, and covenants made herein by Borrowers shall survive the execution and delivery of this Loan Agreement and shall continue in effect so long as any obligation to Lender contemplated by this Loan Agreement is outstanding and unpaid, notwithstanding any termination of this Loan Agreement. All agreements, representations, warranties, and covenants made herein by Borrowers shall survive any bankruptcy proceedings involving Borrowers. All agreements, representations, warranties, and covenants in this Loan Agreement shall bind the party making the same, its successors and, in Lender's case, assigns, and all rights and remedies in this Loan Agreement shall inure to the benefit of and be enforceable by each party for whom made, their respective successors and, in Lender's case, assigns.

8.12 Indemnification

Borrowers hereby agree to indemnify Lender for all liabilities and damages (including contract, tort and equitable claims) which may be awarded against Lender, and for all reasonable attorneys fees, legal expenses and other expenses incurred in defending such claims, arising from or relating in any manner to the negotiation, execution or performance by Lender of the Loan Documents (including all reasonable attorneys fees, legal expenses and other expenses incurred in defending any such claims brought by Borrowers if Borrowers do not prevail in such actions), excluding only claims based upon breach or default by Lender or gross negligence or willful misconduct of Lender. Lender shall have sole and complete control of the defense of any such claims and is hereby given authority to settle or otherwise compromise any such claims as Lender in good faith determines shall be in its best interests.

8.13 Environmental Indemnification

Borrowers shall indemnify Lender for any and all claims and liabilities, and for damages which may be awarded or incurred by Lender, and for all reasonable attorney fees, legal expenses, and other out-of-pocket expenses arising from or related in any manner, directly or indirectly, to (i) Hazardous Materials located on, in, or under the Real Property; (ii) any Environmental Condition on, in, or under the Real Property; (iii) any material violation of or non compliance with any Environmental Health and Safety Law; (iv) any material breach or violation of Section 4.11 Environmental Representations and Warranties and/or Section 5.13 Environmental Covenants; and/or (v) any activity or omission, whether occurring on or off the Real Property, whether prior to or during the term of the loans secured hereby, and whether by Borrowers or any other person or entity, relating to Hazardous Materials or an Environmental Condition. The indemnification obligations of Borrowers under this Section shall survive any reconveyance, release, or foreclosure of the Real Property, any transfer in lieu of foreclosure, and satisfaction of the obligations secured hereby.

Lender shall have the sole and complete control of the defense of any such claims. Lender is hereby authorized to settle or otherwise compromise any such claims as Lender in good faith determines shall be in its best interests.

8.14 Interest on Expenses and Indemnification, Order of Application

All expenses, out-of-pocket costs, attorneys fees and legal expenses, amounts advanced in performance of obligations of Borrowers, and indemnification amounts owing by Borrowers to Lender under or pursuant to this Loan Agreement and/or the Promissory Note shall be due and payable upon demand. If not paid upon demand, all such obligations shall bear interest at the default rate provided in the Promissory Note from the date of disbursement until paid to Lender, both before and after judgment. Lender is authorized to disburse funds under the Promissory Note for payment of all such obligations.

All payments and recoveries shall be applied to payment of the foregoing obligations, the Promissory Note, and all other amounts owing to Lender by Borrowers in such order and priority as determined by Lender. Unless provided otherwise in the Promissory Note, payments on the Promissory Note shall be applied first to accrued interest and the remainder, if any, to principal.

8.15 Limitation of Consequential Damages

Lender and its officers, directors, employees, representatives, agents, and attorneys, shall not be liable to Borrowers for consequential damages arising from or relating to any breach of contract, tort, or other wrong in connection with the negotiation, documentation, administration or collection of the Loan.

8.16 Waiver and Release of Claims

Borrowers (i) represent that they have no defenses to or setoffs against any indebtedness or other obligations owing to Lender or its affiliates (the "Obligations"), nor claims against Lender or its affiliates for any matter whatsoever, related or unrelated to the Obligations, and (ii) release Lender and its affiliates from all claims, causes of action, and costs, in law or equity, existing as of the date of this Loan Agreement, which Borrowers have or may have by reason of any matter of any conceivable kind or character whatsoever, related or unrelated to the Obligations, including the subject matter of this Loan Agreement, excluding recordation of lien releases and delivery of collateral under the Prior Zions Loan. This provision shall not apply to claims for performance of express contractual obligations owing to Borrowers by Lender or its affiliates.

8.17 Revival Clause

If the incurring of any debt by Borrowers or the payment of any money or transfer of property to Lender by or on behalf of Borrowers should for any reason subsequently be determined to be "voidable" or "avoidable" in whole or in part within the meaning of any state or federal law (collectively "voidable transfers"), including, without limitation, fraudulent conveyances or preferential transfers under the United States Bankruptcy Code or any other federal or state law, and Lender is required to repay or restore any voidable transfers or the amount or any portion thereof, or upon the advice of Lender's counsel is advised to do so, then, as to any such amount or property repaid or restored, including all reasonable costs, expenses, and attorneys fees of Lender related thereto, the liability of Borrowers shall automatically be revived, reinstated and restored and shall exist as though the voidable transfers had never been made.

8.18 Dispute Resolution, Jury Trial Waiver, Class Action Waiver and Arbitration

This section contains a jury waiver, arbitration clause, and a class action waiver. READ IT CAREFULLY.

a . Jury Trial Waiver and Class Action Waiver . As permitted by applicable law, **each party waives their respective rights to a trial before a jury in connection with any Dispute** (as "Dispute" is hereinafter defined), and **Disputes shall be resolved by a judge sitting without a jury**. If a court determines that this provision is not enforceable for any reason and **at any time prior to trial of the Dispute, but not later than 30 days after entry of the order determining this provision is unenforceable**, any party shall be entitled to move the court for an order compelling arbitration and staying or dismissing such litigation pending arbitration ("Arbitration Order"). If permitted by applicable law, **each party also waives the right to litigate in court or an arbitration proceeding any Dispute as a class action, either as a member of a class or as a representative, or to act as a private attorney general**.

b. Arbitration. If a claim, dispute, or controversy arises between us with respect to this Agreement, related agreements, **or any other agreement or business relationship between any of us whether or not related to the subject matter of this Agreement** (all of the foregoing, a "Dispute"), and **only if** a jury trial waiver is not permitted by applicable law or ruling by a court, any of us may require that the Dispute be resolved by binding arbitration before a single arbitrator at the request of any party. **By agreeing to arbitrate a Dispute, each party gives up any right that party may have to a jury trial, as well as other rights that party would have in court that are not available or are more limited in arbitration, such as the rights to discovery and to appeal.**

Arbitration shall be commenced by filing a petition with, and in accordance with the applicable arbitration rules of, JAMS or National Arbitration Forum ("Administrator") as selected by the initiating party. If the parties agree, arbitration may be commenced by appointment of a licensed attorney who is selected by the parties and who agrees to conduct the arbitration without an Administrator. Disputes include matters (i) relating to a deposit account, application for or denial of credit, enforcement of any of the obligations we have to each other, compliance with applicable laws and/or regulations, performance or services provided under any agreement by any party, (ii) based on or arising from an alleged tort, or (iii) involving either of our employees, agents, affiliates, or assigns of a party. However, Disputes do not include the validity, enforceability, meaning, or scope of this arbitration provision and such matters may be determined only by a court. If a third party is a party to a Dispute, we each will consent to including the third party in the arbitration proceeding for resolving the Dispute with the third party. Venue for the arbitration proceeding shall be at a location determined by mutual agreement of the parties or, if no agreement, in the city and state where lender or bank is headquartered.

After entry of an Arbitration Order, the non-moving party shall commence arbitration. The moving party shall, at its discretion, also be entitled to commence arbitration but is under no obligation to do so, and the moving party shall not in any way be adversely prejudiced by electing not to commence arbitration. The arbitrator: (i) will hear and rule on appropriate dispositive motions for judgment on the pleadings, for failure to state a claim, or for full or partial summary judgment; (ii) will render a decision and any award applying applicable law; (iii) will give effect to any limitations period in determining any Dispute or defense; (iv) shall enforce the doctrines of compulsory counterclaim, res judicata, and collateral estoppel, if applicable; (v) with regard to motions and the arbitration hearing, shall apply rules of evidence governing civil cases; and (vi) will apply the law of the state specified in the agreement giving rise to the Dispute. Filing of a petition for arbitration shall not prevent any party from (i) seeking and obtaining from a court of competent jurisdiction (notwithstanding ongoing arbitration) provisional or ancillary remedies including but not limited to injunctive relief, property preservation orders, foreclosure, eviction, attachment, replevin, garnishment, and/or the appointment of a receiver, (ii) pursuing non-judicial foreclosure, or (iii) availing itself of any self-help remedies such as setoff and repossession. The exercise of such rights shall not constitute a waiver of the right to submit any Dispute to arbitration.

Judgment upon an arbitration award may be entered in any court having jurisdiction except that, if the arbitration award exceeds four million dollars ($4,000,000.00), any party shall be entitled to a de novo appeal of the award before a panel of three arbitrators. To allow for such appeal, if the award (including Administrator, arbitrator, and attorney's fees and costs) exceeds four million dollars ($4,000,000.00), the arbitrator will issue a written, reasoned decision supporting the award, including a statement of authority and its application to the Dispute. A request for de novo appeal must be filed with the arbitrator within 30 days following the date of the arbitration award; if such a request is not made within that time period, the arbitration decision shall become final and binding. On appeal, the arbitrators shall review the award de novo, meaning that they shall reach their own findings of fact and conclusions of law rather than deferring in any manner to the original arbitrator. Appeal of an arbitration award shall be pursuant to the rules of the Administrator or, if the Administrator has no such rules, then the JAMS arbitration appellate rules shall apply.

Arbitration under this provision concerns a transaction involving interstate commerce and shall be governed by the Federal Arbitration Act, 9 U.S.C. § 1 et seq. This arbitration provision shall survive any termination, amendment, or expiration of this Agreement. If the terms of this provision vary from the Administrator's rules, this arbitration provision shall control.

c . Reliance. Each party (i) certifies that no one has represented to such party that the other party would not seek to enforce jury and class action waivers in the event of suit, and (ii) acknowledges that it and the other party have been induced to enter into this Agreement by, among other things, the mutual waivers, agreements, and certifications in this section.

8.19 Consent to Utah Jurisdiction and Exclusive Jurisdiction of Utah Courts

Borrowers acknowledge that by execution and delivery of the Loan Documents Borrowers have transacted business in the State of Utah and Borrowers voluntarily submit to, consent to, and waive any defense to the jurisdiction of courts located in the State of Utah as to all matters relating to or arising from the Loan Documents and/or the transactions contemplated thereby. EXCEPT AS EXPRESSLY AGREED IN WRITING BY LENDER AND EXCEPT AS PROVIDED IN THE ARBITRATION PROVISIONS ABOVE, THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF UTAH SHALL HAVE SOLE AND EXCLUSIVE JURISDICTION OF ANY AND ALL CLAIMS, DISPUTES, AND CONTROVERSIES, ARISING UNDER OR RELATING TO THE LOAN DOCUMENTS AND/OR THE TRANSACTIONS CONTEMPLATED THEREBY. NO LAWSUIT, PROCEEDING, OR ANY OTHER ACTION RELATING TO OR ARISING UNDER THE LOAN DOCUMENTS AND/OR THE TRANSACTIONS CONTEMPLATED THEREBY MAY BE COMMENCED OR PROSECUTED IN ANY OTHER FORUM EXCEPT AS EXPRESSLY AGREED IN WRITING BY LENDER.

8.20 Joint and Several Liability

Borrowers shall each be jointly and severally liable for all obligations and liabilities arising under the Loan Documents.

8.21 Notices

All notices or demands by any party to this Loan Agreement (excluding notices concerning any Interest Rate Management Transaction) shall, except as otherwise provided herein, be in writing and may be sent by certified mail, return receipt requested. Notices so mailed shall be deemed received when deposited in a United States post office box, postage prepaid, properly addressed to Borrowers or Lender at the mailing addresses stated herein or to such other addresses as Borrowers or Lender may from time to time specify in writing. Any notice so addressed and otherwise delivered shall be deemed to be given when actually received by the addressee.

Mailing addresses:

Lender:

Zions First National Bank
Corporate Banking Group
One South Main, Suite 200
Salt Lake City, Utah 84111
Attention: Michael R. Brough
Senior Vice President

With a copy to:

John A. Beckstead
Holland & Hart LLP
222 South Main Street, Suite 2200
Salt Lake City, Utah 84101

With respect to all Borrowers:

c/o Clarus Corporation
2084 East 3900 South
Salt Lake City, Utah 84124
Attention: Executive Chairman and Chief Executive Officer

With a copy to:

Kane Kessler, P.C.
1350 Avenue of the Americas, 26th Floor
New York, New York 10019
Attention: Robert L. Lawrence, Esq.

8.22 Duplicate Originals; Counterpart Execution

Two or more duplicate originals of the Loan Documents may be signed by the parties, each duplicate of which shall be an original but all of which together shall constitute one and the same instrument. Any Loan Document may be executed in several counterparts, without the requirement that all parties sign each counterpart. Each of such counterparts shall be an original, but all counterparts together shall constitute one and the same instrument.

8.23 Disclosure of Financial and Other Information

Borrowers hereby consent to Lender disclosing to any other lender who may participate in the Loan any and all information, knowledge, reports, and records, including, without limitation, financial statements, relating in any manner whatsoever to the Loan and Borrowers.

8.24 Integrated Agreement and Subsequent Amendment

The Loan Documents constitute the entire agreement between Lender and Borrowers and may not be altered or amended except by written agreement signed by Lender and Borrowers. PURSUANT TO UTAH CODE SECTION 25-5-4, BORROWERS ARE NOTIFIED THAT THESE AGREEMENTS ARE A FINAL EXPRESSION OF THE AGREEMENT BETWEEN LENDER AND BORROWERS AND THESE AGREEMENTS MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY ALLEGED ORAL AGREEMENT.

All prior and contemporaneous agreements, arrangements and understandings between the parties hereto as to the subject matter hereof are, except as otherwise expressly provided herein, rescinded.

[Signatures appear on following page.]

Effective Date: May 28, 2010

Lender:

Zions First National Bank

By: /s/ Michael R. Brough
Michael R. Brough
Senior Vice President

Borrowers:

Black Diamond Equipment, Ltd.

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: Chief Executive Officer and President

Black Diamond Retail, Inc.

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: Chief Executive Officer and President

Clarus Corporation

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: Chief Executive Officer and President

Everest/Sapphire Acquisition, LLC

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: President

EXHIBIT A

Promissory Note

EXHIBIT B

Existing Debt

BD Existing Debt

The aggregate principal amount of Debt outstanding under the following agreements with BDEL at April 30, 2010 is approximately $1,292,286.

Agreement for Sale and Purchase of Trademark and Related Actions dated June 30, 2009, by and between BDEL as purchaser and GPG Enterprises as seller for nine hundred thousand dollars ($900,000.00), as amended July 8, 2009.

Master Finance Lease No. 0008878 between BDEL as lessee and Zions Credit Corporation as lessor dated December 18, 2003, Schedule No. 0008878005 dated October 1, 2007.

Master Finance Lease No. 0008878 between BDEL as lessee and Zions Credit Corporation as lessor dated December 18, 2003, Schedule No. 0008878006 dated October 1, 2007.

Master Finance Lease No. 0008878 between BDEL as lessee and Zions Credit Corporation as lessor dated December 18, 2003, Schedule No. 0008878007 dated October 1, 2007.

Master Finance Lease No. 0008878 between BDEL as lessee and Zions Credit Corporation as lessor dated December 18, 2003, Schedule No. 0008878008 dated December 27, 2007.

Master Finance Lease No. 0008878 between BDEL as lessee and Zions Credit Corporation as lessor dated December 18, 2003, Schedule No. 0008878009 dated December 27, 2007.

Master Lease Agreement between BDEL as lessee and US Bancorp as lessor dated March 9, 2009, Schedule No. 992592-001-0018585-001 dated March 9, 2009.

Master Lease Agreement No. 252193 between BDEL as lessee and Wells Fargo as lessor dated January 30, 2009, Supplement No. 0252193-400 dated April 3, 2009.

Guaranty by BDEL in favor of Polartec, LLC, dated January 23, 2009.

GMP Existing Debt

The aggregate principal amount of Debt outstanding under the following agreements with GMP at April 30, 2010 is approximately $40,000.

Lease Agreement between Gregory Mountain Products and US Bancorp Business Equipment Finance for Xerox copiers, dated March 20, 2008.

Lease Agreement between Gregory Mountain Products and Pitney Bowes, dated April 16, 2008.

Lease Agreement between Gregory Mountain Products and US Bancorp Business Equipment Finance for Xerox copiers, dated September 25, 2008.

EXHIBIT C

Form of Intercompany Loans

EXHIBIT D

BD Merger Agreement

EXHIBIT E

GMP Merger Agreement

EXHIBIT F

Assumption Agreement

EXHIBIT G

Financial Projections

EXHIBIT H

Subordination Agreement

COMPANY SCHEDULES TO CREDIT AGREEMENT

The following Schedules constitute an integral part of the representations and warranties of Borrowers, which take into effect the consummation of the GMP Closing and the execution by GMP of the Substitute Promissory Note.

Other than with respect to the Lender, and its successors, participants and/or assigns, no reference in these Schedules to any agreement or document shall be construed as an admission or indication to a third party other than the Lender, its successors, participants and/or assigns that such agreement or document is enforceable or currently in effect or that there are any obligations remaining to be performed or any rights that may be exercised under such agreement or document. Other than with respect to the Lender, and its successors, participants and/or assigns, no disclosure in these Schedules relating to any possible breach or violation of any agreement, law or regulation shall be construed as an admission or indication to a third party other than the Lender, its successors, participants and/or assigns that any such breach or violation exists or has actually occurred

SCHEDULE 4.5

ACCURACY OF FINANCIAL STATEMENTS

BDEL entered into an interest rate swap agreement in 2005 that is not reflected in the financial statements for fiscal year ended June 30, 2008

SCHEDULE 4.6

NO PENDING OR THREATENED LITIGATION

BD

Diamond Baseball Company, Inc. d/b/a Diamond Sports Co., Inc. filed an opposition concerning BDEL's United States Trademark Application No. 78/609,001, based on intent to use, for the mark BLACK DIAMOND. Depending on the resolution, this could affect the Company's rights with respect to the use of the BLACK DIAMOND mark in connection with apparel.

GMP

In 2002, Sanriya Crafts Manufactory Co., Ltd., a/k/a Heshan Sanriya ("Sanriya"), a third party unrelated to GMP or its predecessor, began seeking registration of the GREGORY & design mark in multiple classes of goods and services in China. Sanriya filed a total of at least 36 such trademark applications before GMP's predecessor could file its own trademark applications. Some of the Sanriya applications have matured to registration. GMP has filed trademark opposition proceedings in China seeking to prevent registration of all of Sanriya's still-pending trademark applications as well as several potentially-related applications owned by other third parties that may or may not be related to Sanriya, and may also oppose registration of all other GREGORY-formative trademark applications regardless of ownership. It is possible that GMP would have to petition to cancel those Sanriya trademark registrations which have issued. GMP's predecessor brought a trademark opposition proceeding in China seeking to prevent registration of Sanriya's application for the mark GREGORY & design in International Class 18, the class that includes backpacks, GMP's primary product. This opposition was denied at the initial level by the Chinese Trademark Office. GMP appealed this decision to the Chinese Trademark Appeal Board ("TRAB"). In September, 2009, the TRAB denied GMP's appeal. GMP is currently further appealing the TRAB decision to a Chinese court. If GMP is ultimately unsuccessful in the dispute, it is possible Sanriya could seek injunctive relief to prevent GMP from manufacturing its products in China.

SCHEDULE 4.10

COMPLIANCE WITH ALL OTHER APPLICABLE LAW

BD

See Schedule 4.6.

GMP

See Schedule 4.6.

SCHEDULE 4.11

ENVIRONMENTAL REPRESENTATIONS AND WARRANTIES

BD

Asbestos existed in the underlayment of certain shake roofing on the Black Diamond campus and may still exist in certain other underlayments. This roofing predated BDEL's purchase of the real estate. Roofs on two of the outbuildings at the front of the campus have been replaced since BDEL purchased the property, and the asbestos underlayment was removed using standard abatement procedures during those roof replacements.

SCHEDULE 4.12

OPERATION OF BUSINESS

BD

See Schedule 4.6.

GMP

See Schedule 4.6.

SCHEDULE 5.5

PRIOR CONSENTS FOR AMENDMENT OR CHANGE

Clarus intends to amend its Organizational Documents to change the name of the corporation to Black Diamond or any other similar name and to increase the number of directors on its Board of Directors.

SCHEDULE 5.15

PERMITTED LIENS

Delaware:

Debtor	Secured Party	Date Filed	Filing No.	Collateral Description
Black Diamond Equipment, Ltd	Henriksen/Butler Design Group	9/16/05 Amended 10/14/05	52868462 53179851	All furniture and fixtures manufactured by Herman Miller, Inc, together with all proceeds and support obligations thereof up to the amount of $46,506.
Black Diamond Equipment Ltd, Inc. and Black Diamond Retail, Inc.	Zions Credit Corporation	9/11/08	2008 3075619	Specific equipment lease
Black Diamond Equipment Ltd, Inc. and Black Diamond Retail	Zions Credit Corporation	9/11/08	2008 3075627	Specific equipment lease
Black Diamond Equipment Ltd, Inc. and Black Diamond Retail	Zions Credit Corporation	9/11/08	2008 3075643	Specific equipment lease
Black Diamond Equipment Ltd, Inc. and Black Diamond Retail	Zions Credit Corporation	9/11/08	2008 3075650	Specific equipment lease
Black Diamond Equipment Ltd	Wells Fargo Equipment Finance, Inc.	2/4/2009	2009 0580743	Office Furniture and fixtures described on Henrickson Butler Invoices 107074. 107143.107075
Black Diamond Equipment Ltd	US Bancorp Equipment Finance, Inc.	4/29/2009	2009 1350773	Specific Equipment
Gregory Mountain Products LLC	US Bancorp	11/19/2008	2008 3875265	Specific Equipment

Utah:

Debtor	Secured Party	Date Filed	Filing No.	Collateral Description
Black Diamond Equipment Company, Ltd. Inc.	Revco Leasing Company	11/27/2007	332999200704	Specific Equipment
Black Diamond Equipment Ltd, Inc.	Zions Credit Corporation	1/7/08	335497200801	Specific equipment lease
Black Diamond Equipment Ltd, Inc. and Black Diamond Retail, Inc.	Zions Credit Corporation	9/11/06	303111200669	Specific equipment lease
Black Diamond Equipment Ltd, Inc. and Black Diamond Retail, Inc.	Zions Credit Corporation	8/9/07	325888200705	Specific equipment lease

Security Interest granted pursuant to the terms of the Agreement for Sale and Purchase of Trademark and Related Actions dated June 30, 2009, by and between BDEL as purchaser and GPG Enterprises as seller, as amended July 8, 2009.

Security Interest granted pursuant to the terms of the Settlement Agreement between BDEL and G3 Genuine Guide Gear, dated July 7, 2003.

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

Exhibit 10.2

Promissory Note
Revolving Line of Credit

May 28, 2010

Borrowers:	Black Diamond Equipment, Ltd. Black Diamond Retail, Inc. Clarus Corporation Everest/Sapphire Acquisition, LLC
Lender:	Zions First National Bank
Amount:	$35,000,000.00

Maturity Date: July 2, 2013

For value received, Black Diamond Equipment, Ltd., a Delaware corporation, Black Diamond Retail, Inc., a Delaware corporation, Clarus Corporation, a Delaware corporation, and Everest/Sapphire Acquisition, LLC, a Delaware limited liability company (individually and collectively herein, "Borrowers"), promise to pay to the order of Zions First National Bank ("Lender") at its Corporate Banking Group, 10 East South Temple, Suite 200, Salt Lake City, Utah 84133, the sum of thirty-five million dollars ($35,000,000.00) or such other principal balance as may be outstanding hereunder in lawful money of the United States with interest thereon calculated and payable as provided herein.

Definitions

Terms used in the singular shall have the same meaning when used in the plural and vice versa. As used in this Promissory Note, the term:

"Banking Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in the State of Utah are authorized or required to close.

"Default Rate" means Ninety Day LIBOR Rate plus seven and five-tenths percent (7.5%) per annum.

"Dollars" and the sign "$" mean lawful money of the United States.

"EBITDA" shall have the meaning set forth in the Loan Agreement.

"Loan Agreement" means the Loan Agreement dated May 28, 2010 between Lender and Borrowers, together with any exhibits, amendments, addenda, and modifications.

"Ninety Day FHLB Rate" means the rate per annum quoted by Lender as Lender's Ninety Day Federal Home Loan Bank rate based upon the FHLB Seattle rate as quoted in Bloomberg, or on the FHLB Seattle internet web site at www.FHLBsea.com, or other comparable service selected by Lender. The definition of "Ninety Day FHLB Rate" is to be strictly interpreted and is not intended to serve any purpose other than providing an index to determine the interest rate used herein. It is not necessarily the lowest rate charged by Lender on its loans. If the Ninety Day FHLB Rate becomes unavailable during the term of this Promissory Note, Lender may designate a substitute index after notifying Borrower.

"Ninety Day LIBOR Rate" means the rate per annum quoted by Lender as its Ninety Day LIBOR Rate based upon quotes from the London Interbank Offered Rate from the British Bankers Association Interest Settlement Rates as quoted for United States Dollars by Bloomberg or other comparable services selected by Lender. This definition of "Ninety Day LIBOR Rate" is to be strictly interpreted and is not intended to serve any purpose other than providing an index to determine the interest rate used herein. It is not the lowest rate at which Lender may make loans to any of its customers, either now or in the future.

"Senior Net Debt" shall have the meaning set forth in the Loan Agreement.

"Trailing Twelve Month" shall have the meaning set forth in the Loan Agreement.

Interest

Interest shall accrue on the outstanding principal balance hereunder from the date of disbursement until paid, both before and after judgment, at a variable rate computed on the basis of the Ninety Day LIBOR Rate from time to time in effect, adjusted as of the date of any change in the Ninety Day LIBOR Rate, and on a three hundred sixty (360) day year as follows: (A) Ninety Day LIBOR Rate plus three and five-tenths percent (3.5%) per annum at all times that Borrowers' Senior Net Debt to Trailing Twelve Month EBITDA ratio is greater than or equal to two and five-tenths (2.5); (B) Ninety Day LIBOR Rate plus two and seventy-five hundredths percent (2.75%) per annum at all times that Borrowers' Senior Net Debt to Trailing Twelve Month EBITDA ratio is less than two and five-tenths (2.5).

Notwithstanding the foregoing, if Lender reasonably determines (which determination shall be conclusive) that (i) quotations of interest rates referred to in the definition of Lender's Ninety Day LIBOR Rate are not being provided in the relevant amounts or for the relevant maturities for purposes of Lender determining the Ninety Day LIBOR Rate, (ii) the adoption of any applicable law, rule, or regulation or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by Lender with any request or directive (whether or not having the force of law) of any such authority, central bank, or comparable agency shall make it unlawful or impossible for Lender to offer loans based on the Ninety Day LIBOR Rate, or (iii) the Ninety Day LIBOR Rate does not adequately cover the cost of Lender making or maintaining advances based on the Ninety Day LIBOR Rate, then Lender shall give notice thereof to Borrower, whereupon until Lender notifies Borrower that the circumstances giving rise to such suspension no longer exist, the interest rate hereunder shall be converted to a variable rate computed on the basis of the Ninety Day FHLB Rate, adjusted as of the date of any change in the Ninety Day FHLB Rate, and a three hundred sixty (360) day year as follows: (A) Ninety Day FHLB Rate plus three and five-tenths percent (3.5%) per annum at all times that Borrowers' Senior Net Debt to Trailing Twelve Month EBITDA ratio is greater than or equal to 2.5; (B) Ninety Day FHLB Rate plus two and seventy-five hundredths percent (2.75%) per annum at all times that Borrowers' Senior Net Debt to Trailing Twelve Month EBITDA ratio is less than 2.5.

The foregoing margins above the Ninety Day LIBOR Rate or Ninety Day FHLB Rate shall adjust on the first day of each month following the later of the due date or date of receipt of the quarterly or annual financial statements to be provided by Borrowers pursuant to the Loan Agreement.

Notwithstanding the foregoing, in no case shall interest be less than three and twenty-five hundredths percent (3.25%) per annum, regardless of Borrowers' Senior Net Debt to Trailing Twelve Month EBITDA ratio and regardless of the Ninety Day LIBOR Rate or Ninety Day FHLB Rate.

Revolving Line of Credit

This Promissory Note shall be a revolving line of credit under which Borrowers may repeatedly draw and repay funds, so long as no Event of Default has occurred hereunder or under the Loan Agreement which has not been timely cured or waived. All disbursements under this Promissory Note shall be made in accordance with the Loan Agreement.

Principal and interest shall be payable as follows: Interest accrued is to be paid monthly in arrears commencing June 1, 2010, and on the same day of each month thereafter. All principal and unpaid interest shall be paid in full on July 2, 2013.

All payments shall be applied first to accrued interest and the remainder, if any, to principal.

Prepayment

Borrower may prepay all or any portion of this Promissory Note at any time without penalty. Any prepayment received by Lender after 2:00 p.m. Mountain Time shall be deemed received on the following Banking Business Day. Any prepayment may be subject to fees or charges relating to the breakage of or constitute a termination event under an Interest Rate Management Transaction (as defined in the Loan Agreement).

General

This Promissory Note is made in accordance with, governed by, and deemed to be a promissory note under, and subject to all terms and conditions of, the Loan Agreement.

If, at any time prior to the maturity of this Promissory Note, this Promissory Note shall have a zero balance owing, this Promissory Note shall not be deemed satisfied or terminated by and shall remain in full force and effect for future draws unless terminated upon other grounds.

Upon an Event of Default in payment of any principal or interest when due, whether due at stated maturity, by acceleration, or otherwise, all outstanding principal shall bear interest at the Default Rate from the date when due until paid, both before and after judgment.

If an Event of Default occurs, time being the essence hereof, then the entire unpaid balance, with interest as aforesaid, shall, at the election of the holder hereof and without notice of such election, become immediately due and payable in full.

If an Event of Default occurs, Borrowers agree to pay to the holder hereof all collection costs, including reasonable attorney fees and legal expenses, in addition to all other sums due hereunder.

This Promissory Note shall be governed by and construed in accordance with the laws of the State of Utah.

Borrowers acknowledge that by execution and delivery of this Promissory Note Borrowers have transacted business in the State of Utah and Borrowers voluntarily submit to, consent to, and waive any defense to the jurisdiction of courts located in the State of Utah as to all matters relating to or arising from this Promissory Note. EXCEPT AS EXPRESSLY AGREED IN WRITING BY LENDER AND EXCEPT AS PROVIDED IN THE ARBITRATION PROVISIONS IN THE LOAN AGREEMENT, THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF UTAH SHALL HAVE SOLE AND EXCLUSIVE JURISDICTION OF ANY AND ALL CLAIMS, DISPUTES, AND CONTROVERSIES, ARISING UNDER OR RELATING TO THIS PROMISSORY NOTE. NO LAWSUIT, PROCEEDING, OR ANY OTHER ACTION RELATING TO OR ARISING UNDER THIS PROMISSORY NOTE MAY BE COMMENCED OR PROSECUTED IN ANY OTHER FORUM EXCEPT AS EXPRESSLY AGREED IN WRITING BY LENDER.

All obligations of Borrowers under this Promissory Note shall be joint and several.

Borrowers and all endorsers, sureties and guarantors hereof hereby jointly and severally waive presentment for payment, demand, protest, notice of protest, notice of protest and of non-payment and of dishonor, and consent to extensions of time, renewal, waivers or modifications without notice and further consent to the release of any collateral or any part thereof with or without substitution.

Borrowers:

Black Diamond Equipment, Ltd.

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: Chief Executive Officer and President

Black Diamond Retail, Inc.

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: Chief Executive Officer and President

Clarus Corporation

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: Chief Executive Officer and President

Everest/Sapphire Acquisition, LLC

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: President

Assumption Agreement

This Assumption Agreement (the "Agreement") is made by Gregory Mountain Products, LLC, a limited liability company organized and existing under the laws of the State of Delaware(the "Additional Borrower") and Zions First National Bank ("Lender").

Recitals

1. Black Diamond Equipment, Ltd., Black Diamond Retail, Inc., Clarus Corporation, and Everest/Sapphire Acquisition, LLC (individually and collectively the "Borrower") and Lender have entered into a Loan Agreement dated May 28, 2010 (the "Loan Agreement"), pursuant to which Lender has loaned Borrower the sum of thirty-five million dollars ($35,000,000.00), evidenced by a Promissory Note (Revolving Line of Credit) dated May 28, 2010, in the original principal amount of thirty-five million dollars ($35,000,000.00) (collectively, the "Loan").

2. Additional Borrower has been acquired by the Borrower.

3. Pursuant to the terms of the Loan Agreement, Additional Borrower is required to become a Borrower under the Loan Agreement.

4. Additional Borrower desires to agree and consent to become bound by the Loan.

Agreement

For good and valuable consideration, receipt of which is hereby acknowledged, Additional Borrower agrees as follows:

1 . Additional Borrower Agreement. Additional Borrower hereby agrees and becomes bound by each of the Loan Documents (as defined in the Loan Agreement) as if Additional Borrower has executed and delivered the Loan Documents as Borrower at the time the Loan Documents were executed by the other parties thereto. Additional Borrower will executed and deliver a Substitute Promissory Note as provided in the Loan Documents.

2 . Consideration Among Co-Borrowers. Additional Borrower acknowledges and agrees that it has become a part of the financial enterprise described in Section 2.3 Consideration Among Co-Borrowers of the Loan Agreement and the considerations recited therein are applicable to Additional Borrower.

3 . Representations and Warranties of Additional Borrower. Additional Borrower represents and warrants that it is a limited liability company, duly organized and existing in good standing under the laws of the State of Delaware

4 . Loan Documents Remain in Full Force and Effect. The Loan Documents continue in full force and effect and remain unchanged, except as specifically modified by this Agreement.

5 . Counterparts. Borrower agrees that this Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signature and acknowledgment pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

6 . Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah, without giving effect to conflicts of law principles.

Dated: May __, 2010.

Additional Borrower:

Gregory Mountain Products, LLC

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: President

Zions First National Bank:

/s/ Michale R. Brough
Michael R. Brough
Senior Vice President

Exhibit 10.4

First Substitute Promissory Note
Revolving Line of Credit

May 28, 2010

Borrowers: Black Diamond Equipment, Ltd.
Black Diamond Retail, Inc.
Clarus Corporation
Everest/Sapphire Acquisition, LLC
Gregory Mountain Products, LLC

Lender: Zions First National Bank

Amount: $35,000,000.00

Maturity Date: July 2, 2013

For value received, Black Diamond Equipment, Ltd., a Delaware corporation, Black Diamond Retail, Inc., a Delaware corporation, Clarus Corporation, a Delaware corporation, Everest/Sapphire Acquisition, LLC, a Delaware limited liability company, and Gregory Mountain Products, LLC, a Delaware limited liability company (individually and collectively herein, "Borrowers"), promise to pay to the order of Zions First National Bank ("Lender") at its Corporate Banking Group, 10 East South Temple, Suite 200, Salt Lake City, Utah 84133, the sum of thirty-five million dollars ($35,000,000.00) or such other principal balance as may be outstanding hereunder in lawful money of the United States with interest thereon calculated and payable as provided herein.

Definitions

Terms used in the singular shall have the same meaning when used in the plural and vice versa. As used in this Promissory Note, the term:

"Banking Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in the State of Utah are authorized or required to close.

"Default Rate" means Ninety Day LIBOR Rate plus seven and five-tenths percent (7.5%) per annum.

"Dollars" and the sign "$" mean lawful money of the United States.

"EBITDA" shall have the meaning set forth in the Loan Agreement.

"Loan Agreement" means the Loan Agreement dated May 28, 2010 between Lender and Borrowers, together with any exhibits, amendments, addenda, and modifications.

"Ninety Day FHLB Rate" means the rate per annum quoted by Lender as Lender's Ninety Day Federal Home Loan Bank rate based upon the FHLB Seattle rate as quoted in Bloomberg, or on the FHLB Seattle internet web site at www.FHLBsea.com, or other comparable service selected by Lender. The definition of "Ninety Day FHLB Rate" is to be strictly interpreted and is not intended to serve any purpose other than providing an index to determine the interest rate used herein. It is not necessarily the lowest rate charged by Lender on its loans. If the Ninety Day FHLB Rate becomes unavailable during the term of this Promissory Note, Lender may designate a substitute index after notifying Borrowers.

"Ninety Day LIBOR Rate" means the rate per annum quoted by Lender as its Ninety Day LIBOR Rate based upon quotes from the London Interbank Offered Rate from the British Bankers Association Interest Settlement Rates as quoted for United States Dollars by Bloomberg or other comparable services selected by Lender. This definition of "Ninety Day LIBOR Rate" is to be strictly interpreted and is not intended to serve any purpose other than providing an index to determine the interest rate used herein. It is not the lowest rate at which Lender may make loans to any of its customers, either now or in the future.

"Senior Net Debt" shall have the meaning set forth in the Loan Agreement.

"Trailing Twelve Month" shall have the meaning set forth in the Loan Agreement.

Interest

Interest shall accrue on the outstanding principal balance hereunder from the date of disbursement until paid, both before and after judgment, at a variable rate computed on the basis of the Ninety Day LIBOR Rate from time to time in effect, adjusted as of the date of any change in the Ninety Day LIBOR Rate, and on a three hundred sixty (360) day year as follows: (A) Ninety Day LIBOR Rate plus three and five-tenths percent (3.5%) per annum at all times that Borrowers' Senior Net Debt to Trailing Twelve Month EBITDA ratio is greater than or equal to two and five-tenths (2.5); (B) Ninety Day LIBOR Rate plus two and seventy-five hundredths percent (2.75%) per annum at all times that Borrowers' Senior Net Debt to Trailing Twelve Month EBITDA ratio is less than two and five-tenths (2.5).

Notwithstanding the foregoing, if Lender reasonably determines (which determination shall be conclusive) that (i) quotations of interest rates referred to in the definition of Lender's Ninety Day LIBOR Rate are not being provided in the relevant amounts or for the relevant maturities for purposes of Lender determining the Ninety Day LIBOR Rate, (ii) the adoption of any applicable law, rule, or regulation or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by Lender with any request or directive (whether or not having the force of law) of any such authority, central bank, or comparable agency shall make it unlawful or impossible for Lender to offer loans based on the Ninety Day LIBOR Rate, or (iii) the Ninety Day LIBOR Rate does not adequately cover the cost of Lender making or maintaining advances based on the Ninety Day LIBOR Rate, then Lender shall give notice thereof to Borrowers, whereupon until Lender notifies Borrowers that the circumstances giving rise to such suspension no longer exist, the interest rate hereunder shall be converted to a variable rate computed on the basis of the Ninety Day FHLB Rate, adjusted as of the date of any change in the Ninety Day FHLB Rate, and a three hundred sixty (360) day year as follows: (A) Ninety Day FHLB Rate plus three and five-tenths percent (3.5%) per annum at all times that Borrowers' Senior Net Debt to Trailing Twelve Month EBITDA ratio is greater than or equal to 2.5; (B) Ninety Day FHLB Rate plus two and seventy-five hundredths percent (2.75%) per annum at all times that Borrowers' Senior Net Debt to Trailing Twelve Month EBITDA ratio is less than 2.5.

The foregoing margins above the Ninety Day LIBOR Rate or Ninety Day FHLB Rate shall adjust on the first day of each month following the later of the due date or date of receipt of the quarterly or annual financial statements to be provided by Borrowers pursuant to the Loan Agreement.

Notwithstanding the foregoing, in no case shall interest be less than three and twenty-five hundredths percent (3.25%) per annum, regardless of Borrowers' Senior Net Debt to Trailing Twelve Month EBITDA ratio and regardless of the Ninety Day LIBOR Rate or Ninety Day FHLB Rate.

Revolving Line of Credit

This Promissory Note shall be a revolving line of credit under which Borrowers may repeatedly draw and repay funds, so long as no Event of Default has occurred hereunder or under the Loan Agreement which has not been timely cured or waived. All disbursements under this Promissory Note shall be made in accordance with the Loan Agreement.

Principal and interest shall be payable as follows: Interest accrued is to be paid monthly in arrears commencing June 1, 2010, and on the same day of each month thereafter. All principal and unpaid interest shall be paid in full on July 2, 2013.

All payments shall be applied first to accrued interest and the remainder, if any, to principal.

Prepayment

Borrowers may prepay all or any portion of this Promissory Note at any time without penalty. Any prepayment received by Lender after 2:00 p.m. Mountain Time shall be deemed received on the following Banking Business Day. Any prepayment may be subject to fees or charges relating to the breakage of or constitute a termination event under an Interest Rate Management Transaction (as defined in the Loan Agreement).

General

This Promissory Note is made in accordance with, governed by, and deemed to be a promissory note under, and subject to all terms and conditions of, the Loan Agreement.

If, at any time prior to the maturity of this Promissory Note, this Promissory Note shall have a zero balance owing, this Promissory Note shall not be deemed satisfied or terminated by and shall remain in full force and effect for future draws unless terminated upon other grounds.

Upon an Event of Default in payment of any principal or interest when due, whether due at stated maturity, by acceleration, or otherwise, all outstanding principal shall bear interest at the Default Rate from the date when due until paid, both before and after judgment.

If an Event of Default occurs, time being the essence hereof, then the entire unpaid balance, with interest as aforesaid, shall, at the election of the holder hereof and without notice of such election, become immediately due and payable in full.

If an Event of Default occurs, Borrowers agree to pay to the holder hereof all collection costs, including reasonable attorney fees and legal expenses, in addition to all other sums due hereunder.

This Promissory Note shall be governed by and construed in accordance with the laws of the State of Utah.

Borrowers acknowledge that by execution and delivery of this Promissory Note Borrowers have transacted business in the State of Utah and Borrowers voluntarily submit to, consent to, and waive any defense to the jurisdiction of courts located in the State of Utah as to all matters relating to or arising from this Promissory Note. EXCEPT AS EXPRESSLY AGREED IN WRITING BY LENDER AND EXCEPT AS PROVIDED IN THE ARBITRATION PROVISIONS IN THE LOAN AGREEMENT, THE STATE AND FEDERAL COURTS LOCATED IN THE STATE OF UTAH SHALL HAVE SOLE AND EXCLUSIVE JURISDICTION OF ANY AND ALL CLAIMS, DISPUTES, AND CONTROVERSIES, ARISING UNDER OR RELATING TO THIS PROMISSORY NOTE. NO LAWSUIT, PROCEEDING, OR ANY OTHER ACTION RELATING TO OR ARISING UNDER THIS PROMISSORY NOTE MAY BE COMMENCED OR PROSECUTED IN ANY OTHER FORUM EXCEPT AS EXPRESSLY AGREED IN WRITING BY LENDER.

All obligations of Borrowers under this Promissory Note shall be joint and several.

Borrowers and all endorsers, sureties and guarantors hereof hereby jointly and severally waive presentment for payment, demand, protest, notice of protest, notice of protest and of non-payment and of dishonor, and consent to extensions of time, renewal, waivers or modifications without notice and further consent to the release of any collateral or any part thereof with or without substitution.

Borrowers:

Black Diamond Equipment, Ltd.

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: Chief Executive Officer and President

Black Diamond Retail, Inc.

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: Chief Executive Officer and President

Clarus Corporation

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: Chief Executive Officer and President

Everest/Sapphire Acquisition, LLC

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: President

Gregory Mountain Products, LLC

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: President

Exhibit 10.5

Subordination Agreement
(Kanders GMP Holdings, LLC)

This Subordination Agreement (the "Agreement") is made by and between Zions First National Bank whose address is Corporate Banking Group, One South Main, Suite 200, Salt Lake City, Utah 84111 ("Lender"), Black Diamond Equipment, Ltd. ("BDEL"), Black Diamond Retail, Inc. ("BD-Retail"), Clarus Corporation ("Clarus"), and Everest/Sapphire Acquisition, LLC ("Everest") and Gregory Mountain Products, LLC ("GMP") (BDEL, BD-Retail, Clarus, Everest, and GMP are collectively, the "Borrower") whose address is 2084 East 3900 South, Salt Lake City, Utah 84124, and Kanders GMP Holdings, LLC whose address is c/o Warren Kanders, One Landmark Square, Stamford, Connecticut 06901 ("Creditor").

RECITALS:

1. Lender is making or has made a loan to BDEL, BD-Retail, Clarus and Everest in the amount of thirty-five million dollars ($35,000,000.00) (the "Loan").

2. GMP has become a borrower under the Loan pursuant to the execution of an Assumption Agreement dated May 28, 2010.

3. Clarus is indebted to Creditor pursuant to that certain 5% Unsecured Subordinated Note due May 28, 2017 in the original principal amount of fourteen million five hundred sixteen thousand nine hundred forty-five dollars ($14,516,945.00) (the "Subordinated Promissory Note").

4. The documents evidencing the Loan require that Creditor enter into this Agreement.

AGREEMENT

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender, Borrower and Creditor hereby agree as follows:

1 . Definitions. Terms used in the singular shall have the same meaning when used in the plural and vice versa. In addition to the terms defined above, as used herein, the term:

a. "Creditor Indebtedness" means the indebtedness of Clarus to Creditor evidenced by the Subordinated Promissory Note, together with any and all renewals, extensions, modifications, and replacements thereof, and all other indebtedness of Clarus to Creditor arising from or related thereto.

b. "Default Rights and Remedies" means any and all rights and remedies granted in, arising from, or relating to any agreement, instruction, or document and any and all rights and remedies now or hereafter existing by statute, at law, or in equity, which may be exercised only upon the occurrence of a breach or event of default.

c. "Lender Indebtedness" means the indebtedness of Borrower to Lender evidenced by the (i) Loan Agreement, and (ii) First Substitute Promissory Note (Revolving Line of Credit) dated May 28, 2010, in the original principal amount of thirty-five million dollars ($35,000,000.00), together with any and all renewals, extensions, modifications, and replacements thereof, including any increase in the principal amount thereof, and all other indebtedness of Borrower to Creditor arising from or relating thereto.

d. "Loan Agreement" means the Loan Agreement between Lender and Borrower dated May 28, 2010, pursuant to which Lender will loan Borrower the sum of up to thirty-five million dollars ($35,000,000.00) together with any exhibits, amendments, addendums, and modifications.

2. Warranties Regarding Creditor Indebtedness. Creditor represents and warrants to Lender that the Creditor Indebtedness is not secured by any collateral, security interest or lien and Creditor covenants and agrees that the Creditor Indebtedness shall remain unsecured so long as any amount is outstanding and unpaid on the Lender Indebtedness.

3. Exercise of Default and Remedies. Creditor agrees that it will not exercise any Default Rights and Remedies concerning the Creditor Indebtedness, so long as any amount is outstanding and unpaid on the Lender Indebtedness, without the prior written consent of Lender, except that, in the event that a Borrower files for bankruptcy relief, Creditor may file a proof of claim in the bankruptcy.

4. Conditions to Payment on Creditor Indebtedness. Clarus may make regularly scheduled cash interest payments on the Subordinated Promissory Note not to exceed five percent (5%) per annum ("Interest Payments"), until (i) an Event of Default (as defined in the Loan Agreement) exists and is continuing, and written notice of the same has been given by Lender to Creditor, or (ii) Borrower is not in compliance with the financial covenants specified in the Loan Agreement. If Clarus makes an interest payment to Creditor in violation of these conditions, Creditor covenants and agrees that upon written demand by Lender the payment shall be promptly tendered to Lender to be applied toward payment of the Lender Indebtedness.

If an Event of Default (as defined in the Subordinated Promissory Note) occurs under any Subordinated Promissory Note as a result of Clarus failing to pay any Interest Payments, Lender agrees not to waive the resulting Event of Default (as defined in the Loan Agreement), so long as (i) no other Event of Default(as defined in the Loan Agreement) exists and is continuing and (ii) Borrower is in compliance with the financial covenants specified in the Loan Agreement. If additional Events of Default (as defined in the Loan Agreement) exist at the time the Event of Default (as defined in the Loan Agreement) related to Clarus's failure to pay the Interest Payments, Lender may waive the Event of Default (as defined in the Loan Agreement) based upon failure to pay Interest Payments in connection with waiver of other Events of Defaults(as defined in the Loan Agreement); provided, however, that Lender shall not be prohibited hereunder from waiving such Event of Default (as defined in the Loan Agreement), if it has received written notice from the holder(s) of a majority of the aggregate principal amount of all of the holders of the Subordinated Debt (as defined in the Loan Agreement) that Lender shall not be prohibited hereunder from waiving such Event of Default (as defined in the Loan Agreement).

5 . Prohibition of Prepayment of Creditor Indebtedness. Clarus covenants that it will not make, and Creditor covenants and agrees that it will not receive or accept, any prepayment on the Creditor Indebtedness so long as any amount is outstanding and unpaid on the Lender Indebtedness, without the prior written consent of Lender. However, if Creditor receives any prepayment in violation of this covenant, such payments shall be received in trust for Lender and shall be immediately tendered to Lender to be applied toward payment of the Lender Indebtedness.

6 . Subordination of Payment. Except as provided in Section 4 above, so long as any amount is outstanding and owing to Lender on or related to the Loan:

a. The right of Creditor to receive payment, whether of principal or interest, on the Creditor Indebtedness is subordinated to the right of Lender to receive payment on the Lender Indebtedness.

b. Creditor covenants that it will not receive or accept any payments from or on behalf of Borrower, or any other obligor on the Creditor Indebtedness without the prior written consent of Lender. However, if Creditor receives any cash payment in violation of this covenant, such cash payments shall be received in trust for Lender and shall be promptly tendered to Lender to be applied toward payment of the Lender Indebtedness.

7 . Conversion to Equity. Notwithstanding anything to the contrary in this Agreement, Creditor may at any time convert the Creditor Loan and any interest thereon into equity of Clarus.

8 . Controlling Agreement. In the event of any conflict or inconsistency between the terms and provisions of the Subordinated Promissory Note and this Agreement, this Agreement shall govern and any conflicting or inconsistent provisions of this Agreement supersedes the Subordinated Promissory Note.

9 . No Waiver of Other Rights. This Agreement is intended solely for the purpose of defining the relative rights of Lender and Creditor and nothing contained herein is intended to nor shall impair the obligations of Borrower, or any other obligors, to pay Lender or Creditor, as the case may be, the principal and interest on the Lender Indebtedness and the Creditor Indebtedness as and when the same shall become due and payable in accordance with their terms, subject to the rights of Lender created by this Agreement. For the sake of clarity, the agreements and covenants of the Creditor under this Agreement apply only with respect to the Creditor Indebtedness and shall not affect the rights of the Creditor arising under any other agreement.

10 . Successors and Benefits. This Agreement is and shall be binding upon and shall inure to the benefit of Lender, Borrower, Creditor and their respective successors and assigns.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah.

12 . Continuing Agreement. All agreements, representations, warranties, and covenants made herein shall survive the execution and delivery of this Agreement and shall continue in effect so long as the Lender Indebtedness or any portion thereof is outstanding and unpaid.

13. Counterparts, Originals. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement. Receipt by telecopy or email of any executed signature page to this Loan Agreement shall constitute effective delivery of such signature page.

14. Entire Agreement. This Agreement constitutes the entire agreement between Lender, Borrower and Creditor concerning the subject matter hereof. Except as expressly provided herein, all other prior and contemporaneous agreements concerning the subject matter hereof are merged herein. This Agreement may not be terminated, amended, or modified except in writing signed by Lender, Borrower and Creditor.

Dated: May 28, 2010.

Borrower:

Black Diamond Equipment, Ltd

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: Chief Executive Officer and President

Black Diamond Retail, Inc.

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: Chief Executive Officer and President

Clarus Corporation

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: Chief Executive Officer and President

Everest/Sapphire Acquisition, LLC

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: President

Gregory Mountain Products, LLC

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: President

Lender:

Zions First National Bank

By: /s/ Michael R. Brough
Name: Michael R. Brough
Title: Senior Vice President

Creditor:

Kanders GMP Holdings, LLC

By: /s/ Warren B. Kanders
Name: Warren B. Kanders
Title: President

Exhibit 10.6

Subordination Agreement
(Schiller Gregory Investment Company, LLC)

This Subordination Agreement (the "Agreement") is made by and between Zions First National Bank whose address is Corporate Banking Group, One South Main, Suite 200, Salt Lake City, Utah 84111 ("Lender"), Black Diamond Equipment, Ltd. ("BDEL"), Black Diamond Retail, Inc. ("BD-Retail"), Clarus Corporation ("Clarus"), and Everest/Sapphire Acquisition, LLC ("Everest") and Gregory Mountain Products, LLC ("GMP") (BDEL, BD-Retail, Clarus, Everest, and GMP are collectively, the "Borrower") whose address is 2084 East 3900 South, Salt Lake City, Utah 84124, and Schiller Gregory Investment Company, LLC whose address is c/o Robert R. Schiller 3940 Alhambra Drive West, Jacksonville, Florida 32207 ("Creditor").

RECITALS:

1. Lender is making or has made a loan to BDEL, BD-Retail, Clarus and Everest in the amount of thirty-five million dollars ($35,000,000.00) (the "Loan").

2. GMP has become a borrower under the Loan pursuant to the execution of an Assumption Agreement dated May 28, 2010.

3. Clarus is indebted to Creditor pursuant to that certain 5% Unsecured Subordinated Note due May 28, 2017 in the original principal amount of seven million five hundred thirty-eight thousand five hundred seventy-eight dollars ($7,538,578.00) (the "Subordinated Promissory Note").

4. The documents evidencing the Loan require that Creditor enter into this Agreement.

AGREEMENT

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender, Borrower and Creditor hereby agree as follows:

1 . Definitions. Terms used in the singular shall have the same meaning when used in the plural and vice versa. In addition to the terms defined above, as used herein, the term:

a. "Creditor Indebtedness" means the indebtedness of Clarus to Creditor evidenced by the Subordinated Promissory Note, together with any and all renewals, extensions, modifications, and replacements thereof, and all other indebtedness of Clarus to Creditor arising from or related thereto.

b. "Default Rights and Remedies" means any and all rights and remedies granted in, arising from, or relating to any agreement, instruction, or document and any and all rights and remedies now or hereafter existing by statute, at law, or in equity, which may be exercised only upon the occurrence of a breach or event of default.

c. "Lender Indebtedness" means the indebtedness of Borrower to Lender evidenced by the (i) Loan Agreement, and (ii) First Substitute Promissory Note (Revolving Line of Credit) dated May 28, 2010, in the original principal amount of thirty-five million dollars ($35,000,000.00), together with any and all renewals, extensions, modifications, and replacements thereof, including any increase in the principal amount thereof, and all other indebtedness of Borrower to Creditor arising from or relating thereto.

d. "Loan Agreement" means the Loan Agreement between Lender and Borrower dated May 28, 2010, pursuant to which Lender will loan Borrower the sum of up to thirty-five million dollars ($35,000,000.00) together with any exhibits, amendments, addendums, and modifications.

2. Warranties Regarding Creditor Indebtedness. Creditor represents and warrants to Lender that the Creditor Indebtedness is not secured by any collateral, security interest or lien and Creditor covenants and agrees that the Creditor Indebtedness shall remain unsecured so long as any amount is outstanding and unpaid on the Lender Indebtedness.

3. Exercise of Default and Remedies. Creditor agrees that it will not exercise any Default Rights and Remedies concerning the Creditor Indebtedness, so long as any amount is outstanding and unpaid on the Lender Indebtedness, without the prior written consent of Lender, except that, in the event that a Borrower files for bankruptcy relief, Creditor may file a proof of claim in the bankruptcy.

4. Conditions to Payment on Creditor Indebtedness. Clarus may make regularly scheduled cash interest payments on the Subordinated Promissory Note not to exceed five percent (5%) per annum ("Interest Payments"), until (i) an Event of Default (as defined in the Loan Agreement) exists and is continuing, and written notice of the same has been given by Lender to Creditor, or (ii) Borrower is not in compliance with the financial covenants specified in the Loan Agreement. If Clarus makes an interest payment to Creditor in violation of these conditions, Creditor covenants and agrees that upon written demand by Lender the payment shall be promptly tendered to Lender to be applied toward payment of the Lender Indebtedness.

If an Event of Default (as defined in the Subordinated Promissory Note) occurs under any Subordinated Promissory Note as a result of Clarus failing to pay any Interest Payments, Lender agrees not to waive the resulting Event of Default (as defined in the Loan Agreement), so long as (i) no other Event of Default(as defined in the Loan Agreement) exists and is continuing and (ii) Borrower is in compliance with the financial covenants specified in the Loan Agreement. If additional Events of Default (as defined in the Loan Agreement) exist at the time the Event of Default (as defined in the Loan Agreement) related to Clarus's failure to pay the Interest Payments, Lender may waive the Event of Default (as defined in the Loan Agreement) based upon failure to pay Interest Payments in connection with waiver of other Events of Defaults(as defined in the Loan Agreement); provided, however, that Lender shall not be prohibited hereunder from waiving such Event of Default (as defined in the Loan Agreement), if it has received written notice from the holder(s) of a majority of the aggregate principal amount of all of the holders of the Subordinated Debt (as defined in the Loan Agreement) that Lender shall not be prohibited hereunder from waiving such Event of Default (as defined in the Loan Agreement).

5 . Prohibition of Prepayment of Creditor Indebtedness. Clarus covenants that it will not make, and Creditor covenants and agrees that it will not receive or accept, any prepayment on the Creditor Indebtedness so long as any amount is outstanding and unpaid on the Lender Indebtedness, without the prior written consent of Lender. However, if Creditor receives any prepayment in violation of this covenant, such payments shall be received in trust for Lender and shall be immediately tendered to Lender to be applied toward payment of the Lender Indebtedness.

6 . Subordination of Payment. Except as provided in Section 4 above, so long as any amount is outstanding and owing to Lender on or related to the Loan:

a. The right of Creditor to receive payment, whether of principal or interest, on the Creditor Indebtedness is subordinated to the right of Lender to receive payment on the Lender Indebtedness.

b. Creditor covenants that it will not receive or accept any payments from or on behalf of Borrower, or any other obligor on the Creditor Indebtedness without the prior written consent of Lender. However, if Creditor receives any cash payment in violation of this covenant, such cash payments shall be received in trust for Lender and shall be promptly tendered to Lender to be applied toward payment of the Lender Indebtedness.

7 . Conversion to Equity. Notwithstanding anything to the contrary in this Agreement, Creditor may at any time convert the Creditor Loan and any interest thereon into equity of Clarus.

8 . Controlling Agreement. In the event of any conflict or inconsistency between the terms and provisions of the Subordinated Promissory Note and this Agreement, this Agreement shall govern and any conflicting or inconsistent provisions of this Agreement supersedes the Subordinated Promissory Note.

9 . No Waiver of Other Rights. This Agreement is intended solely for the purpose of defining the relative rights of Lender and Creditor and nothing contained herein is intended to nor shall impair the obligations of Borrower, or any other obligors, to pay Lender or Creditor, as the case may be, the principal and interest on the Lender Indebtedness and the Creditor Indebtedness as and when the same shall become due and payable in accordance with their terms, subject to the rights of Lender created by this Agreement. For the sake of clarity, the agreements and covenants of the Creditor under this Agreement apply only with respect to the Creditor Indebtedness and shall not affect the rights of the Creditor arising under any other agreement.

10 . Successors and Benefits. This Agreement is and shall be binding upon and shall inure to the benefit of Lender, Borrower, Creditor and their respective successors and assigns.

11. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah.

12 . Continuing Agreement. All agreements, representations, warranties, and covenants made herein shall survive the execution and delivery of this Agreement and shall continue in effect so long as the Lender Indebtedness or any portion thereof is outstanding and unpaid.

13. Counterparts, Originals. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement. Receipt by telecopy or email of any executed signature page to this Loan Agreement shall constitute effective delivery of such signature page.

14. Entire Agreement. This Agreement constitutes the entire agreement between Lender, Borrower and Creditor concerning the subject matter hereof. Except as expressly provided herein, all other prior and contemporaneous agreements concerning the subject matter hereof are merged herein. This Agreement may not be terminated, amended, or modified except in writing signed by Lender, Borrower and Creditor.

Dated: May 28, 2010.

Borrower:

Black Diamond Equipment, Ltd

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: Chief Executive Officer and President

Black Diamond Retail, Inc.

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: Chief Executive Officer and President

Clarus Corporation

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: Chief Executive Officer and President

Everest/Sapphire Acquisition, LLC

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: President

Gregory Mountain Products, LLC

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: President

Lender:

Zions First National Bank

By: /s/ Michael R. Brough
Name: Michael R. Brough
Title: Senior Vice President

Creditor:

Schiller Gregory Investment Company, LLC

By: /s/ Robert R. Schiller
Name: Robert R. Schiller
Title: President

Exhibit 10.7

Escrow Agreement

This Escrow Agreement (this "Agreement") is made as of May 28, 2010, by and among (a) Everest/Sapphire Acquisition, LLC, a Delaware limited liability company ("Purchaser"); (b) Ed McCall, an individual, in his capacity as Stockholders' Representative ("Stockholders' Representative"); (c) Black Diamond Equipment, Ltd., a Delaware corporation (including the Surviving Corporation, the "Company"); and (d) U.S. Bank National Association, as escrow agent (the "Escrow Agent"). Capitalized terms used herein, but not otherwise defined herein, shall have the meanings ascribed to them in the Merger Agreement (as defined below). For purposes of this Agreement, the Stockholders and the Option Holders shall collectively be referred to herein as the "Company Escrow Parties".

Recitals

Whereas, the parties hereto are entering into this Agreement pursuant to that certain Agreement and Plan of Merger, dated as of May 7, 2010, by and among Clarus Corporation, a Delaware corporation ("Purchaser Parent"), the Purchaser, Sapphire Merger Corp., a Delaware corporation and wholly owned direct subsidiary of Purchaser ("Merger Sub"), the Company and the Stockholders' Representative, (the "Merger Agreement"; an executed copy of which has been provided to Escrow Agent), pursuant to which Merger Sub has agreed to merge with and into the Company with the result that the Company shall be the surviving corporation and shall become a wholly owned subsidiary of the Purchaser (the "Merger");

Whereas, pursuant to this Agreement, Section 11.1 of the Merger Agreement, Section 6 of each Company Stockholders' Support Agreement and Section 3 of each Option Holder Agreement (collectively, the "Authorizing Provisions"), the Stockholders' Representative has been appointed, authorized and empowered by the Company Escrow Parties as the agent and attorney-in-fact to act on behalf of the Company Escrow Parties with respect to certain matters; and

Whereas, under the terms of the Merger Agreement, the Escrow Funds (as hereinafter defined) are to be delivered to the Escrow Agent, deposited into the escrow account established hereunder to (a) secure payment of the indemnification obligations of the Company and the stockholders of the Company thereunder pursuant to Sections 8.2(a) and 10.3(a) of the Merger Agreement and distributed by the Escrow Agent pursuant to the terms and conditions of this Agreement and (b) provide for the payment by the Company of certain amounts that may become payable pursuant to Retention Bonus Agreements.

Now, Therefore, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby covenant and agree as follows:

Article I
Appointment of Escrow Agent;
Establishment of Escrow Arrangement

1.1 Appointment of the Escrow Agent. The Purchaser and the Stockholders' Representative hereby constitute and appoint the Escrow Agent as, and the Escrow Agent hereby agrees to assume and perform the duties of, the escrow agent under and pursuant to the terms and conditions of this Agreement.

1 . 2 Deposit of Escrow Funds. Simultaneously with the execution and delivery of this Agreement, the Purchaser will deliver to the Escrow Agent, by wire transfer of same day funds, the following sums:

(a) Four Million Five Hundred Thousand Dollars ($4,500,000.00) (such sum together with any Escrow Earnings (as hereinafter defined) thereon and subject to the deductions provided for in this Agreement, the "Indemnification Fund"); and

(b) Three Hundred Seventy-Five Thousand Dollars ($375,000) (such sum together with any Escrow Earnings thereon and subject to the deductions provided for in this Agreement, the "Retention Bonus Fund" and together with the Indemnification Fund, the "Escrow Funds").

All such sums shall be delivered to the following account:

BBK:	U.S. Bank N.A. (ABA #091000022)
BNF:	U.S. Bank Trust N.A./AC #180121167365
Ref:	Everest/Sapphire Acq( )
Attn:	Ryan Brennan/206-344-4648

The Escrow Agent agrees to hold the Escrow Funds in escrow subject to the terms and conditions of this Agreement.

1 . 3 Transferability. Except as provided in Section 5.9 hereof, the interests of the Purchaser, the Stockholders' Representative, and the Company Escrow Parties in the Escrow Funds shall not be assignable or transferable by any party hereto other than by operation of law or pursuant to the terms of this Agreement. Notice of any such assignment or transfer shall be delivered in writing by such transferring party to each other party hereto and no such assignment or transfer shall be valid until such notice is provided.

1 . 4 Authority of Stockholders' Representative . The Stockholders' Representative confirms that he has been appointed by, and is authorized and empowered to act on behalf of, the Company Escrow Parties as their agent and representative for and in respect of each of the matters set forth in the Authorizing Provisions including, without limitation, each of the matters contemplated to be decided or acted upon, or performed by, the Stockholders' Representative pursuant to this Agreement on behalf of the Company Escrow Parties, and each party hereto shall be entitled to rely on such appointment and power for all purposes of this Agreement.

1 . 5 Investment of Escrow Funds. The Escrow Agent shall establish and maintain one escrow account for the Indemnification Fund and one escrow account for the Retention Bonus Fund and shall promptly invest and reinvest the Escrow Funds and any earnings on, proceeds from investment of, and interest accruing on the Escrow Funds (the "Escrow Earnings") through the date of payment of all funds therein in the U.S. Bank Money Market Savings Account or as or as otherwise instructed, such instruction to be jointly in writing by the Purchaser and the Stockholders' Representative. Escrow Earnings will be added to the respective Escrow Funds and distributed pursuant to Article II hereof. The parties hereto acknowledge that the U. S. Bank Money Market account is Escrow Agent's interest-bearing money market deposit account designed to meet the needs of Escrow Agent's Corporate Trust Services Escrow Group and other Corporate Trust customers of Escrow Agent. Selection of this investment includes authorization to place funds on deposit with Escrow Agent. Escrow Agent uses the daily balance method to calculate interest on this account (actual/365 or 366). This method applies a daily periodic rate to the principal balance in the account each day. Interest is accrued daily and credited monthly to the account. Interest rates currently offered on the accounts are determined at Escrow Agent's discretion and may be tiered by customer deposit amount. The owner of the accounts is Escrow Agent as Agent for its trust customers. Escrow Agent's trust department performs all account deposits and withdrawals. Each customer's deposit is insured by the Federal Deposit Insurance Corporation as determined under FDIC Regulations, up to applicable FDIC limits. A statement of citizenship will be provided if requested by Agent. Agent shall not be responsible for maximizing the yield on the Escrow Funds. Escrow Agent shall not be liable for losses, penalties or charges incurred upon any sale or purchase of any such investment.

Article II
Distribution of Escrow Funds

2.1 Termination of Agreement. Unless the Purchaser and the Stockholders' Representative provide the Escrow Agent joint written instructions to the contrary, this Agreement shall terminate on the date when all of the Escrow Funds have been distributed in their entirety by the Escrow Agent in accordance with the terms of this Agreement; provided, however, that the provisions of Section 3.1 hereof shall survive such termination and/or the resignation or removal of the Escrow Agent.

2.2 Delivery of Escrow Funds.

(a) Subject to the withholding of the Retained Escrow Portion (as hereinafter defined) pursuant to Section 2.7 hereof, the Escrow Agent shall, no later than ten (10) Business Days after the first anniversary of the date of this Agreement (the "Scheduled Release Date") deliver the Indemnification Fund to the Company Escrow Parties, it being agreed that each such Person shall be delivered such Person's "Pro Rata Percentage" (as set forth opposite such Person's name on Exhibit A) of the aggregate amount of the Indemnification Fund being released. Such amount shall be delivered to bank account(s) designated in writing by the Stockholders' Representative on behalf of such Persons at least three (3) Business Days prior to the payment date or, if no such wire instructions have been provided for a Stockholder, by check payable to such Stockholder delivered or mailed to the address for such Stockholder provided by the Stockholders' Representative, it being agreed that any amounts delivered in respect of the Option Holders shall be delivered to the Company for payment through its payroll system. For purposes hereof, a "Business Day" shall mean any day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

(b) If the Escrow Agent is provided written instructions signed by the Company and the Stockholders' Representative to release any amount of the Retention Bonus Fund prior to the Scheduled Release Date, such amount shall be promptly delivered to the bank account(s) of the Company designated by the Chief Executive Officer or Chief Financial Officer of the Company at least three (3) Business Days prior to the payment date. With regard to any amounts remaining in the Retention Bonus Fund on the Scheduled Release Date, the Escrow Agent shall, no later than ten (10) Business Days after the Scheduled Release Date, deliver the remaining Retention Bonus Fund to the bank account(s) of the Company designated by the Chief Executive Officer or Chief Financial Officer of the Company at least three (3) Business Days prior to the payment date. All amounts delivered to the Company pursuant to this Section 2.2(b) shall be paid to employees having Company Retention Agreements (who remain eligible for such retention bonuses pursuant to the terms thereof) through the Company's payroll system, with any balance of the Retention Bonus Fund to be retained by the Company.

2.3 Purchaser Indemnity Claims. At any time prior to the Scheduled Release Date, the Purchaser may give written notice (an "Indemnity Notice"), which notice shall state that it is given pursuant to this Section 2.3, of each claim for payment to the Purchaser from the Indemnification Fund for indemnification pursuant to Sections 8.2(a) or 10.3(a) of the Merger Agreement (each, a "Purchaser Indemnity Claim") to each of the Stockholders' Representative and Escrow Agent setting forth (i) the Purchaser's belief of the basis therefor, (ii) a description of the matter requiring such payment or that is subject to indemnification in reasonable detail in light of the circumstances then known to the Purchaser and (iii) either (A) the amount of the Purchaser Indemnity Claim, if determined, or (B) the Purchaser's estimate of the reasonably foreseeable amount of the Purchaser Indemnity Claim.

2 . 4 Purchaser Indemnity Claims Not Disputed by the Stockholders' Representative. If, within thirty (30) days after receipt of the Indemnity Notice, the Escrow Agent and the Purchaser have not received written notice from the Stockholders' Representative that the Stockholders' Representative disputes the Purchaser Indemnity Claim described in such Indemnity Notice or the amount the Purchaser seeks payment on account of such Purchaser Indemnity Claim (a "Dispute Notice"), the Purchaser shall be entitled to make demand (an "Undisputed Indemnity Notice Demand") that the Escrow Agent either (i) deliver to the Purchaser, if the amount of such Purchaser Indemnity Claim has then been determined, an aggregate amount of cash from the Indemnification Fund equal to the amount of the Purchaser Indemnity Claim set forth in such Indemnity Notice up to the amount then remaining in the Indemnification Fund or (ii) retain, as part of the Retained Escrow Portion (as defined below) an aggregate amount of cash from the Indemnification Fund equal to the estimated amount of the Purchaser Indemnity Claim set forth in such Indemnity Notice, up to the amount then remaining in the Indemnification Fund.

2 . 5 Purchaser Indemnity Claim Disputed by the Stockholders' Representative in Whole. In the event that the Stockholders' Representative disputes an entire Purchaser Indemnity Claim, the Stockholders' Representative shall, within thirty (30) days after receipt of the applicable Indemnity Notice, provide the Escrow Agent and the Purchaser a Dispute Notice setting forth the basis therefor in reasonable detail in light of the circumstances then known to the Stockholders' Representative, and the Escrow Agent shall not distribute any portion of the Indemnification Fund in respect of such Purchaser Indemnity Claim until the Escrow Agent receives (i) a written agreement signed by the Purchaser and the Stockholders' Representative stating the aggregate amount to which the Purchaser is entitled in connection with such Purchaser Indemnity Claim (an "Indemnity Claim Agreement"), provided that the Escrow Agent shall have given written notice of the proposed distribution of such amount, together with copies of all such documents and opinions to the Purchaser and the Stockholders' Representative at least five (5) Business Days prior to the date of such distribution by the Escrow Agent, or (ii) a copy of an arbitrator's award or court order or judgment stating the aggregate amount to which the Purchaser is entitled in connection with such Purchaser Indemnity Claim, provided that such award, order or judgment is final and binding with respect to the Purchaser and the Stockholders' Representative and from which no appeal may be taken or for which the time to appeal has expired (a "Final Judgment"). After the occurrence of the events specified in clause (i) or (ii) above, the Escrow Agent shall deliver to Purchaser an amount of cash from the Indemnification Fund equal to the amount specified in the Indemnity Claim Agreement or Final Judgment, as applicable, up to the amount remaining in the Indemnification Fund. The Stockholders' Representative shall, upon the Purchaser's request, make available to the Purchaser all relevant information concerning the Dispute Notice relating to a Purchaser Indemnity Claim as the Purchaser shall reasonably request and that is in or comes into the possession of the Stockholders' Representative and/or the Company Escrow Parties.

2.6 Purchaser Indemnity Claim Disputed by the Stockholders' Representative in Part. In the event that the Stockholders' Representative disputes part of, but not all of, a Purchaser Indemnity Claim, the Stockholders' Representative shall, within thirty (30) days after receipt of the Purchaser Indemnity Notice, deliver to the Escrow Agent and the Purchaser a Dispute Notice setting forth (a) the basis for the disputed portion of such Purchaser Indemnity Claim in reasonable detail in light of the circumstances then known to the Stockholders' Representative and (b) the undisputed portion of the Purchaser Indemnity Claim and an authorization to release a portion of the Indemnification Fund to Purchaser in respect thereof to the extent such amount is determined, up to the amount remaining in the Indemnification Fund, and the Escrow Agent shall, with respect to that portion of the Purchaser Indemnity Claim that is not disputed by the Stockholders' Representative (i) deliver to the Purchaser an aggregate amount of cash from the Indemnification Fund equal to the amount of the Purchaser Indemnity Claim set forth in such Indemnity Notice that has been determined, up to the amount remaining in the Indemnification Fund, and (ii) retain, as part of the Retained Escrow Portion, an aggregate amount of cash from the Indemnification Fund equal to the estimated amount of the Purchaser Indemnity Claim set forth in such Indemnity Notice (to the extent that the amount of such Purchaser Indemnity Claim is not determined), up to the amount remaining in the Indemnification Fund after payment of the amount set forth in clause (i) above; provided, however, notwithstanding clauses (i) and (ii) above, the Escrow Agent shall not deliver any portion of the Indemnification Fund that is attributable to the portion of such Purchaser Indemnity Claim that is disputed by the Stockholders' Representative. The Escrow Agent shall not deliver any of the cash in the Indemnification Fund to the Purchaser or the Company Escrow Parties relating to the disputed portion of such Purchaser Indemnity Claim, except in accordance with the procedures set forth in Section 2.5 of this Agreement as if the disputed portion of such Purchaser Indemnity Claim consisted of a separate Purchaser Indemnity Claim that was disputed by the Stockholders' Representative in whole. Receipt by Purchaser of the undisputed portion of any Purchaser Indemnity Claim shall not be deemed to be a waiver of any rights to the disputed portion of such Purchaser Indemnity Claim.

2.7 Retention of Escrow Funds After Scheduled Release Date. After the Scheduled Release Date, the Escrow Agent shall continue to hold an amount of cash in the Indemnification Fund having an aggregate value equal to the entire amount of any unresolved Purchaser Indemnity Claim that is the subject of an Indemnity Notice received by the Escrow Agent prior to the Scheduled Release Date (the "Retained Escrow Portion") until such time as the Escrow Agent receives for such unresolved Indemnity Claim (i) an Indemnity Claim Agreement or (ii) a Final Judgment, in each case evidencing the ultimate resolution of any of the underlying claims referred to in such Indemnity Notice, at which time, and no later than ten (10) Business Days after receipt of the Indemnity Claim Agreement or Final Judgment, as applicable, the Escrow Agent shall deliver an amount of cash from the Retained Escrow Portion to the Purchaser specified in the Indemnity Claim Agreement or Final Judgment, as applicable, and the remaining Retained Escrow Portion, if any, to the Company Escrow Parties in accordance with the procedures set forth in Section 2.2(a) of this Agreement.

2.8 Payments to the Purchaser. Any portion of the Indemnification Fund to be paid to the Purchaser in cash pursuant to any provision of this Agreement will be paid by bank check or wire transfer of immediately available funds pursuant to wire transfer instructions given to the Escrow Agent by the Purchaser. In the event that wire transfer instructions are given, whether in writing, by facsimile or otherwise, the Escrow Agent is authorized to seek confirmation of such instructions by telephone call-back to the person or persons designated on Exhibit B hereto, and the Escrow Agent may rely upon the confirmation of anyone purporting to be the person or persons so designated. The persons and telephone numbers for call-backs may be changed only in a writing actually received and acknowledged by the Escrow Agent. The Escrow Agent may rely solely upon any account numbers or similar identifying numbers provided in writing by the Purchaser, Stockholders' Representative or the Company, as applicable, to identify (i) the beneficiary, (ii) the beneficiary's bank or (iii) an intermediary bank. Notwithstanding anything in this Agreement to the contrary, the Purchaser shall have no right to receive any funds from the Retention Bonus Fund for any Purchaser Indemnity Claim.

Article III
Escrow Agent

3.1 Exculpation and Indemnification of the Escrow Agent. The Escrow Agent's duties and responsibilities shall be limited to those expressly set forth in this Agreement. Without limiting the foregoing, it is understood and agreed that the Escrow Agent shall:

(a) be under no duty to accept information from any Person other than the Purchaser or the Stockholders' Representative (as applicable) in the manner provided in this Agreement;

(b) be protected in acting upon any written notice, opinion, request, certificate, approval, consent, judgment, arbitration award, demand or other document believed by it to be genuine and to be signed by the proper Person or Persons, including but not limited to a determination of jurisdiction of any court;

(c) upon delivery of any notice in writing to the intended recipient thereof, be deemed for all purposes to have given, delivered and received such notice (i) if the same is delivered personally to the Person or to an officer of the Person to whom the same is directed, or (ii) when the same is actually received, if sent by a nationally recognized courier service (which provides proof of delivery), or by facsimile (if such facsimile is followed by a hard copy of the facsimile communication sent promptly thereafter by a nationally recognized courier service (which provides proof of delivery)), addressed as follows:

If to the Stockholders' Representative:

Ed McCall
2114 Manhattan Avenue
Hermosa Beach, CA 90254
Fax: (310) 318-5252

with a copy to:

Davis Wright Tremaine LLP
1201 3rd Avenue
Suite 2200
Seattle, WA 98101
Attn: Bruce T. Bjerke, Esq.
Fax: (206) 757-7071

If to the Purchaser or the Company:

c/o Clarus Corporation
One Landmark Square, 22nd Fl
Stamford, CT 06901
Attn: Executive Chairman
Fax: (203) 552-9607

and

Black Diamond Equipment, Ltd.
2084 East 3900 South
Salt Lake City, UT 84124
Attn: President
Fax: (801) 278-5544

with a copy to:

Kane Kessler, P.C.
1350 Avenue of the Americas, 26th Floor
New York, New York 10019
Attn.: Robert L. Lawrence, Esq.
Jeffrey S. Tullman, Esq.
Fax: (212) 245-3009

or, in each case, to such other address as any party hereto may specify by notice in writing given in the manner described above in this clause (c);

(d) be indemnified and held harmless jointly and severally by the other parties hereto against any claim made against it by reason of its acting or failing to act in connection with any of the transactions contemplated hereby and against any loss, liability or expense, including the expense of defending itself (including reasonable attorneys' fees) against any claim of liability it may sustain in carrying out the terms of this Agreement, except such claims as are occasioned by its bad faith, gross negligence, willful misconduct, fraud or any other breach of fiduciary duty;

(e) have no liability or duty to inquire into the terms and conditions of any agreements to which the Escrow Agent is not a party nor be subject to or obliged to recognize any other agreement between the Purchaser and the Stockholder Representative or Company Escrow Parties (other than referenced defined terms of the Merger Agreement, a copy of which has been furnished to the Escrow Agent herewith) even though reference to such an agreement may be made herein, its duties under this Agreement being understood to be purely ministerial in nature;

(f) be permitted to consult with counsel of its choice and shall not be liable for any action taken, suffered or omitted by it in good faith in accordance with the written advice of such counsel; provided, that, nothing contained in this clause (f), nor any action taken by the Escrow Agent, or of any counsel, shall relieve the Escrow Agent from liability for any claims which are occasioned by its bad faith, gross negligence, willful misconduct, fraud or any other breach of fiduciary duty, all as provided in clause (d) above;

(g) not be bound by any modification, amendment, termination, cancellation, rescission or supersession of this Agreement, unless the same shall be in writing and signed by the parties hereto;

(h) have no liability for any act or omission done pursuant to the instructions contained or expressly provided for herein, or written instructions given by the Purchaser and the Stockholders' Representative pursuant hereto, or for incidental, punitive or consequential damages, other than for its gross negligence or willful misconduct;

(i) have no liability in connection with its investment or reinvestment of any cash held by it hereunder in good faith, in accordance with the terms hereof, including, without limitation, any liability for delays (not resulting from bad faith, gross negligence, willful misconduct, fraud or any other breach of fiduciary duty) in the investment or reinvestment of the Escrow Funds, or any loss of interest incident to such delays.

(j) be reimbursed from either the Indemnification Fund or the Retention Bonus Fund, as applicable, for all reasonable expenses, disbursements and advances incurred or made by it in accordance with any provisions of this Agreement in respect of the Indemnification Fund or the Retention Fund, as applicable, except any such expenses, disbursements or advances as may be attributable to its gross negligence, willful misconduct, bad faith, fraud or any other breach of fiduciary duty.

(k) not be required to make any representation as to the validity, value, genuineness or the collectability of any security or other document or instrument held by or delivered to it;

(l) not be called upon to advise any party as to the wisdom in selling or retaining or taking or refraining from any action with respect to any securities or other property deposited hereunder;

(m) be authorized by the Purchaser and Stockholders' Representative to use the services of any United States central securities depository it reasonably deems appropriate, including, without limitation, the Depositary Trust Company and the Federal Reserve Book Entry System, for any securities held hereunder; and

(n) maintain books and records regarding its administration of the Escrow Funds, and the deposit, investment, collections and disbursement or transfer of the assets in the Escrow Funds, shall retain copies of all written notices and directions sent or received by it in the performance of its duties hereunder, and shall afford each of the Purchaser and the Stockholders' Representative reasonable and prompt access, during regular business hours, to review and make photocopies (at such party's cost) of the same.

3.2 Resignation or Replacement of the Escrow Agent. In addition, the Escrow Agent may resign and be discharged from its duties under this Agreement at any time by giving at least thirty (30) days' prior written notice of such resignation to the Purchaser and the Stockholders' Representative and specifying a date upon which such resignation shall take effect. Upon receipt of such notice, a successor escrow agent shall jointly be appointed by the Purchaser and the Stockholders' Representative, such successor escrow agent to become the Escrow Agent hereunder on the resignation date specified in such notice and the Escrow Agent shall deliver the assets remaining in the Escrow Funds, less any fees and expenses due to the Escrow Agent, to such successor Escrow Agent, whereupon the Escrow Agent shall be discharged of and from any and all further obligations arising in connection with this Agreement. If no successor Escrow Agent is appointed prior to the date specified, the Escrow Agent shall have the right to deposit the Escrow Funds (including any Escrow Earnings) with a court of competent jurisdiction and the Escrow Agent shall have no further obligation with respect thereto. The Purchaser and the Stockholders' Representative, acting jointly, may at any time substitute a new escrow agent by giving ten (10) days' notice thereof to the Escrow Agent then acting and paying all fees and expenses of such Escrow Agent. Any Person into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any Person to which all or substantially all the escrow business of the Escrow Agent's corporate trust line of business may be transferred, shall be the Escrow Agent under this Agreement without further act.

3 . 3 Payment of Fees to Escrow Agent. The Escrow Agent shall be paid a fee for its services as set forth on Exhibit C attached hereto and incorporated herein and reimbursed for its reasonable costs and expenses incurred. If the Escrow Agent's fees, or reasonable costs or expenses, provided for herein, with respect to the Indemnification Fund or the Retention Bonus Fund are not paid within ten (10) Business Days after the Escrow Agent delivers to the Purchaser (in respect of the Indemnification Fund) or the Company (in respect of the Retention Bonus Fund) an invoice therefor, Escrow Agent shall have the right to sell such portion of the Indemnification Fund or the Retention Bonus Fund, as applicable, and reimburse itself therefor from the proceeds of such sale or from the cash held therein in respect of such fees, costs or expenses. In the event that the terms and conditions of this Agreement are not promptly fulfilled, or if the Escrow Agent renders any service not provided for in this Agreement, or if the Stockholders' Representative and the Purchaser request a substantial modification of its terms, or if any controversy arises, or if the Escrow Agent is made a party to, or intervenes in, any litigation pertaining to this escrow or its subject matter, in respect of the Indemnification Fund or the Retention Bonus Fund, the Escrow Agent shall be reasonably compensated for such extraordinary services and reimbursed for all costs, attorneys' fees, including allocated costs of in-house counsel, and expenses occasioned by such default, delay, controversy or litigation and the Escrow Agent shall have the right to retain all documents and/or other things of value at any time held by the Escrow Agent in the Indemnification Fund or Retention Bonus Fund, as applicable, until such compensation, fees, costs and expenses are paid. The Company and the Stockholders' Representative jointly and severally promise to pay such sums relating to the Indemnification Fund upon demand and the Company agrees to pay such sums relating to the Retention Bonus Fund upon demand. The Company will pay all amounts owing to the Escrow Agent hereunder (whether as fees, reimbursement of expenses or otherwise) and the Escrow Agent may deduct such sums from the funds deposited in the manner provided herein. The Company and Stockholders' Representative and their respective successors and assigns agree jointly and severally to indemnify and hold the Escrow Agent harmless against any and all losses, claims, damages, liabilities and expenses, including reasonable costs of investigation, counsel fees, including allocated costs of in-house counsel and disbursements that may be imposed on the Escrow Agent or incurred by the Escrow Agent in connection with the performance of its duties under this Agreement with respect to the Indemnification Fund, including but not limited to any litigation arising in connection therewith or involving such subject matter. The Company and its respective successors and assigns agree to indemnify and hold the Escrow Agent harmless against any and all losses, claims, damages, liabilities and expenses, including reasonable costs of investigation, counsel fees, including allocated costs of in-house counsel and disbursements that may be imposed on the Escrow Agent or incurred by the Escrow Agent in connection with the performance of its duties under this Agreement with respect to the Retention Bonus Fund, including but not limited to any litigation arising in connection therewith or involving such subject matter. The Escrow Agent shall have a first lien on the assets of the Indemnification Fund or the Retention Bonus Fund, as applicable, pursuant to this Agreement for such compensation and expenses.

Article IV
Tax Matters

4 . 1 Tax Reporting. The Escrow Agent does not have any interest in the Escrow Funds deposited hereunder, but is serving as escrow holder only and having only possession thereof. The parties hereto shall, for federal income tax purposes and, to the extent permitted by applicable law, state and local tax purposes, report consistent with the Company Escrow Parties as the owners of the Indemnification Fund and the Company as the owner of the Retention Bonus Fund, it being agreed that (a) each of the Company Escrow Parties shall be attributed for taxation purposes with an amount of the Indemnification Fund and Escrow Earnings on the Indemnification Fund equal to such Person's Pro Rata Percentage as set forth opposite such Person's name on Exhibit A hereto and (b) the Company shall be attributed for taxation purposes with an amount of the Retention Bonus Fund and Escrow Earnings on the Retention Bonus Fund.

4 . 2 Payment of Taxes . The Company Escrow Parties shall pay all applicable income, withholding and any other taxes imposed or measured by income which is attributable to income from the Indemnification Fund, and the Company shall pay all income, withholding and any other taxes imposed or measured by income which is attributable to income from the Retention Bonus Fund, and each shall file all tax and information returns applicable thereto. Each such Person shall include in its gross income any Escrow Earnings for each taxable year of such Person (a "Taxable Year") that have accrued during such Taxable Year, based on such Person's Pro Rata Percentage as set forth opposite such Person's name on Exhibit A hereto with respect to the Indemnification Fund, in each case without regard to whether such Escrow Earnings have been distributed.

4 . 3 Tax Reporting Documentation; Withholding. With respect to amounts held in the Indemnification Fund, the Stockholders' Representative (on behalf of each of the Company Escrow Parties other than the Option Holders) and the Company shall provide, and with respect to the Retention Bonus Fund the Company shall provide, to the Escrow Agent upon execution of this Agreement each of the Company Escrow Parties' (other than the Option Holders), or Company's, as applicable, respective certified tax identification numbers on Forms W-9 (or Forms W-8 if they are non-U.S. persons) and such other tax-related forms, documents and information as the Escrow Agent may reasonably request (collectively, "Tax Reporting Documentation"). The parties hereto understand that, if such Tax Reporting Documentation is not so certified to the Escrow Agent, the Escrow Agent may be required by the Internal Revenue Code of 1986, as it may be amended from time to time, to withhold a portion of any Escrow Earnings earned on the investment of the Escrow Funds or other property held by the Escrow Agent pursuant to this Agreement. The Escrow Funds will be subject to applicable United States withholding tax and any distribution thereof to (I)(a) the Company Escrow Parties other than the Option Holders and (b) the Company (with respect to the Indemnification Fund) and (II) the Company with respect to the Retention Bonus Fund, will be made net of such withholding if required by law, which withholding shall be determined on the basis of the Tax Reporting Documentation provided pursuant to this Agreement as required herein. All interest or other income earned under this Agreement shall be reported by the Escrow Agent to the Internal Revenue Service, applicable tax authorities of the State of Washington or other taxing authority if and as required by law. The Escrow Agent shall report and withhold any taxes from the Company or any of the Company Escrow Parties (other than the Option Holders) as it determines is required by any law or regulation in effect at the time of the distribution and shall remit such taxes to the appropriate authorities.

4 . 4 Survival. Notwithstanding any other provision of this Agreement, this Article IV shall survive any termination of this Agreement and/or the resignation or removal of the Escrow Agent.

Article V
Miscellaneous

5 . 1 Notices. Any notice, demand, or communication required or permitted to be given by any provision of this Agreement shall be in writing and shall be deemed to have been delivered, given, and received for all purposes (i) if delivered personally to the Person or to an officer of the Person to whom the same is directed, or (ii) when the same is actually received, if sent by a nationally recognized courier service (which provides proof of delivery), or by facsimile (if such facsimile is followed by a hard copy of the facsimile communication sent promptly thereafter by a nationally recognized courier service (which provides proof of delivery)), addressed (i) to the addresses of the Purchaser and the Stockholders' Representative set forth in Section 3.1(c) above, or (ii) to the address of the Escrow Agent as follows:

U.S. Bank National Association
60 Livingston Ave
EP-MN-WS3T
St. Paul, MN 55107-2292
Attention:Scott Kjar
Telephone:(651) 495-3808
Facsimile(651) 495-8708

With a faxed copy to:
Shirley Young
(206) 344-4630

Notwithstanding the foregoing, any notice addressed to the Escrow Agent shall be effective only upon receipt at the address set forth above. If any notice or other document is required to be delivered to the Escrow Agent and any other Person, the Escrow Agent may assume without inquiry that it has been received by such other Person if it has been received by the Escrow Agent.

5 . 2 Confidentiality. The Escrow Agent agrees that it will not disclose to any third party any of the terms or provisions of the Merger Agreement, the Merger or the other transactions contemplated in the Merger Agreement, and that the Escrow Agent will keep the same confidential. Notwithstanding the foregoing, nothing shall prevent the Escrow Agent from any required disclosure pursuant to a subpoena, court order or other regulatory process applicable to the Escrow Agent; provided, that the Escrow Agent will give prompt written notice to the other parties hereto of any such proceeding and cooperate with each such party in such party's attempts to retain the confidential nature of the Merger Agreement, the Merger and the other transactions contemplated in the Merger Agreement, all at the cost of such party.

5.3 Public Announcement. No public announcement or other publicity regarding this Agreement, the Merger Agreement or the transactions contemplated hereby and thereby shall be made prior to or after the date hereof without the prior written consent of Stockholders' Representative and Purchaser as to form, content, timing and manner of distribution. Notwithstanding the foregoing, nothing in this Agreement shall preclude any party or its Affiliates from making any public announcement or filing pursuant to any federal or state securities law, rule or regulation.

5.4 Severability. The invalidity of any term or terms of this Agreement shall not affect any other term of this Agreement which shall remain in full force and effect.

5.5 No Third Party Beneficiaries. There are no third party beneficiaries of this Agreement or of the transactions contemplated hereby and nothing contained herein shall be deemed to confer upon any one other than the parties hereto (and their permitted successors and assigns, and including, with respect to the Company, the Surviving Corporation) any right to insist upon or to enforce the performance of any of the obligations contained herein.

5.6 Time of the Essence. Time is of the essence with respect to the obligations of the parties hereunder.

5.7 Negotiation of Agreement. Each of the parties acknowledges that it has been represented by independent counsel of its choice throughout all negotiations that have preceded the execution of this Agreement. Each party and its counsel cooperated in the drafting and preparation of this Agreement and the other documents referred to herein, and any and all drafts relating thereto will be deemed the work product of the parties hereto and may not be construed against any party by reason of its preparation. Accordingly, any rule of law or any legal decision that would require interpretation of any ambiguities in this Agreement against the party that drafted it is of no application and is hereby expressly waived.

5 . 8 Counterparts. This Agreement may be executed in any number of counterparts each of which shall be deemed an original but all of which together shall constitute one and the same instrument. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for all purposes.

5.9 Successors and Assigns. This Agreement will inure to the benefit of, and be binding upon, the parties hereto and their respective successors and permitted assigns; provided, however, that this Agreement may not be assigned by any party hereto, in whole or in part, without the prior written consent of the other parties hereto (which consent may be withheld in the sole discretion of such other party), except that the Purchaser may assign its rights hereunder to an Affiliate of the Purchaser. Any attempted assignment in violation of this Section 5.9 shall be null and void.

5.10 Entire Agreement; Waiver and Modification. This Agreement and the Merger Agreement (together with the certificates, agreements, exhibits, schedules, instruments and other documents referred to herein or therein) constitutes the entire agreement between the parties with respect to the subject matter hereof and thereof and supersedes all prior agreements, both written and oral, with respect to such subject matter. Any provision of this Agreement may be waived at any time in writing by the party which is entitled to the benefits thereof. No change, modification, extension, termination, notice of termination, discharge, abandonment or waiver of this Agreement or any of its provisions, nor any representation, promise or condition relating to this Agreement, will be binding upon any party unless made in writing and signed by such party.

5.11 Governing Law. THIS AGREEMENT HAS BEEN ENTERED INTO AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE WITHOUT REFERENCE TO THE CHOICE OF LAW PRINCIPLES THEREOF.

5.12 Consent to Jurisdiction. EACH PARTY TO THIS AGREEMENT, BY ITS EXECUTION HEREOF, (I) HEREBY IRREVOCABLY SUBMITS, AND AGREES TO CAUSE EACH OF ITS SUBSIDIARIES TO SUBMIT, TO THE EXCLUSIVE JURISDICTION OF THE STATE COURTS OF THE STATE OF DELAWARE LOCATED IN NEW CASTLE COUNTY (OR IF JURISDICTION THERETO IS NOT PERMITTED BY LAW, THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE) FOR THE PURPOSE OF ANY ACTION, CLAIM, CAUSE OF ACTION OR SUIT (IN CONTRACT, TORT OR OTHERWISE), INQUIRY PROCEEDING OR INVESTIGATION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR RELATING TO THE SUBJECT MATTER HEREOF, (II) HEREBY WAIVES, AND AGREES TO CAUSE EACH OF ITS SUBSIDIARIES TO WAIVE, TO THE EXTENT NOT PROHIBITED BY APPLICABLE LAW, AND AGREES NOT TO ASSERT, AND AGREES NOT TO ALLOW ANY OF ITS SUBSIDIARIES TO ASSERT, BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE, IN ANY SUCH ACTION, ANY CLAIM THAT IT IS NOT SUBJECT PERSONALLY TO THE JURISDICTION OF THE ABOVE-NAMED COURTS, THAT ITS PROPERTY IS EXEMPT OR IMMUNE FROM ATTACHMENT OR EXECUTION, THAT ANY SUCH PROCEEDING BROUGHT IN ONE OF THE ABOVE-NAMED COURTS IS IMPROPER, OR THAT THIS AGREEMENT OR THE SUBJECT MATTER HEREOF MAY NOT BE ENFORCED IN OR BY SUCH COURT AND (III) HEREBY AGREES NOT TO COMMENCE OR TO PERMIT ANY OF ITS SUBSIDIARIES TO COMMENCE ANY ACTION, CLAIM, CAUSE OF ACTION OR SUIT (IN CONTRACT, TORT OR OTHERWISE), INQUIRY PROCEEDING OR INVESTIGATION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR RELATING TO THE SUBJECT MATTER HEREOF OTHER THAN BEFORE ONE OF THE ABOVE-NAMED COURTS NOR TO MAKE ANY MOTION OR TAKE ANY OTHER ACTION SEEKING OR INTENDING TO CAUSE THE TRANSFER OR REMOVAL OF ANY SUCH ACTION, CLAIM, CAUSE OF ACTION OR SUIT (IN CONTRACT, TORT OR OTHERWISE), INQUIRY, PROCEEDING OR INVESTIGATION TO ANY COURT OTHER THAN ONE OF THE ABOVE-NAMED COURT WHETHER ON THE GROUNDS OF INCONVENIENT FORUM OR OTHERWISE. EACH PARTY HEREBY CONSENTS TO SERVICE OF PROCESS IN ANY SUCH PROCEEDING IN ANY MANNER PERMITTED BY DELAWARE LAW, AND AGREES THAT SERVICE OF PROCESS BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, AT ITS ADDRESS SPECIFIED PURSUANT TO SECTION 5.1 IS REASONABLY CALCULATED TO GIVE ACTUAL NOTICE.

5.13 Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY WAIVES AND COVENANTS THAT IT WILL NOT ASSERT (WHETHER AS PLAINTIFF, DEFENDANT OR OTHERWISE) ANY RIGHT TO TRIAL BY JURY IN ANY FORUM IN RESPECT OF ANY ISSUE OR ACTION, CLAIM, CAUSE OF ACTION OR SUIT (IN CONTRACT, TORT OR OTHERWISE), INQUIRY, PROCEEDING OR INVESTIGATION ARISING OUT OF OR BASED UPON THIS AGREEMENT OR THE SUBJECT MATTER HEREOF OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE TRANSACTIONS CONTEMPLATED HEREBY, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING. EACH OF THE PARTIES AGREES AND ACKNOWLEDGES THAT IT HAS BEEN INFORMED THAT THIS SECTION 5.13 CONSTITUTES A MATERIAL INDUCEMENT UPON WHICH THE OTHER PARTIES HERETO ARE RELYING AND WILL RELY IN ENTERING INTO THIS AGREEMENT AND ANY OTHER AGREEMENTS RELATING HERETO OR CONTEMPLATED HEREBY. ANY PARTY HERETO MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION 5.13 WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

[remainder of page intentionally left blank]

In Witness Whereof, the parties hereto have caused this Agreement to be executed as of the date first above written.

Purchaser:

Everest/Sapphire Acquisition, LLC

By: /s/ Philip A. Baratelli
Name: Philip A. Baratelli
Title: Secretary and Treasurer

Stockholders' Representative

/s/ Ed McCall
Name: Ed McCall

Company:

Black Diamond Equipment, Ltd.

By: /s/ Peter Metcalf
Name: Peter Metcalf
Title: Chief Executive Officer and President

Escrow Agent:

U.S. Bank National Association

By: /s/ Shirley Young
Name: Shirley Young
Title: Vice President

Exhibit 10.8

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is made and entered into as of May 28, 2010, among Clarus Corporation, a Delaware corporation (the "Company"), and each of the Investors that have executed this Agreement on the signature page hereto (each an "Investor", and collectively, the "Investors").

WITNESSETH:

WHEREAS, each Investor is a party to individual Subscription Agreements (each, a "Subscription Agreement") dated as of May 7, 2010, by and between Clarus Corporation, (the "Company"), and such Investor;

WHEREAS, pursuant to the terms of a Subscription Agreement, each Investor is subscribing for and purchasing from the Company the number of Subscription Shares set forth on a schedule to such Subscription Agreement at a price per share equal to the Subscription Price; and

WHEREAS, as an inducement for each of the Investors to enter into a Subscription Agreement and subscribe for and purchase the Subscription Shares, the Company has agreed to provide the registration rights set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and representations, warranties, covenants and agreements set forth herein, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions.

Capitalized terms used and not otherwise defined herein shall have the meanings given such terms in each Subscription Agreement. As used in this Agreement, the following terms shall have the following meanings:

"Advice" shall have the meaning set forth in Section 3(m).

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly controls or is controlled by or under common control with such Person. For the purposes of this definition, "control," when used with respect to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms of "affiliated," "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" shall have the meaning set forth in the Preamble.

"Blackout Period" shall have the meaning set forth in Section 3(n).

"Board" shall have the meaning set forth in Section 3(n).

"Business Day" means any day, other than Saturday, Sunday and any day which shall be a legal holiday or a day on which banks in the state of New York are authorized or required by law or other government action to be closed.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the Company's common stock, par value $.0001.

"Company" shall have the meaning set forth in the Preamble.

"Effectiveness Period" shall have the meaning set forth in Section 2.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Holder" or "Holders" means the holder or holders, as the case may be, from time to time of Registrable Securities.

"Indemnified Party" shall have the meaning set forth in Section 5(c).

"Indemnifying Party" shall have the meaning set forth in Section 5(c).

"Investor" or "Investors" shall have the meaning set forth in the Preamble.

"Losses" shall have the meaning set forth in Section 5(a).

"Person" means an individual or a corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Prospectus" means the prospectus included in the Registration Statement (including, without limitation, a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by the Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference in such Prospectus.

"Registrable Securities" means (i) the shares of Common Stock issued to each Investor pursuant to a Subscription Agreement; and (ii) any other securities (whether issued by the Company or any other Person) distributed as a dividend or other distribution with respect to, issued upon exchange of, or in replacement of, Registrable Securities referred to in clause (i), provided that (A) such term shall not include any Registrable Securities transferred in a transaction in which, under the terms of this Agreement, rights hereunder may not be, or are not properly, assigned and (B) as to any particular Registrable Securities, such securities shall cease to be Registrable Securities when: (1) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of under such registration statement, provided, however, new certificates therefor not bearing a legend restricting further transfer shall have been delivered by the Company or its transfer agent, and subsequent transfer or disposition of such securities shall not require their registration or qualification under the Securities Act or any similar state law then in force; (2) such securities shall have been transferred pursuant to Rule 144 under the Securities Act (or any successor provision thereto) or are transferable without any restriction in accordance with such Rule 144 (or any successor provision thereto), provided, however, new certificates therefor not bearing a legend restricting further transfer shall have been delivered by the Company or its transfer agent, and subsequent transfer or disposition of such securities shall not require their registration or qualification under the Securities Act or any similar state law then in force; (3) such securities shall have been otherwise transferred or disposed of; or (4) such securities shall have ceased to be outstanding.

"Registration Statement" means the registration statements and any additional registration statements contemplated by Section 2, including (in each case) the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference into such registration statement.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 158" means Rule 158 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 415" means Rule 415 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 424" means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Securities Act" means the Securities Act of 1933, as amended.

"Subscription Agreement" shall have the meaning set forth in the first "WHEREAS" clause.

2. Registration. (a) The Company agrees to use its commercially reasonable efforts to prepare and file with the Commission, as soon as reasonably practicable, a "shelf" Registration Statement covering all Registrable Securities for a secondary or resale offering to be made on a continuous basis pursuant to Rule 415. The Registration Statement shall be on Form S-3 (or on another form appropriate for such registration in accordance herewith). The Company shall use its commercially reasonable efforts to cause the Registration Statement to be declared effective under the Securities Act (including filing with the Commission a request for acceleration of effectiveness in accordance with Rule 12dl-2 promulgated under the Exchange Act) promptly after the date that the Company is notified (orally or in writing, whichever is earlier) by the Commission that a Registration Statement will not be "reviewed," or not be subject to further review, and to keep such Registration Statement continuously effective under the Securities Act until such date as is the earlier of (x) the date when all Registrable Securities covered by such Registration Statement have been sold or (y) as to any particular Holder, the date on which all such Holder's Registrable Securities may be sold without any restriction pursuant to Rule 144, provided that if a Holder requests, the Company shall deliver unlegended certificates evidencing the Registrable Securities to such Holder (the "Effectiveness Period").

(b) Piggy-Back Registrations. If at any time during the period commencing from and after the date hereof, there is not an effective Registration Statement covering all of the Registrable Securities, and the Company intends to prepare and file with the Commission a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans, the Company shall send to each Holder of Registrable Securities written notice of such determination and, if within ten (10) Business Days after receipt of such notice, any such Holder shall so request in writing (which request shall specify the Registrable Securities intended to be disposed of by the Holders), the Company will cause the registration under the Securities Act of all Registrable Securities which the Company has been so requested to register by the Holder, to the extent required to permit the disposition of the Registrable Securities so to be registered, provided that if at any time after giving written notice of its intention to register any securities and prior to the effective date of the Registration Statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to such Holders and, thereupon, (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay expenses in accordance with Section 4 hereof), and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities being registered pursuant to this Section 2(b) for the same period as the delay in registering such other securities. The Company shall include in such registration statement all or any part of such Registrable Securities such Holder requests to be registered; provided, however, that the Company shall not be required to register any Registrable Securities pursuant to this Section 2(b) that are eligible for sale without restrictions pursuant to Rule 144 of the Securities Act. In the case of an underwritten public offering, if the managing underwriter(s) should reasonably object to the inclusion of the Registrable Securities in such registration statement, then if the Company after consultation with the managing underwriter should reasonably determine that the inclusion of such Registrable Securities would materially adversely affect the offering contemplated in such registration statement, and based on such determination recommends inclusion in such registration statement of fewer or none of the Registrable Securities of the Holders, then (x) the number of Registrable Securities of the Holders to be included in such registration statement shall be reduced pro-rata among such Holders (based upon the number of Registrable Securities requested to be included in the registration), if the Company after consultation with the underwriter(s) recommends the inclusion of fewer Registrable Securities, or (y) none of the Registrable Securities of the Holders shall be included in such registration statement, if the Company after consultation with the underwriter(s) recommends the inclusion of none of such Registrable Securities. The right of any Holder to participate in an underwritten public offering hereunder shall be conditioned upon such Holders entering into the underwriting agreement and lock-up agreement with the representative of the underwriter or underwriters on the same terms as required of other selling securities holders in such offering. Notwithstanding the foregoing, this subsection 2(b) shall automatically terminate and be of no further force or effect as to any Holder of Registrable Securities when the Effectiveness Period has expired with respect to such Holder.

3. Registration Procedures.

In connection with the Company's registration obligations set forth in Section 2 hereof, the Company shall:

(a) Prepare and file with the Commission as soon as reasonably practicable, a Registration Statement on Form S-3 (or on another form appropriate for such registration in accordance herewith) in accordance with the method or methods of distribution thereof as specified by the Holders, and cause the Registration Statement to become effective and remain effective as provided herein; provided, however, that not less than five (5) Business Days prior to the filing of the Registration Statement or any related Prospectus and not less than three (3) Business Days prior to the filing of any amendment or supplement thereto (including any document that would be incorporated therein by reference), the Company shall (i) furnish to the Holders copies of all such documents proposed to be filed, which documents (other than those incorporated by reference) will be subject to the review of such Holders and (ii) at the request of any Holder, cause its officers and directors, counsel and independent certified public accountants to respond to such inquiries as shall be necessary, in the reasonable opinion of counsel to such Holders, to conduct a reasonable investigation within the meaning of the Securities Act. The Company shall not file the Registration Statement or any such Prospectus or any amendments or supplements thereto to which the Holders of a majority of the Registrable Securities shall reasonably object in writing within three (3) Business Days after their receipt thereof, in which event the filing of the Registration Statement or any such Prospectus or any amendments or supplements thereto shall be delayed until five business days after the parties hereto reach agreement on the content of the applicable Registration Statement, Prospectus, or amendment or supplement thereto.

(b) (i) If necessary to keep such Registration Statement accurate and complete, prepare and file with the Commission such amendments, including post-effective amendments, to the Registration Statement as may be necessary to keep the Registration Statement continuously (but for the filing of such post-effective amendment) effective as to the applicable Registrable Securities for the Effectiveness Period and prepare and file with the Commission such additional Registration Statements in order to register for resale under the Securities Act all of the Registrable Securities; (ii) cause the related Prospectus to be amended or supplemented by any required Prospectus supplement, and as so supplemented or amended to be filed pursuant to Rule 424 (or any similar provisions then in force) promulgated under the Securities Act; (iii) respond as promptly as reasonably practicable to any comments received from the Commission with respect to the Registration Statement or any amendment thereto and as promptly as reasonably practicable provide the Holders true and complete copies of all correspondence from and to the Commission relating to the Registration Statement; and (iv) comply in all material respects with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by the Registration Statement during the applicable period in accordance with the intended methods of disposition by the Holders thereof set forth in the Registration Statement as so amended or in such Prospectus as so supplemented.

(c) Notify the Holders of Registrable Securities to be sold as promptly as reasonably practicable (A) when a Prospectus or any Prospectus supplement or post-effective amendment to the Registration Statement is proposed to be filed; (B) when the Commission notifies the Company whether there will be a "review" of such Registration Statement and whenever the Commission comments in writing on such Registration Statement; and (C) with respect to the Registration Statement or any post-effective amendment, when the same has become effective, and thereafter: (i) of any request by the Commission or any other Federal or state governmental authority for amendments or supplements to the Registration Statement or Prospectus or for additional information; (ii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement covering any or all of the Registrable Securities or the initiation of any Proceedings for that purpose; (iii) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any Proceeding for such purpose; and (iv) of the occurrence of any event that makes any statement made in the Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to the Registration Statement, Prospectus or other documents so that, in the case of the Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) Use its commercially reasonable efforts to avoid the issuance of, or, if issued, obtain the withdrawal of, (i) any order suspending the effectiveness of the Registration Statement or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction within the United States, at the earliest practicable moment.

(e) If requested by the Holders of a majority in interest of the Registrable Securities, (i) promptly incorporate in a Prospectus supplement or post-effective amendment to the Registration Statement such information regarding a Holder or the plan of distribution as such majority of Holders may reasonably request, provided that such information is true and complete in all material respects, and (ii) make all required filings of such Prospectus supplement or such post-effective amendment as soon as practicable after the Company has received notification of the matters to be incorporated in such Prospectus supplement or post-effective amendment.

(f) Furnish to each Holder, without charge, at least one conformed copy of each Registration Statement and each amendment thereto, including financial statements and schedules, all documents incorporated or deemed to be incorporated therein by reference, and all exhibits to the extent requested by such Person (including those previously furnished or incorporated by reference) promptly after the filing of such documents with the Commission.

(g) Promptly deliver to each Holder, without charge, as many copies of the Prospectus or Prospectuses (including each form of prospectus) and each amendment or supplement thereto as such Persons may reasonably request; and the Company hereby consents to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto in conformity with the requirements of the Securities Act.

(h) Prior to any public offering of Registrable Securities, use its best efforts to register or qualify or cooperate with the Holders in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as any Holder requests in writing, to keep each such registration or qualification (or exemption therefrom) effective during the Effectiveness Period and to do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Registrable Securities covered by a Registration Statement; provided, however, that the Company shall not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action that would subject the Company to general service of process in any jurisdiction were it is not then so subject.

(i) Cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Registrable Securities sold pursuant to a Registration Statement, which certificates shall be free of all restrictive legends, and to enable such Registrable Securities to be in such denominations and registered in such names as any Holder may request.

(j) Upon the occurrence of any event contemplated by Section 3(c)(iv), as promptly as possible, prepare a supplement or amendment, including a post-effective amendment, to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document so that, as thereafter delivered, neither the Registration Statement nor such Prospectus will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) Use its commercially reasonable efforts to cause all Registrable Securities relating to such Registration Statement to be listed on any securities exchange, quotation system, market or over-the-counter bulletin board, if any, on which similar securities issued by the Company are then listed.

(l) Comply in all material respects with all applicable rules and regulations of the Commission and make generally available to its security holders earning statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 not later than 45 days after the end of any 3-month period (or 90 days after the end of any 12-month period if such period is a fiscal year) commencing on the first day of the first fiscal quarter of the Company after the effective date of the Registration Statement, which statement shall conform to the requirements of Rule 158.

(m) (i) Require each Holder to furnish to the Company information regarding such Holder and the distribution of such Registrable Securities as is required by law to be disclosed in the Registration Statement, Prospectus, supplemented Prospectus and/or amended Registration Statement, including any information necessary to allow the Company to fulfill its undertakings made in accordance with Item 512 of Regulation S-K, and the Company may exclude from such registration the Registrable Securities of any such Holder who fails to furnish such information within a reasonable time prior to the filing of each Registration Statement, Prospectus, supplemented Prospectus and/or amended Registration Statement.

(ii) If the Registration Statement refers to any Holder by name or otherwise as the holder of any securities of the Company, then such Holder shall have the right to require (if such reference to such Holder by name or otherwise is not required by the Securities Act or any similar federal statute then in force) the deletion of the reference to such Holder in any amendment or supplement to the Registration Statement filed at a time when such reference is not required.

(iii) Each Holder agrees by its acquisition of such Registrable Securities that, upon receipt of a notice from the Company of the occurrence of any event of the kind described in Section 3(c)(ii), 3(c)(iii) or 3(c)(iv), such Holder will forthwith discontinue disposition of such Registrable Securities under the Registration Statement until such Holder's receipt of copies of the supplemented Prospectus and/or amended Registration Statement contemplated by Section 3(j), or until it is advised in writing (the "Advice") by the Company that the use of the applicable Prospectus may be resumed, and, in either case, has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus or Registration Statement. The Company may provide stop orders to enforce the provisions of this paragraph, provided that the Company shall promptly remove any such stop orders as soon as such stop orders are no longer necessary.

(n) If (i) there is material non-public information regarding the Company which the Company's Board of Directors (the "Board") reasonably determines not to be in the Company's best interest to disclose and which the Company is not otherwise required to disclose, or (ii) there is a significant business opportunity (including, but not limited to, the acquisition or disposition of assets (other than in the ordinary course of business) or any merger, consolidation, tender offer or other similar transaction) available to the Company which the Board reasonably determines not to be in the Company's best interest to disclose and which the Company would be required to disclose under the Registration Statement, then, notwithstanding anything to the contrary in this Agreement, the Company may postpone or suspend filing or effectiveness of a Registration Statement for a period not to exceed 60 consecutive days, provided that the Company may not postpone or suspend its obligation under this Section 3(n) for more than 90 days in the aggregate during any 12 month period (each, a "Blackout Period").

4. Registration Expenses

All fees and expenses incident to the performance of or compliance with this Agreement by the Company shall be borne by the Company whether or not the Registration Statement is filed or becomes effective and whether or not any Registrable Securities are sold pursuant to the Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses (A) with respect to filings required to be made with any securities exchange, quotation system, market or over-the-counter bulletin board on which Registrable Securities are required hereunder to be listed, (B) with respect to filings required to be made with the Commission, and (C) in compliance with state securities or Blue Sky laws), (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities and of printing prospectuses if the printing of prospectuses is requested by the Holders of a majority of the Registrable Securities included in the Registration Statement), (iii) messenger, telephone and delivery expenses, (iv) Securities Act liability insurance, if the Company so desires such insurance, and (v) fees and expenses of all other Persons retained by the Company in connection with the consummation of the transactions contemplated by this Agreement, including, without limitation, the Company's independent public accountants (including the expenses of any comfort letters or costs associated with the delivery by independent public accountants of a comfort letter or comfort letters, if requested by any underwriter) and legal counsel. In addition, the Company shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), and the expense of any audit.

5. Indemnification

(a) Indemnification by the Company. The Company shall, notwithstanding any termination of this Agreement, indemnify and hold harmless each Holder, the officers, directors, agents, and employees of each of them, each Person who controls any such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, agents and employees of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, costs of preparation and attorneys' fees) and expenses (collectively, "Losses"), as incurred, arising out of or relating to any untrue or alleged untrue statement of a material fact contained or incorporated by reference in (i) the Registration Statement, (ii) any Prospectus or any form of prospectus, (iii) any amendment or supplement thereto, or (iv) any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or form of prospectus or supplement thereto, in the light of the circumstances under which they were made) not misleading, except to the extent, but only to the extent, that (A) such untrue statements or omissions are based solely upon information regarding such Holder furnished in writing to the Company by such Holder expressly for use therein, which information was reasonably relied on by the Company for use therein or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in the Registration Statement, such Prospectus or such form of Prospectus or in any amendment or supplement thereto, or (B) such Losses arise in connection with the use by such Holder of a Prospectus (x) after the Company has notified such Holder of the occurrence of an event as described in Section 3(n) and prior to receipt by such notice, or (y) during a Blackout Period of which the Holder has received written notice from the Company. The Company shall notify the Holders promptly of the institution, threat or assertion of any Proceeding of which the Company is aware in connection with the transactions contemplated by this Agreement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of an Indemnified Party and shall survive the transfer of the Registrable Securities by the Holders.

(b) Indemnification by Holders. Each Holder shall, severally and not jointly, indemnify and hold harmless the Company, the directors, officers, agents and employees, each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling Persons, to the fullest extent permitted by applicable law, from and against all Losses, as incurred, arising solely out of or based solely upon any untrue statement of a material fact contained in the Registration Statement, any Prospectus, or any form of prospectus, or arising solely out of or based solely upon any omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or form of prospectus or supplement thereto, in the light of the circumstances under which they were made) not misleading, to the extent, but only to the extent, that (i) such untrue statement or omission is contained in or omitted from any information furnished in writing by such Holder to the Company specifically for inclusion in the Registration Statement or such Prospectus and that such information was reasonably relied upon by the Company for use in the Registration Statement, such Prospectus or such form of prospectus or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and approved by such Holder expressly for use in the Registration Statement, such Prospectus or such form of Prospectus Supplement, or (ii) such Losses arise in connection with the use by such Holder of a Prospectus (x) after the Company has notified such Holder of the occurrence of an event as described in Section 3(n), or (y) during a Blackout Period of which the Holder has received written notice from the Company. Notwithstanding anything to the contrary contained herein, the Holder shall be liable under this Section 5(b) for only that amount as does not exceed the net proceeds to such Holder as a result of the sale of Registrable Securities pursuant to such Registration Statement.

(c) Conduct of Indemnification Proceedings. If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an "Indemnified Party"), such Indemnified Party promptly shall notify the Person from whom indemnity is sought (the "Indemnifying Party) in writing, and the Indemnifying Party shall diligently assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses incurred in connection with defense thereof; provided, that the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement, except (and only) to the extent that it shall be finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) that such failure shall have proximately and materially adversely prejudiced the Indemnifying Party.

An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (1) the Indemnifying Party has agreed in writing to pay such fees and expenses; or (2) the Indemnifying Party shall have failed promptly, diligently and appropriately to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding; (3) the Indemnified Party shall reasonably determine that there may be legal defenses available to it which are not available to the Indemnifying Party; or (4) the Indemnified Party shall reasonably determine that there is an actual or potential conflict of interest between it and the Indemnifying Party, including, without limitation, situations in which there are one or more legal defenses available to the Indemnified Party that are antithetical or in opposition to those available to the Indemnifying Party, and in any of such cases, the Indemnifying Party shall not have the right to assume the defense thereof and such counsel shall be at the expense of the Indemnifying Party. The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which consent shall not be unreasonably withheld. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending Proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding and does not impose any monetary or other obligation or restriction on the Indemnified Party.

All fees and expenses of the Indemnified Party (including reasonable fees and expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in a manner not inconsistent with this Section) shall be paid to the Indemnified Party, as incurred, within ten (10) Business Days of written notice thereof to the Indemnifying Party (regardless of whether it is ultimately determined that an Indemnified Party is not entitled to indemnification hereunder; provided, that the Indemnifying Party may require such Indemnified Party to undertake to reimburse all such fees and expenses to the extent it is finally judicially determined that such Indemnified Party is not entitled to indemnification hereunder).

(d) Contribution. If a claim for indemnification under Section 5(a) or 5(b) is unavailable to an Indemnified Party because of a failure or refusal of a governmental authority to enforce such indemnification in accordance with its terms (by reason of public policy or otherwise), then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in Section 5(c), any reasonable attorneys' or other reasonable fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section was available to such party in accordance with its terms. Notwithstanding anything to the contrary contained herein, the Holder shall be liable or required to contribute under this Section 5(c) for only that amount as does not exceed the net proceeds to such Holder as a result of the sale of Registrable Securities pursuant to such Registration Statement.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

The indemnity and contribution agreements contained in this Section are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties. The indemnity and contribution agreements herein are in addition to and not in diminution or limitation of any indemnification provisions under any of the Subscription Agreements.

6. Rule 144.

As long as any Holder owns Registrable Securities, the Company covenants to timely file all reports required to be filed by the Company after the date hereof pursuant to Section 13(a) or 15(d) of the Exchange Act. As long as any Holder owns Registrable Securities, if the Company is not required to file reports pursuant to Section 13(a) or 15(d) of the Exchange Act, it will prepare and furnish to the Holders and make publicly available in accordance with Rule 144(c) promulgated under the Securities Act annual and quarterly financial statements, together with a discussion and analysis of such financial statements in form and substance substantially similar to those that would otherwise be required to be included in reports required by Section 13(a) or 15(d) of the Exchange Act, as well as any other information required thereby, in the time period that such filings would have been required to have been made under the Exchange Act. The Company further covenants that it will take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Person to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 promulgated under the Securities Act.

7. Miscellaneous.

(a) Remedies. In the event of a breach by the Company or by a Holder of any of their obligations under this Agreement, each Holder or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company and each Holder agree that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

(b) No Inconsistent Agreements. Neither the Company nor any of its subsidiaries has, as of the date hereof, entered into, nor shall the Company or any of its subsidiaries, on or after the date of this Agreement, enter into, any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. Without limiting the generality of the foregoing, without the written consent of the Holders of a majority of the then outstanding Registrable Securities, the Company shall not grant to any Person the right to request the Company to register any securities of the Company under the Securities Act unless the rights so granted are subject in all respects to the prior rights in full of the Holders set forth herein, and are not otherwise in conflict with the provisions of this Agreement.

(c) Successors and Assigns. This Agreement may not be assigned by a party hereto without the prior written consent of the Company or the Investor, as applicable. The provisions of this Agreement shall inure to the benefit of and be binding upon the respective permitted successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

(d) Counterparts; Faxes. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may also be executed via facsimile, which shall be deemed an original.

(e) Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(f) Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given as hereinafter described (i) if given by personal delivery, then such notice shall be deemed given upon such delivery, (ii) if given by telex or telecopier or electronic mail, then such notice shall be deemed given upon receipt of confirmation of complete transmittal, (iii) if given by mail, then such notice shall be deemed given upon the earlier of (A) receipt of such notice by the recipient or (B) three days after such notice is deposited in first class mail, postage prepaid, and (iv) if given by an internationally recognized overnight air courier, then such notice shall be deemed given one business day after delivery to such carrier. All notices shall be addressed to the party to be notified at the address as follows, or at such other address as such party may designate by ten days' advance written notice to the other party:

If to the Company:

Clarus Corporation
2084 East 3900 South
Salt Lake City, Utah 84124
Fax:
Email:
Attention: Corporate Secretary

with a copy to:

Kane Kessler, P.C.
1350 Avenue of the Americas
New York, NY 10019
Fax: (212) 245-3009
Email: rlawrence@kanekessler.com
Attention: Robert L. Lawrence, Esq.

If to an Investor, to the address set forth below such Investor's name on the signature pages hereto.

(g) Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Investor. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each Holder and its successors and permitted assigns.

(h) Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof but shall be interpreted as if it were written so as to be enforceable to the maximum extent permitted by applicable law, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereby waive any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

(i) Entire Agreement. This Agreement constitutes the entire agreement among the parties hereof with respect to the subject matter hereof and thereof and supersedes all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter hereof and thereof.

(j) Further Assurances. The parties shall execute and deliver all such further instruments and documents and take all such other actions as may reasonably be required to carry out the transactions contemplated hereby and to evidence the fulfillment of the agreements herein contained.

(k) Governing Law; Consent to Jurisdiction; Waiver of Jury Trial. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to the choice of law principles thereof. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts of the State of New York located in New York County and the United States District Court for the Southern District of New York for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. Each party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. **EACH OF THE PARTIES HERETO WAIVES ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS AGREEMENT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER.**

(l) Notice of Effectiveness. Within two (2) Business Days after the Registration Statement which includes the Registrable Securities is ordered effective by the Commission, the Company shall deliver, and if requested by the Company's transfer agent, shall use commercially reasonable efforts to cause legal counsel for the Company in connection with such Registration Statement to deliver, to the transfer agent for such Registrable Securities (with copies to the Holders whose Registrable Securities are included in such Registration Statement) confirmation that the Registration Statement has been declared effective by the Commission substantially in the form attached hereto as Exhibit A.

[Signature Page Follows:]

In Witness Whereof, the parties hereto have caused this Registration Rights Agreement to be duly executed by their respective authorized persons as of the date first indicated above.

The Company:

Clarus Corporation

By:_____
Name: Philip A. Baratelli
Title: Chief Financial Officer

Investors:

Name: Address:	Name: Address:
Name: Address:	Name: Address:
Name: Address:	Name: Address:
Name: Address:	Name: Address:

Investors:

Name:
Address:

Name:
Address:

Name:
Address:

EXHIBIT A

FORM OF NOTICE OF EFFECTIVENESS
OF REGISTRATION STATEMENT

[Name and Address of Transfer Agent]

[Date]

Re: Clarus Corporation

Dear [_____]:

We are special counsel to Clarus Corporation, a Delaware corporation (the "**Company**"), and have represented the Company in connection with the preparation of a Registration Statement pursuant to a Registration Rights Agreement, dated as of May __, 2010 (the "**Registration Rights Agreement**"), between the Company and the investors party thereto (the "**Investors**") pursuant to which the Company agreed, among other things, to register the Registrable Securities (as defined in the Registration Rights Agreement), under the Securities Act of 1933, as amended (the "**1933 Act**"). In connection with the Company's obligations under the Registration Rights Agreement, on _____, 201__, the Company filed a Registration Statement on Form S-3 (File No. 333-_____) (the "**Registration Statement**") with the Securities and Exchange Commission (the "**SEC**") relating to the Registrable Securities which may be sold under such Registration Statement by the selling stockholder(s) named therein.

In connection with the foregoing, we advise you that a member of the SEC's staff has advised us by telephone that the SEC has entered an order declaring the Registration Statement effective under the 1933 Act at **[ENTER TIME OF EFFECTIVENESS]** on **[ENTER DATE OF EFFECTIVENESS]** and we have no knowledge, after telephonic inquiry of a member of the SEC's staff, that any stop order suspending its effectiveness has been issued or that any proceedings for that purpose are pending before, or threatened by, the SEC.

Very truly yours,

CLARUS CORPORATION

By: _____
Name:
Title:

cc: **[LIST NAMES OF INVESTORS]**

Exhibit 10.9

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE OFFERED, SOLD, ASSIGNED OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT OR UNLESS THE ISSUER HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE ISSUER THAT REGISTRATION UNDER SAID ACT IS NOT REQUIRED.

THE NOTE IS SUBJECT TO THE TERMS, INCLUDING A RIGHT OF SET-OFF, OF A MERGER AGREEMENT DATED AS OF MAY 7, 2010, AMONG CLARUS CORPORATION, A DELAWARE CORPORATION, EVEREST/SAPPHIRE ACQUISITION LLC, EVEREST MERGER I CORP., EVEREST MERGER II, LLC,, GREGORY MOUNTAIN PRODUCTS, INC. AND KANDERS GMP HOLDINGS, LLC AND SCHILLER GREGORY INVESTMENT COMPANY, LLC

CLARUS CORPORATION

5% Unsecured Subordinated Note due May 28, 2017

May , 2010 $_____

CLARUS CORPORATION, a Delaware corporation (the "Company"), hereby promises to pay to the order of _____ (the "Holder"), the principal amount of _____ U.S. Dollars ($_____) (such amount, as reduced, if applicable,in accordance with Section 7 herein, the "Principal Amount").

This 5% Unsecured Subordinated Note due May 28, 2017 ("Note") is one of two duly authorized 5% Unsecured Subordinated Notes due May 28, 2017, aggregating $_____ in principal amount (the "Notes") with identical terms and rights issued to _____ (together with its successors or assigns "____") and _____ pursuant to that certain Merger Agreement (the "Merger Agreement") dated as of May 7, 2010, among Clarus Corporation, a Delaware corporation (the "Company"), Everest/Sapphire Acquisition LLC, Everest Merger I Corp., Everest Merger II, LLC, Gregory Mountain Products, Inc., Kanders GMP Holdings, LLC and Schiller Gregory Investment Company, LLC (capitalized terms not otherwise defined herein shall have their respective meanings as set forth in the Merger Agreement).

The payment of the principal and interest on this Note is subordinated in right of payment to the prior payment in full of certain other obligations of the Company to the extent and in the manner set forth herein.

1. Payment of Principal. The Company shall repay the entire Principal Amount outstanding on or before the earliest of (a) May 28, 2017 (the "Maturity Date"), (b) a sale or transfer (in one transaction or series of related transactions) of (i) all or substantially all of the assets of the Company or its successors or assigns or (ii) a majority of the then-issued and outstanding capital stock of the Company or its successors or assigns, or (c) a merger, consolidation, share exchange or any other business combination or transaction involving the Company or its successors or assigns whereby the holders of all of the issued and outstanding capital stock of the Company prior to such transaction do not (x) hold at least a majority of the voting stock or other voting equity of the surviving or resulting entity in the transaction immediately after consummation thereof, and (y) have the right to elect at least a majority of the directors of the surviving or resulting entity.

2. Payment of Interest. Interest shall accrue at the rate of five percent (5%) per annum (based on a 360 day year comprised of twelve 30 day months) on the unpaid Principal Amount outstanding and be payable in cash quarterly in arrears on the last day of March, June, September and December in each year until the Maturity Date, at which time all unpaid principal and interest shall be due and payable to the Holder in cash. Upon the occurrence and continuance of an Event of Default (as hereinafter defined) interest shall accrue at the rate of ten percent (10%) per annum.

3. Time of Payment. If any payment of principal or interest on this Note shall become due on a Saturday, Sunday, or legal holiday under the laws of the State of New York, such payment shall be made on the next succeeding day that is not a Saturday, Sunday or such legal holiday (a "Business Day") and such extension of time shall in such case be included in computing interest in connection with such payment.

4. Prepayment. The Company shall have the right to prepay this Note, in whole or in part, at any time or from time to time, without premium or penalty but with interest accrued and unpaid to the date of prepayment.

5. Events of Default.

(a) Definition. For purposes of this Note, an "Event of Default" shall be deemed to have occurred if any of the following events occur and in the case of subsections 5(a)(i) or (ii) below, KGH has given its prior written consent to such event being deemed an Event of Default hereunder:

(i) the Company shall default in the payment of any amount due under this Note on the date when due, whether at maturity or other time, by acceleration or otherwise and such default shall continue for ten (10) days after written notice thereof ;

(ii) the Company institutes or consents to the institution of any proceeding under the provisions of Title 11 United States Code ("Bankruptcy Code"), or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officers appointed without the application or consent of the Company and the appointment continues undischarged or unstayed for sixty (60) calendar days; or any proceeding under the Bankruptcy Code relating to the Company or to all or any part of its properties instituted without the consent of the Company and continues undismissed or unstayed for sixty (60) calendar days, or an order for relief is entered in any such proceeding (each, an "Insolvency Event"); or

(iii) the Company fails to perform or observe any other material covenant or agreement of the Company contained in this Note which remain uncured for more than ten (10) days after written notice thereof.

(b) Consequences of Events of Default. Subject in all respects to Section 6 hereof:

(i) If an Event of Default (other than an Insolvency Event) has occurred and is continuing, the Holder of the Note, may declare all or any portion of the outstanding Principal Amount due and payable and demand immediate payment of all or any portion of the outstanding Principal Amount. If the Holder demands immediate payment of all or any portion of the Note, the Company shall immediately pay to the Holder the Principal Amount requested to be paid together with all accrued and unpaid interest thereon.

(ii) If an Insolvency Event has occurred, all of the outstanding Principal Amount shall automatically be immediately due and payable without any notice or other action on the part of the Holder.

(iii) If any Event of Default has occurred, interest shall accrue on the Principal Amount of this Note in accordance with the last sentence of Section 2 of this Note for as long as such Event of Default continues.

(iv) If any Event of Default has occurred, each Holder shall also have any other rights or remedies which such Person may have pursuant to applicable law or equity.

6. Subordination.

6.1 *Agreement to Be Bound*. (a) The Company covenants and agrees, and the Holder by its acceptance thereof, likewise covenants and agrees, that the Note is being issued subject to the provisions contained in this Section 6; and each person holding the Note, whether upon original issue or upon transfer or assignment thereof, accepts and agrees to be bound by such provisions.

(b) The Note shall, to the extent and in the manner hereinafter set forth, be subordinated and subject in right of payment to the prior payment in full of all Senior Indebtedness (as defined in Section 6.7).

6.2 *Priority of Senior Indebtedness*. (a) No payment of the Principal Amount or interest on the Note shall be made, nor shall any assets be applied to the purchase or other acquisition or retirement of the Note, if, at the time of such payment or application or immediately after giving effect thereto (i) there shall exist a default in the payment of any amount due on any Senior Indebtedness (a "Senior Payment Default") , or (ii) if there shall have occurred an event of default other than a Senior Payment Default with respect to any Senior Indebtedness (an "Other Senior Default," and, together with a Senior Payment Default, a 'Senior Event of Default") or in the instrument under which the same has been issued, permitting the holders thereof, after notice or lapse of time, or both, to accelerate the maturity thereof. Promptly (and in any event within ten (10) Business Days) after knowledge of both the occurrence and cure of a Senior Event of Default , the Company shall furnish written notice thereof to the Holder of the Note, in the manner and at the address specified pursuant to Section 10 hereof.

(b) Except upon the occurrence and during the continuance of a Senior Event of Default, the Company shall pay to the Holder all payments of the Principal Amount and interest when due under this Note without regard to the subordination provision of this Section 6. With respect to any payments of the Principal Amount or interest that the Company is prohibited from making to the Holder of this Note as a result of the operation of this Section 6, the Company shall promptly (and in any event within ten (10) Business Days) make such payments to the extent Article 6 no longer prohibits any such payment.

(c) Upon the occurrence and during the continuance of a Senior Event of Default and notwithstanding any other provision contained herein or in the Note to the contrary, the Holder hereby agrees, for the benefit of the holders of Senior Indebtedness, not to ask for, demand, sue for, take or receive any amount owing under the Note or exercise any remedy (whether pursuant hereto, including, without limitation, acceleration of the Note, at law, in equity or otherwise) with respect thereto until the earliest of (i) the date on which all Senior Indebtedness is accelerated, (ii) if applicable, the date on which the Senior Indebtedness to which such Senior Event of Default related is discharged in accordance with its terms or such Senior Event of Default is waived by the holders of such Senior Indebtedness or cured or (iii) any voluntary or involuntary petition in bankruptcy filed by or against the Company. Within ten (10) Business Days after knowledge of any Event of Default under the Note, the Company shall furnish a copy thereof to the holders of Senior Indebtedness in the manner and at the addresses specified in the documents and/or agreements evidencing the applicable Senior Indebtedness.

6.3 *Acceleration of Note; Insolvency.* (a) Upon (i) any acceleration of the principal amount due on the Note or Senior Indebtedness or (ii) any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to creditors upon any dissolution or winding up or total or partial liquidation or reorganization of the Company, whether voluntary or involuntary or in bankruptcy, insolvency, receivership or other proceedings, all amounts due or to become due upon all Senior Indebtedness shall first be paid in full, or payment thereof duly provided for, to the full satisfaction of the holders of Senior Indebtedness before the Holder of the Note shall be entitled to receive or retain any assets so paid or distributed in respect thereof; and upon any such dissolution or winding up or liquidation or reorganization, any payment or distribution of assets of the Company of any kind or character, whether in cash, property or securities, to which the Holder of the Note would be entitled, except for these provisions, shall be paid by the Company or by any receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, or by the Holder of the Note if received by it, directly to the holders of Senior Indebtedness, to the extent necessary to pay all such Senior Indebtedness in full, after giving effect to any concurrent payment or distribution to or for the holders of Senior Indebtedness before any payment or distribution is made to the Holder of the Note, except that the holders of Senior Indebtedness of the type described in clause (i) of the definition of Senior Indebtedness shall be entitled to receive payment in full of such Senior Indebtedness (or provisions satisfactory to the holders of such Senior Indebtedness shall be made for such payment) before the holders of other types of Senior Indebtedness shall be entitled to receive payment on such other Senior Indebtedness.

(b) In the event that, notwithstanding the provision of the preceding paragraph or of Section 6.2 hereof, any payment or distribution of assets of the Company prohibited by the preceding paragraph or by Section 6.2 hereof shall be received by the Holder of the Note before all Senior Indebtedness is paid in full, or provision made for such payment, to the full satisfaction of the holders of Senior Indebtedness, in accordance with its terms, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to, the holders of Senior Indebtedness or their representative or representatives, or to the trustee or trustees under any indenture pursuant to which any instruments evidencing any Senior Indebtedness may have been issued, as their respective interests may appear, for application to the payment of all Senior Indebtedness remaining unpaid to the extent necessary to pay all Senior Indebtedness in full in accordance with its terms, after giving effect to any concurrent payment or distribution to or for the holders of such Senior Indebtedness. All payments applied to Senior Indebtedness pursuant to this paragraph of Section 6.3 shall be allocated among the holders of Senior Indebtedness in accordance with the provisions of the preceding paragraph of this Section 6.3.

6.4 *Subrogation, Etc.* Upon payment in full of all Senior Indebtedness, the Holder of the Note shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of assets of the Company pro rata in proportion to the respective amounts then owing to the Holders of the Notes; and for purposes of such subrogation, no payments or distributions to the holders of Senior Indebtedness of any cash, property or securities to which the Holders of the Notes would be entitled except for the provisions of this Section 6, and no payment over pursuant to such provisions to the holders of Senior Indebtedness, shall, as between the Company and its creditors (other than the Holders of Notes and the holders of the Senior Indebtedness), be deemed to be a payment by the Company to or on account of Senior Indebtedness, it being understood that the provisions of this Section 6 are and are intended solely for the purpose of defining the relative rights of the Holders of Notes on the one hand and the holders of Senior Indebtedness on the other hand. The holders of Senior Indebtedness may amend, modify and otherwise deal with Senior Indebtedness without any notice to or approval of any holder of Indebtedness ranking junior to Senior Indebtedness; *provided* that the Company will promptly (and in any event within ten (10) Business Days) notify the Holder of the Note in writing as to any such amendment, modification, extension, waiver or other change to the terms of the Senior Indebtedness.

6.5 *Enforcement.* (a) The foregoing subordination provisions shall be for the benefit of the holders of Senior Indebtedness and may be enforced directly by such holders against the Holder of the Note. The Holder of the Note by its acceptance thereof shall be deemed to acknowledge and agree that the subordination provisions of this Section 6 are, and are intended to be, an inducement and a consideration to each holder of any Senior Indebtedness, whether such Senior Indebtedness was created or acquired before or after the issuance of the Note, to acquire and continue to hold, or to continue to hold, such Senior Indebtedness and each holder of Senior Indebtedness shall be deemed conclusively to have relied on such subordination provisions in acquiring and continuing to hold, or in continuing to hold, such Senior Indebtedness.

(b) Upon any payment or distribution of assets of the Company, the Holder of the Note shall be entitled to rely upon a certificate of the receiver, trustee in bankruptcy, liquidation trustee, Company, agent or other person making such payment or distribution, delivered to the Holder of the Note, for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertaining thereto or to the provisions of this Section 6.

6.6 *Obligations Unimpaired.* Nothing contained in this Section 6, or elsewhere in the Note, is intended to or shall impair as between the Company, its creditors other than the holders of Senior Indebtedness, and the Holder of the Note, the obligation of the Company, which shall be absolute and unconditional, to pay the Holder of the Note the Principal Amount of and interest on the Note as and when the same shall become due and payable in accordance with the terms thereof, or affect the relative rights of the Holder of the Note and other creditors of the Company other than the holders of Senior Indebtedness, nor shall anything herein or therein prevent the Holder of the Note from exercising all remedies otherwise permitted by applicable law upon default under this Agreement, subject to the rights, if any, under this Section 6 of the holders of Senior Indebtedness in respect to cash, property or securities of the Company received upon the exercise of any such remedy. Nothing contained in this Section 6 or elsewhere in the Note, shall prevent the Company from making payment of the Principal Amount of or interest on the Note at any time except under the conditions described in Section 6.2 or 6.3.

6.7 *Definition of Senior Indebtedness.* The term "Senior Indebtedness" shall mean the principal and interest on (i) all Indebtedness (as defined in the Merger Agreement) of the Company and its Subsidiaries for money borrowed from time to time from banks or other financial institutions, an agency or agencies of the federal government or other institutions engaged in the business of lending money, (ii) all Capital Leases of the Company and its Subsidiaries, (iii) obligations of the Company for the reimbursement of any obligor on any letters of credit, banker's acceptance or similar credit transaction, and (iv) any deferrals, renewals and extensions of any Indebtedness described in clauses (i) through (iii) above, unless under the express provisions of the instrument creating or evidencing any such indebtedness, or pursuant to which the same is outstanding, such indebtedness is not superior in right of payment to the Notes. For the avoidance of doubt, Senior Indebtedness shall not include Indebtedness owed or owing to any Subsidiary or any officer, director or employee of the Company or any Subsidiary. For purposes hereof, the Senior Indebtedness includes any and all Indebtedness under the Loan Agreement dated May , 2010, between Zions First National Bank and each of Black Diamond Equipment, Ltd., Black Diamond Retail, Inc., Clarus Corporation, Everest/Sapphire Acquisition, LLC, and Gregory Mountain Products, LLC, together with any amendments, supplements, modifications, extensions, replacements, renewals, restatements, refundings or refinancing thereof, including without limitation Indebtedness arising under letters of credit issued pursuant thereto.

7. Reduction or Increase of the Principal Amount. The Principal Amount may be reduced by the Company in accordance with the terms and conditions set forth in Section 11.6 of the Merger Agreement. Upon any such reduction in the Principal Amount, the Company shall execute and deliver a new Note to the Holder and the Holder shall return this Note to the Company. The failure of the Company to deliver a new Note to the Holder at any time as required by this Note shall not affect the Company's obligations to the Holder to pay the Principal Amount, as applicable, and accrued and unpaid interest when and as due hereunder.

8. Loss, Theft, Destruction or Mutilation of Note. Upon receipt of evidence of the loss, theft, destruction or mutilation of this Note, and, in the case of any such loss, theft or destruction, upon receipt of an affidavit of loss from the Holder in form reasonably satisfactory to the Company, the Company will make and deliver, in lieu of this Note, a new Note of like tenor.

9. Place of Payment; Notices. Payments of principal and any notice hereunder are to be delivered to the Holder at the following address: _____ or to such other address as specified in a written notice delivered to the Company by Holder. Notices sent by the Company shall be deemed received when delivered personally or one (1) Business Day after being sent by Federal Express or other nationally recognized overnight carrier for next day delivery or three (3) Business Days after being sent by certified or registered mail to the following address:

Clarus Corporation
2084 East 3900 South
Salt Lake City, UT 84124
Fax: (203) 552-9607
Attention: Chief Financial Officer

with a copy to:

Kane Kessler, P.C.
1350 Avenue of the Americas
New York, New York 10019
Attention: Robert L. Lawrence, Esq.
Facsimile: (212) 245 3009

10. Jurisdiction. This Note shall be subject to the exclusive jurisdiction of the courts of New York County, New York. The Company and the Holder, for themselves and their successors, irrevocably and expressly agree to submit to the exclusive jurisdiction of the courts of the State of New York for the purpose of enforcing the terms of this Note or the transactions contemplated hereby. The Company and the Holder irrevocably waive (for themselves and their successors), to the fullest extent permitted by law, any objection which they may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Note or any judgment entered by any court located in New York County, New York, and further irrevocably waive any claim that any suit, action or proceeding brought in New York County, New York has been brought in an inconvenient forum.

11. Governing Law. The validity, construction, and interpretation of this Note shall be governed by the internal laws of the State of New York without respect to the principles of conflicts of laws of the State of New York or any other jurisdiction.

12. Assignment. This Note may be assigned by the Company to any wholly-owned subsidiary of the Company; provided, however, that the Company shall (i) provide written notice of such assignment to the Holder within five (5) days of such assignment, (ii) provide a written assumption signed by the assignee of this Note agreeing to be bound by the provisions of this Note, and (iii) remain jointly and severally liable with any such assignee for the obligations, liabilities and provisions of this Note. This Note may be assigned by the Holder, subject to the Company's Right of Set-off set forth in the Merger Agreement.

13. Amendments. No amendment, modification or waiver of any provision of this Note, nor any consent to any departure by the Company therefrom, shall be effective unless the same shall be in writing and signed by KGH and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

14. Pro Rata Payments. All payments of the Principal Amount and interest owing on the Notes shall be made on a pro rata basis (in accordance with the respective Principal Amounts outstanding thereunder).

IN WITNESS WHEREOF, the Company has executed and delivered this Note on the date first above written.

CLARUS CORPORATION

By: _____
Name:
Title:

CONFIRMED AND AGREED TO AS OF
THE DATE FIRST WRITTEN ABOVE:

By: _____
Name:
Title:

Exhibit 10.10

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is made and entered into as of May 28, 2010, among Clarus Corporation, a Delaware corporation (the "Company"), and each of Kanders GMP Holdings, LLC and Schiller Gregory Investment Company, LLC (each an "Investor", and collectively, the "Investors").

WITNESSETH:

WHEREAS, the parties hereto are parties to a certain merger agreement (the "Merger Agreement") dated as of May 7, 2010, among Clarus Corporation, (the "Company"), Everest/Sapphire Acquisition, LLC, Everest Merger I Corp., Everest Merger II, LLC, Gregory Mountain Products, Inc. and Kanders GMP Holdings, LLC and Schiller Gregory Investment Company, LLC; and

WHEREAS, pursuant to the terms of the Merger Agreement, a wholly-owned subsidiary of the Company is acquiring from the Investors all of the issued and outstanding capital stock of Gregory Mountain Products, Inc., and as part of the consideration therefor, the Company is issuing shares of its Common Stock (as hereinafter defined) to the Investors.

NOW, THEREFORE, in consideration of the mutual promises and representations, warranties, covenants and agreements set forth herein, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions.

Capitalized terms used and not otherwise defined herein shall have the meanings given such terms in the Merger Agreement. As used in this Agreement, the following terms shall have the following meanings:

"Advice" shall have the meaning set forth in Section 3(m).

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly controls or is controlled by or under common control with such Person. For the purposes of this definition, "control," when used with respect to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms of "affiliated," "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" shall have the meaning set forth in the Preamble.

"Blackout Period" shall have the meaning set forth in Section 3(n).

"Board" shall have the meaning set forth in Section 3(n).

"Business Day" means any day, other than Saturday, Sunday and any day which shall be a legal holiday or a day on which banks in the state of New York are authorized or required by law or other government action to be closed.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means the Company's common stock, par value $.0001.

"Company" shall have the meaning set forth in the Preamble.

"Effectiveness Period" shall have the meaning set forth in Section 2.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Holder" or "Holders" means the holder or holders, as the case may be, from time to time of Registrable Securities.

"Indemnified Party" shall have the meaning set forth in Section 5(c).

"Indemnifying Party" shall have the meaning set forth in Section 5(c).

"Investor" or "Investors" shall have the meaning set forth in the Preamble.

"Losses" shall have the meaning set forth in Section 5(a).

"Person" means an individual or a corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or political subdivision thereof) or other entity of any kind.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an investigation or partial proceeding, such as a deposition), whether commenced or threatened.

"Prospectus" means the prospectus included in the Registration Statement (including, without limitation, a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated under the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by the Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference in such Prospectus.

"Merger Agreement" shall have the meaning set forth in the first "WHEREAS" clause.

"Registrable Securities" means (i) the shares of Common Stock issued to the the Investors pursuant to the Merger Agreement; and (ii) any other securities (whether issued by the Company or any other Person) distributed as a dividend or other distribution with respect to, issued upon exchange of, or in replacement of, Registrable Securities referred to in clause (i), provided that (A) such term shall not include any Registrable Securities transferred in a transaction in which, under the terms of this Agreement, rights hereunder may not be, or are not properly, assigned and (B) as to any particular Registrable Securities, such securities shall cease to be Registrable Securities when: (1) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of under such registration statement, provided, however, new certificates therefor not bearing a legend restricting further transfer shall have been delivered by the Company or its transfer agent, and subsequent transfer or disposition of such securities shall not require their registration or qualification under the Securities Act or any similar state law then in force; (2) such securities shall have been transferred pursuant to Rule 144 under the Securities Act (or any successor provision thereto) or are transferable without any restriction in accordance with such Rule 144 (or any successor provision thereto), provided, however, new certificates therefor not bearing a legend restricting further transfer shall have been delivered by the Company or its transfer agent, and subsequent transfer or disposition of such securities shall not require their registration or qualification under the Securities Act or any similar state law then in force; (3) such securities shall have been otherwise transferred or disposed of; or (4) such securities shall have ceased to be outstanding.

"Registration Statement" means the registration statements and any additional registration statements contemplated by Section 2, including (in each case) the Prospectus, amendments and supplements to such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference into such registration statement.

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 158" means Rule 158 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 415" means Rule 415 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Rule 424" means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same effect as such Rule.

"Securities Act" means the Securities Act of 1933, as amended.

2. Registration. (a) The Company agrees to use its commercially reasonable efforts to prepare and file with the Commission, as soon as reasonably practicable, a "shelf" Registration Statement covering all Registrable Securities for a secondary or resale offering to be made on a continuous basis pursuant to Rule 415. The Registration Statement shall be on Form S-3 (or on another form appropriate for such registration in accordance herewith). The Company shall use its commercially reasonable efforts to cause the Registration Statement to be declared effective under the Securities Act (including filing with the Commission a request for acceleration of effectiveness in accordance with Rule 12dl-2 promulgated under the Exchange Act) promptly after the date that the Company is notified (orally or in writing, whichever is earlier) by the Commission that a Registration Statement will not be "reviewed," or not be subject to further review, and to keep such Registration Statement continuously effective under the Securities Act until such date as is the earlier of (x) the date when all Registrable Securities covered by such Registration Statement have been sold or (y) as to any particular Holder, the date on which all such Holder's Registrable Securities may be sold without any restriction pursuant to Rule 144, provided that if a Holder requests, the Company shall deliver unlegended certificates evidencing the Registrable Securities to such Holder (the "Effectiveness Period").

(b) Piggy-Back Registrations. If at any time during the period commencing from and after the date hereof, there is not an effective Registration Statement covering all of the Registrable Securities, and the Company intends to prepare and file with the Commission a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities, other than on Form S-4 or Form S-8 (each as promulgated under the Securities Act) or their then equivalents relating to equity securities to be issued solely in connection with any acquisition of any entity or business or equity securities issuable in connection with stock option or other employee benefit plans, the Company shall send to each Holder of Registrable Securities written notice of such determination and, if within ten (10) Business Days after receipt of such notice, any such Holder shall so request in writing (which request shall specify the Registrable Securities intended to be disposed of by the Holders), the Company will cause the registration under the Securities Act of all Registrable Securities which the Company has been so requested to register by the Holder, to the extent required to permit the disposition of the Registrable Securities so to be registered, provided that if at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to such Holders and, thereupon, (i) in the case of a determination not to register, shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay expenses in accordance with Section 4 hereof), and (ii) in the case of a determination to delay registering, shall be permitted to delay registering any Registrable Securities being registered pursuant to this Section 2(b) for the same period as the delay in registering such other securities. The Company shall include in such registration statement all or any part of such Registrable Securities such Holder requests to be registered; provided, however, that the Company shall not be required to register any Registrable Securities pursuant to this Section 2(b) that are eligible for sale without restrictions pursuant to Rule 144 of the Securities Act. In the case of an underwritten public offering, if the managing underwriter(s) should reasonably object to the inclusion of the Registrable Securities in such registration statement, then if the Company after consultation with the managing underwriter should reasonably determine that the inclusion of such Registrable Securities would materially adversely affect the offering contemplated in such registration statement, and based on such determination recommends inclusion in such registration statement of fewer or none of the Registrable Securities of the Holders, then (x) the number of Registrable Securities of the Holders to be included in such registration statement shall be reduced pro-rata among such Holders (based upon the number of Registrable Securities requested to be included in the registration), if the Company after consultation with the underwriter(s) recommends the inclusion of fewer Registrable Securities, or (y) none of the Registrable Securities of the Holders shall be included in such registration statement, if the Company after consultation with the underwriter(s) recommends the inclusion of none of such Registrable Securities. The right of any Holder to participate in an underwritten public offering hereunder shall be conditioned upon such Holders entering into the underwriting agreement and lock-up agreement with the representative of the underwriter or underwriters on the same terms as required of other selling securities holders in such offering. Notwithstanding the foregoing, this subsection 2(b) shall automatically terminate and be of no further force or effect as to any Holder of Registrable Securities when the Effectiveness Period has expired with respect to such Holder.

3. Registration Procedures.

In connection with the Company's registration obligations set forth in Section 2 hereof, the Company shall:

(a) Prepare and file with the Commission as soon as reasonably practicable, a Registration Statement on Form S-3 (or on another form appropriate for such registration in accordance herewith) in accordance with the method or methods of distribution thereof as specified by the Holders, and cause the Registration Statement to become effective and remain effective as provided herein; provided, however, that not less than five (5) Business Days prior to the filing of the Registration Statement or any related Prospectus and not less than three (3) Business Days prior to the filing of any amendment or supplement thereto (including any document that would be incorporated therein by reference), the Company shall (i) furnish to the Holders copies of all such documents proposed to be filed, which documents (other than those incorporated by reference) will be subject to the review of such Holders and (ii) at the request of any Holder, cause its officers and directors, counsel and independent certified public accountants to respond to such inquiries as shall be necessary, in the reasonable opinion of counsel to such Holders, to conduct a reasonable investigation within the meaning of the Securities Act. The Company shall not file the Registration Statement or any such Prospectus or any amendments or supplements thereto to which the Holders of a majority of the Registrable Securities shall reasonably object in writing within three (3) Business Days after their receipt thereof, in which event the filing of the Registration Statement or any such Prospectus or any amendments or supplements thereto shall be delayed until five business days after the parties hereto reach agreement on the content of the applicable Registration Statement, Prospectus, or amendment or supplement thereto.

(b) (i) If necessary to keep such Registration Statement accurate and complete, prepare and file with the Commission such amendments, including post-effective amendments, to the Registration Statement as may be necessary to keep the Registration Statement continuously (but for the filing of such post-effective amendment) effective as to the applicable Registrable Securities for the Effectiveness Period and prepare and file with the Commission such additional Registration Statements in order to register for resale under the Securities Act all of the Registrable Securities; (ii) cause the related Prospectus to be amended or supplemented by any required Prospectus supplement, and as so supplemented or amended to be filed pursuant to Rule 424 (or any similar provisions then in force) promulgated under the Securities Act; (iii) respond as promptly as reasonably practicable to any comments received from the Commission with respect to the Registration Statement or any amendment thereto and as promptly as reasonably practicable provide the Holders true and complete copies of all correspondence from and to the Commission relating to the Registration Statement; and (iv) comply in all material respects with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by the Registration Statement during the applicable period in accordance with the intended methods of disposition by the Holders thereof set forth in the Registration Statement as so amended or in such Prospectus as so supplemented.

(c) Notify the Holders of Registrable Securities to be sold as promptly as reasonably practicable (A) when a Prospectus or any Prospectus supplement or post-effective amendment to the Registration Statement is proposed to be filed; (B) when the Commission notifies the Company whether there will be a "review" of such Registration Statement and whenever the Commission comments in writing on such Registration Statement; and (C) with respect to the Registration Statement or any post-effective amendment, when the same has become effective, and thereafter: (i) of any request by the Commission or any other Federal or state governmental authority for amendments or supplements to the Registration Statement or Prospectus or for additional information; (ii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement covering any or all of the Registrable Securities or the initiation of any Proceedings for that purpose; (iii) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any Proceeding for such purpose; and (iv) of the occurrence of any event that makes any statement made in the Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to the Registration Statement, Prospectus or other documents so that, in the case of the Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) Use its commercially reasonable efforts to avoid the issuance of, or, if issued, obtain the withdrawal of, (i) any order suspending the effectiveness of the Registration Statement or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction within the United States, at the earliest practicable moment.

(e) If requested by the Holders of a majority in interest of the Registrable Securities, (i) promptly incorporate in a Prospectus supplement or post-effective amendment to the Registration Statement such information regarding a Holder or the plan of distribution as such majority of Holders may reasonably request, provided that such information is true and complete in all material respects, and (ii) make all required filings of such Prospectus supplement or such post-effective amendment as soon as practicable after the Company has received notification of the matters to be incorporated in such Prospectus supplement or post-effective amendment.

(f) Furnish to each Holder, without charge, at least one conformed copy of each Registration Statement and each amendment thereto, including financial statements and schedules, all documents incorporated or deemed to be incorporated therein by reference, and all exhibits to the extent requested by such Person (including those previously furnished or incorporated by reference) promptly after the filing of such documents with the Commission.

(g) Promptly deliver to each Holder, without charge, as many copies of the Prospectus or Prospectuses (including each form of prospectus) and each amendment or supplement thereto as such Persons may reasonably request; and the Company hereby consents to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto in conformity with the requirements of the Securities Act.

(h) Prior to any public offering of Registrable Securities, use its best efforts to register or qualify or cooperate with the Holders in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as any Holder requests in writing, to keep each such registration or qualification (or exemption therefrom) effective during the Effectiveness Period and to do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Registrable Securities covered by a Registration Statement; provided, however, that the Company shall not be required to qualify generally to do business in any jurisdiction where it is not then so qualified or to take any action that would subject the Company to general service of process in any jurisdiction were it is not then so subject.

(i) Cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Registrable Securities sold pursuant to a Registration Statement, which certificates shall be free of all restrictive legends, and to enable such Registrable Securities to be in such denominations and registered in such names as any Holder may request.

(j) Upon the occurrence of any event contemplated by Section 3(c)(iv), as promptly as possible, prepare a supplement or amendment, including a post-effective amendment, to the Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document so that, as thereafter delivered, neither the Registration Statement nor such Prospectus will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) Use its commercially reasonable efforts to cause all Registrable Securities relating to such Registration Statement to be listed on any securities exchange, quotation system, market or over-the-counter bulletin board, if any, on which similar securities issued by the Company are then listed.

(l) Comply in all material respects with all applicable rules and regulations of the Commission and make generally available to its security holders earning statements satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 not later than 45 days after the end of any 3-month period (or 90 days after the end of any 12-month period if such period is a fiscal year) commencing on the first day of the first fiscal quarter of the Company after the effective date of the Registration Statement, which statement shall conform to the requirements of Rule 158.

(m) (i) Require each Holder to furnish to the Company information regarding such Holder and the distribution of such Registrable Securities as is required by law to be disclosed in the Registration Statement, Prospectus, supplemented Prospectus and/or amended Registration Statement, including any information necessary to allow the Company to fulfill its undertakings made in accordance with Item 512 of Regulation S-K, and the Company may exclude from such registration the Registrable Securities of any such Holder who fails to furnish such information within a reasonable time prior to the filing of each Registration Statement, Prospectus, supplemented Prospectus and/or amended Registration Statement.

(ii) If the Registration Statement refers to any Holder by name or otherwise as the holder of any securities of the Company, then such Holder shall have the right to require (if such reference to such Holder by name or otherwise is not required by the Securities Act or any similar federal statute then in force) the deletion of the reference to such Holder in any amendment or supplement to the Registration Statement filed at a time when such reference is not required.

(iii) Each Holder agrees by its acquisition of such Registrable Securities that, upon receipt of a notice from the Company of the occurrence of any event of the kind described in Section 3(c)(ii), 3(c)(iii) or 3(c)(iv), such Holder will forthwith discontinue disposition of such Registrable Securities under the Registration Statement until such Holder's receipt of copies of the supplemented Prospectus and/or amended Registration Statement contemplated by Section 3(j), or until it is advised in writing (the "Advice") by the Company that the use of the applicable Prospectus may be resumed, and, in either case, has received copies of any additional or supplemental filings that are incorporated or deemed to be incorporated by reference in such Prospectus or Registration Statement. The Company may provide stop orders to enforce the provisions of this paragraph, provided that the Company shall promptly remove any such stop orders as soon as such stop orders are no longer necessary.

(n) If (i) there is material non-public information regarding the Company which the Company's Board of Directors (the "Board") reasonably determines not to be in the Company's best interest to disclose and which the Company is not otherwise required to disclose, or (ii) there is a significant business opportunity (including, but not limited to, the acquisition or disposition of assets (other than in the ordinary course of business) or any merger, consolidation, tender offer or other similar transaction) available to the Company which the Board reasonably determines not to be in the Company's best interest to disclose and which the Company would be required to disclose under the Registration Statement, then, notwithstanding anything to the contrary in this Agreement, the Company may postpone or suspend filing or effectiveness of a registration statement for a period not to exceed 60 consecutive days, provided that the Company may not postpone or suspend its obligation under this Section 3(n) for more than 90 days in the aggregate during any 12 month period (each, a "Blackout Period").

4. Registration Expenses

All fees and expenses incident to the performance of or compliance with this Agreement by the Company shall be borne by the Company whether or not the Registration Statement is filed or becomes effective and whether or not any Registrable Securities are sold pursuant to the Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses (A) with respect to filings required to be made with any securities exchange, quotation system, market or over-the-counter bulletin board on which Registrable Securities are required hereunder to be listed, (B) with respect to filings required to be made with the Commission, and (C) in compliance with state securities or Blue Sky laws), (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities and of printing prospectuses if the printing of prospectuses is requested by the Holders of a majority of the Registrable Securities included in the Registration Statement), (iii) messenger, telephone and delivery expenses, (iv) Securities Act liability insurance, if the Company so desires such insurance, and (v) fees and expenses of all other Persons retained by the Company in connection with the consummation of the transactions contemplated by this Agreement, including, without limitation, the Company's independent public accountants (including the expenses of any comfort letters or costs associated with the delivery by independent public accountants of a comfort letter or comfort letters, if requested by any underwriter) and legal counsel. In addition, the Company shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), and the expense of any audit.

5. Indemnification

(a) Indemnification by the Company. The Company shall, notwithstanding any termination of this Agreement, indemnify and hold harmless each Holder, the officers, directors, agents, and employees of each of them, each Person who controls any such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, agents and employees of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, costs of preparation and attorneys' fees) and expenses (collectively, "Losses"), as incurred, arising out of or relating to any untrue or alleged untrue statement of a material fact contained or incorporated by reference in (i) the Registration Statement, (ii) any Prospectus or any form of prospectus, (iii) any amendment or supplement thereto, or (iv) any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or form of prospectus or supplement thereto, in the light of the circumstances under which they were made) not misleading, except to the extent, but only to the extent, that (A) such untrue statements or omissions are based solely upon information regarding such Holder furnished in writing to the Company by such Holder expressly for use therein, which information was reasonably relied on by the Company for use therein or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in the Registration Statement, such Prospectus or such form of Prospectus or in any amendment or supplement thereto, or (B) such Losses arise in connection with the use by such Holder of a Prospectus (x) after the Company has notified such Holder of the occurrence of an event as described in Section 3(n) and prior to receipt by such notice, or (y) during a Blackout Period of which the Holder has received written notice from the Company. The Company shall notify the Holders promptly of the institution, threat or assertion of any Proceeding of which the Company is aware in connection with the transactions contemplated by this Agreement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of an Indemnified Party and shall survive the transfer of the Registrable Securities by the Holders.

(b) Indemnification by Holders. Each Holder shall, severally and not jointly, indemnify and hold harmless the Company, the directors, officers, agents and employees, each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling Persons, to the fullest extent permitted by applicable law, from and against all Losses, as incurred, arising solely out of or based solely upon any untrue statement of a material fact contained in the Registration Statement, any Prospectus, or any form of prospectus, or arising solely out of or based solely upon any omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or form of prospectus or supplement thereto, in the light of the circumstances under which they were made) not misleading, to the extent, but only to the extent, that (i) such untrue statement or omission is contained in or omitted from any information furnished in writing by such Holder to the Company specifically for inclusion in the Registration Statement or such Prospectus and that such information was reasonably relied upon by the Company for use in the Registration Statement, such Prospectus or such form of prospectus or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and approved by such Holder expressly for use in the Registration Statement, such Prospectus or such form of Prospectus Supplement, or (ii) such Losses arise in connection with the use by such Holder of a Prospectus (x) after the Company has notified such Holder of the occurrence of an event as described in Section 3(n), or (y) during a Blackout Period of which the Holder has received written notice from the Company. Notwithstanding anything to the contrary contained herein, the Holder shall be liable under this Section 5(b) for only that amount as does not exceed the net proceeds to such Holder as a result of the sale of Registrable Securities pursuant to such Registration Statement.

(c) Conduct of Indemnification Proceedings. If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an "Indemnified Party"), such Indemnified Party promptly shall notify the Person from whom indemnity is sought (the "Indemnifying Party) in writing, and the Indemnifying Party shall diligently assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses incurred in connection with defense thereof; provided, that the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement, except (and only) to the extent that it shall be finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) that such failure shall have proximately and materially adversely prejudiced the Indemnifying Party.

An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (1) the Indemnifying Party has agreed in writing to pay such fees and expenses; or (2) the Indemnifying Party shall have failed promptly, diligently and appropriately to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding; (3) the Indemnified Party shall reasonably determine that there may be legal defenses available to it which are not available to the Indemnifying Party; or (4) the Indemnified Party shall reasonably determine that there is an actual or potential conflict of interest between it and the Indemnifying Party, including, without limitation, situations in which there are one or more legal defenses available to the Indemnified Party that are antithetical or in opposition to those available to the Indemnifying Party, and in any of such cases, the Indemnifying Party shall not have the right to assume the defense thereof and such counsel shall be at the expense of the Indemnifying Party. The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which consent shall not be unreasonably withheld. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending Proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding and does not impose any monetary or other obligation or restriction on the Indemnified Party.

All fees and expenses of the Indemnified Party (including reasonable fees and expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in a manner not inconsistent with this Section) shall be paid to the Indemnified Party, as incurred, within ten (10) Business Days of written notice thereof to the Indemnifying Party (regardless of whether it is ultimately determined that an Indemnified Party is not entitled to indemnification hereunder; provided, that the Indemnifying Party may require such Indemnified Party to undertake to reimburse all such fees and expenses to the extent it is finally judicially determined that such Indemnified Party is not entitled to indemnification hereunder).

(d) Contribution. If a claim for indemnification under Section 5(a) or 5(b) is unavailable to an Indemnified Party because of a failure or refusal of a governmental authority to enforce such indemnification in accordance with its terms (by reason of public policy or otherwise), then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in Section 5(c), any reasonable attorneys' or other reasonable fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section was available to such party in accordance with its terms. Notwithstanding anything to the contrary contained herein, the Holder shall be liable or required to contribute under this Section 5(c) for only that amount as does not exceed the net proceeds to such Holder as a result of the sale of Registrable Securities pursuant to such Registration Statement.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

The indemnity and contribution agreements contained in this Section are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties. The indemnity and contribution agreements herein are in addition to and not in diminution or limitation of any indemnification provisions under the Merger Agreement.

6. Rule 144.

As long as any Holder owns Registrable Securities, the Company covenants to timely file all reports required to be filed by the Company after the date hereof pursuant to Section 13(a) or 15(d) of the Exchange Act. As long as any Holder owns Registrable Securities, if the Company is not required to file reports pursuant to Section 13(a) or 15(d) of the Exchange Act, it will prepare and furnish to the Holders and make publicly available in accordance with Rule 144(c) promulgated under the Securities Act annual and quarterly financial statements, together with a discussion and analysis of such financial statements in form and substance substantially similar to those that would otherwise be required to be included in reports required by Section 13(a) or 15(d) of the Exchange Act, as well as any other information required thereby, in the time period that such filings would have been required to have been made under the Exchange Act. The Company further covenants that it will take such further action as any Holder may reasonably request, all to the extent required from time to time to enable such Person to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144 promulgated under the Securities Act.

7. Miscellaneous.

(a) Remedies. In the event of a breach by the Company or by a Holder of any of their obligations under this Agreement, each Holder or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company and each Holder agree that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

(b) No Inconsistent Agreements. Neither the Company nor any of its subsidiaries has, as of the date hereof, entered into, nor shall the Company or any of its subsidiaries, on or after the date of this Agreement, enter into, any agreement with respect to its securities that is inconsistent with the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. Without limiting the generality of the foregoing, without the written consent of the Holders of a majority of the then outstanding Registrable Securities, the Company shall not grant to any Person the right to request the Company to register any securities of the Company under the Securities Act unless the rights so granted are subject in all respects to the prior rights in full of the Holders set forth herein, and are not otherwise in conflict with the provisions of this Agreement.

(c) Successors and Assigns. This Agreement may not be assigned by a party hereto without the prior written consent of the Company or the Investor, as applicable. The provisions of this Agreement shall inure to the benefit of and be binding upon the respective permitted successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

(d) Counterparts; Faxes. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may also be executed via facsimile, which shall be deemed an original.

(e) Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

(f) Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given as hereinafter described (i) if given by personal delivery, then such notice shall be deemed given upon such delivery, (ii) if given by telex or telecopier or electronic mail, then such notice shall be deemed given upon receipt of confirmation of complete transmittal, (iii) if given by mail, then such notice shall be deemed given upon the earlier of (A) receipt of such notice by the recipient or (B) three days after such notice is deposited in first class mail, postage prepaid, and (iv) if given by an internationally recognized overnight air courier, then such notice shall be deemed given one business day after delivery to such carrier. All notices shall be addressed to the party to be notified at the address as follows, or at such other address as such party may designate by ten days' advance written notice to the other party:

If to the Company:

Clarus Corporation
2084 East 3900 South
Salt Lake City, UT 84124.
Fax:
Attention: Corporate Secretary

with a copy to:

Kane Kessler, P.C.
1350 Avenue of the Americas
New York, NY 10019
Fax: (212) 245-3009
Attention: Robert L. Lawrence, Esq.

If to the Investors:

with a copy to:

(g) Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Investor. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each Holder and its successors and permitted assigns.

(h) Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof but shall be interpreted as if it were written so as to be enforceable to the maximum extent permitted by applicable law, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereby waive any provision of law which renders any provision hereof prohibited or unenforceable in any respect.

(i) Entire Agreement. This Agreement constitutes the entire agreement among the parties hereof with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter hereof and thereof.

(j) Further Assurances. The parties shall execute and deliver all such further instruments and documents and take all such other actions as may reasonably be required to carry out the transactions contemplated hereby and to evidence the fulfillment of the agreements herein contained.

(k) Governing Law; Consent to Jurisdiction; Waiver of Jury Trial. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to the choice of law principles thereof. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts of the State of New York located in New York County and the United States District Court for the Southern District of New York for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. Each party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. **EACH OF THE PARTIES HERETO WAIVES ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS AGREEMENT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER.**

(l) Notice of Effectiveness. Within two (2) Business Days after the Registration Statement which includes the Registrable Securities is ordered effective by the Commission, the Company shall deliver, and if requested by the Company's transfer agent, shall use commercially reasonable efforts to cause legal counsel for the Company in connection with such Registration Statement to deliver, to the transfer agent for such Registrable Securities (with copies to the Holders whose Registrable Securities are included in such Registration Statement) confirmation that the Registration Statement has been declared effective by the Commission substantially in the form attached hereto as Exhibit A.

[Signature Page Follows:]

In Witness Whereof, the parties hereto have caused this Registration Rights Agreement to be duly executed by their respective authorized persons as of the date first indicated above.

Clarus Corporation

By: _____
Name:
Title:

By: _____
Name: Philip A. Baratelli
Title: Chief Financial Officer

By: _____
Name:
Title:

EXHIBIT A

FORM OF NOTICE OF EFFECTIVENESS
OF REGISTRATION STATEMENT

[Name and Address of Transfer Agent]

[Date]

Re: Clarus Corporation

Dear [_____]:

We are special counsel to Clarus Corporation, a Delaware corporation (the **"Company"**), and have represented the Company in connection with the preparation of a Registration Statement pursuant to a Registration Rights Agreement between the Company and _____ (the **"Registration Rights Agreement"**) pursuant to which the Company agreed, among other things, to register the Registrable Securities (as defined in the Registration Rights Agreement), under the Securities Act of 1933, as amended (the **"1933 Act"**) upon the demand of the Investor. In connection with the Company's obligations under the Registration Rights Agreement, on _____, 200__, the Company filed a Registration Statement on Form S-3 (File No. 333-_____) (the **"Registration Statement"**) with the Securities and Exchange Commission (the **"SEC"**) relating to the Registrable Securities which may be sold under such Registration Statement by the selling stockholder(s) named therein.

In connection with the foregoing, we advise you that a member of the SEC's staff has advised us by telephone that the SEC has entered an order declaring the Registration Statement effective under the 1933 Act at **[ENTER TIME OF EFFECTIVENESS]** on **[ENTER DATE OF EFFECTIVENESS]** and we have no knowledge, after telephonic inquiry of a member of the SEC's staff, that any stop order suspending its effectiveness has been issued or that any proceedings for that purpose are pending before, or threatened by, the SEC.

Very truly yours,

By: _____

cc: **[LIST NAMES OF HOLDERS]**

Exhibit 10.11

May 28, 2010

Clarus Corporation
2084 East 3900 South
Salt Lake City, UT 84124
Attention: Corporate Secretary

Re: Lock-up Agreement

Dear Sirs/Madams:

The undersigned (the "Specified Holder") acknowledges that pursuant to that certain merger agreement (the "Merger Agreement") dated as of May 7, 2010, among Clarus Corporation, a Delaware corporation (the "Company"), Everest/Sapphire Acquisition, LLC., Everest Merger I Corp., Everest Merger II, LLC, Gregory Mountain Products, Inc. and Kanders GMP Holdings, LLC and Schiller Gregory Investment Company, LLC, the Company will issue to the Specified Holder _____ shares (the "Consideration Shares") of the Company's common stock, par value $0.0001 per share ("Company Common Stock"). The Specified Holder understands that the Purchaser and the Company are willing to proceed with this transaction and issue the Consideration Shares only if the Specified Holder for itself and the successors and assigns of the Specified Holder, agrees to this Lock-up Agreement. Capitalized terms used, but not defined, herein shall have the respective meanings ascribed to them in the Merger Agreement.

In consideration of the consummation of the Merger Agreement, including the Specified Holder's receipt of the Consideration Shares, the Specified Holder agrees that it will not during the Lock Up Period (as defined below), directly or indirectly,

(1) offer for sale, sell, pledge, transfer, negotiate, assign, or otherwise create any interest in or otherwise dispose of (or enter into any transaction or device that is designed to, or could reasonably be expected to, result in any of the foregoing) the Consideration Shares, or

(2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of the Consideration Shares, including, but not limited to, short sales, puts, calls or other hedging transactions, including private hedging transactions.

Notwithstanding the provisions of Section (1) above, the Specified Holder shall be permitted to hypothecate the Consideration Shares, subject to the terms, including the Company's Right of Set-off, set forth in the Merger Agreement.

As used herein, the "Lock-up Period" shall mean the period commencing on the date hereof and ending on the second anniversary of the date hereof; provided, however, if, at any time during the Lock-up Period, a Purchaser Indemnified Party asserts a claim in accordance with Section 11.4 of the Merger Agreement (the "Indemnification Claim"), the Lock-Up Period will, until there is a Final Determination with respect to such Indemnification Claims, be extended to such number of Consideration Shares having a value equal to 25% of the Estimated Losses, as defined below, based on a per share price of $6 per share; provided, however, that, in lieu of the Lock-up Period being extended to the Consideration Shares, subject to the execution of an escrow agreement in form and substance satisfactory to the Company in its sole discretion, the Specified Holder may deposit in escrow an amount in cash equal to 25% of the Estimated Losses asserted by a Purchaser Indemnified Party in an Indemnification Claim. "Estimated Losses" shall mean the Purchaser Indemnified Party's good faith estimate of the dollar amount of any such Indemnification Claim set forth in writing to the Stockholders. The parties hereto acknowledge and agree that upon a Final Determination with respect to any Indemnification Claim, the Consideration Shares shall be subject to reduction and cancellation in accordance with Section 11.6(c) of the Merger Agreement.

Notwithstanding the terms and conditions set forth above, the principal member of the Specified Holder may transfer Consideration Shares to (a) his "immediate family members" (as defined herein), (b) any trust, the sole beneficiaries of which are the principal member of the Specified Holder's immediate family members or (c) the personal representative, custodian or conservator in the case of the death, bankruptcy or adjudication of incompetency of the principal member of the Specified Holder, as the case may be (each person or entity set forth in clauses (a), (b) or (c), a "Permitted Transferee"); provided that, as a precondition to any such transfer, any such Permitted Transferee shall execute and deliver to the Company an agreement to be subject to the terms of this Lock-up Agreement to the same extent as if the Permitted Transferee were an original party to this Lock-up Agreement. For the purposes of this paragraph, the term "immediate family members" shall mean the spouse, father, mother, or children of the principal member of the Specified Holder.

The parties hereto acknowledge and agree that any transfer of Consideration Shares in violation of the foregoing paragraph shall be void ab initio and the Company shall cause its agents, including its transfer agent, to refuse to register, record or make any transfer of Consideration Shares if such transfer would constitute a violation or breach of this Lock-up Letter Agreement.

The Specified Holder understands that the Purchaser will proceed with the Merger Agreement in reliance on this Lock-up Agreement, and that any certificates representing Consideration Shares will contain a restrictive legend stating that the transfer of such shares is restricted in accordance with the terms of this Agreement.

The Specified Holder agrees that it will execute any additional documents reasonably necessary or related to the enforcement of this Lock-up Agreement. The Specified Holder's obligations under this Lock-up Agreement shall be binding upon its successors and assigns or heirs, as the case may be.

The Specified Holder hereby warrants and represents that it has the full capacity to enter into and carry out all the terms of this Lock-up Agreement and is not subject to or bound by any agreement or instrument, or the order of any court or other governmental authority which in any way restricts the Specified Holder's capacity to enter into and carry out all the terms of this Lock-up Agreement.

This Lock-up Agreement, and all rights and obligations of the parties hereunder, shall be construed and enforced in accordance with and governed by the law of the State of New York. This Lock-up Agreement shall be subject to the exclusive jurisdiction of the courts of New York County, New York. Any breach or default of any provision hereof shall be deemed to be a breach or default occurring in the State of New York by virtue of a failure to perform an act required to be performed in the State of New York, and the parties, for themselves and their lawful successors, irrevocably and expressly agree to submit to the jurisdiction of the courts of the State of New York for the purpose of enforcing the terms of hereof and the transactions contemplated hereby. The parties irrevocably waive (for themselves and their lawful successors), to the fullest extent permitted by law, any objection which they may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Lock-up Agreement or any judgment entered by any court in respect hereof brought in New York County, New York, and further irrevocably waive any claim that any suit, action or proceeding brought in New York County, New York has been brought in an inconvenient forum.

Any notices required or permitted hereunder shall be made pursuant to the notice provisions set forth in Section 12.11 of the Merger Agreement.

Very truly yours,

By: _____
Name:
Title:

CONFIRMED AND AGREED TO AS OF
THE DATE FIRST WRITTEN ABOVE:

CLARUS CORPORATION

By: _____
Name: Philip A. Baratelli
Title: Chief Financial Officer

Exhibit 10.12

RESTRICTIVE COVENANT AGREEMENT

This Restrictive Covenant Agreement (this "Agreement") is made and entered into as of May 28, 2010, by and between _____, a Delaware limited liability company (the "Seller"), having its principal place of business at _____, and Clarus Corporation, a Delaware corporation (the "Company"), having its principal place of business at 2084 East 3900 South, Salt Lake City, UT 84124.

WHEREAS, the Company, through Sapphire/Everest Acquisition, LLC ("Purchaser"), a Delaware limited liability company and a wholly-owned subsidiary of the Company, is acquiring all of the issued and outstanding capital stock of Gregory Mountain Products, Inc., a Delaware corporation ("GMP"), pursuant to the terms and conditions of the Merger Agreement;

WHEREAS, the Seller is one of two stockholders of GMP and the Company desires to be assured that the goodwill of GMP remains intact after the Closing; and

WHEREAS, it is a material inducement that the Seller enter into this Agreement for the Company to enter into the Merger Agreement.

NOW, THEREFORE, in consideration of the terms, conditions and other provisions set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Capitalized terms used and not otherwise defined herein shall have the meanings given such terms in the Merger Agreement. As used in this Agreement, the following terms shall have the following meanings:

"Business" shall mean the business of GMP, including manufacturing, assembling, licensing, distributing, marketing and selling commercial expedition, technical backpacking and non-technical/"lifestyle" packs and bags.

"Competitive Business" shall mean any business competitive with the Business.

"Merger Agreement" shall mean that certain merger agreement dated as of May 7, 2010, among Clarus Corporation, (the "Company"), Everest/Sapphire Acquisition, LLC, Everest Merger I Corp., Everest Merger II, LLC, Gregory Mountain Products, Inc. and Kanders GMP Holdings, LLC and Schiller Gregory Investment Company, LLC.

"Restricted Period" shall mean a consecutive three year period commencing on the Closing Date, subject to the tolling provisions hereof.

1 . Restrictive Covenant. For purposes of Section 1 and Section 2 of this Agreement, all references to the Company shall be deemed to include each Subsidiary and each of their respective successors and assigns, including, without limitation, the Purchaser, and all references to the Seller shall be deemed to include all of the Affiliates, heirs and personal and legal representatives of the Seller. The Seller acknowledges that in order to assure the Company that GMP will retain the value of GMP as a "going concern," the Seller on behalf of itself and on behalf of its Affiliate and any of their respective employees, agents or others under their control, agrees not to utilize its special knowledge of the Business and its relationships with customers, prospective customers, suppliers and others or otherwise to compete with the Company in the Business during the Restricted Period. Except with respect to the Seller's ownership of the securities of the Company, during the Restricted Period, the Seller shall not, and shall cause its Affiliates to not, permit any of their respective employees, agents or others under their control to, directly or indirectly, on behalf of the Seller or any Affiliate to engage or have an interest, anywhere in the world in which the Company conducts business or markets or sells its products as of the Closing Date, alone or in association with others, as principal, officer, agent, employee, director, partner or stockholder (except as an owner of two percent or less of the stock of any company listed on a national securities exchange or traded in the over-the-counter market), whether through the investment of capital, lending of money or property, rendering of services or capital, or otherwise, in any business involving, relating or similar to, directly or indirectly, the Business. During the Restricted Period, the Seller shall not, and shall cause its Affiliates to not, permit any of their respective employees, agents or others under their control to, directly or indirectly, on behalf of the Seller or any Affiliate, to (i) accept Competitive Business from, or solicit the Competitive Business of any Person who, to the Seller's knowledge, is, or who had been at any time during the preceding three years, a customer, known prospective customer, or supplier of the Business conducted by the Company; or (ii) recruit or otherwise solicit or induce any Person who is an employee or consultant of, or otherwise engaged by Company, to terminate his or her employment or other relationship with Company, or such successor, or hire any person, other than Gray Hudkins, Robert Schiller or Warren B. Kanders, who has left the employ of the Company, during the preceding two years.

(b) The Seller shall not, and shall cause its Affiliates to not, permit any of their respective employees, agents or others then under their control to, directly or indirectly, (i) make or cause to be made, any statements that are disparaging or derogatory concerning the Business, the Company or its businesses, customers, suppliers, services, reputations, or prospects, or the Company's past or present officers, managers, members, employees and agents; (ii) request, suggest, influence or cause any party, directly or indirectly, to cease doing business with or to reduce its business with the Company or do or say anything which could reasonably be expected to damage any of the business, supplier, or customer relationships of the Company; or (iii) use or purport to authorize any Person to use any Intellectual Property which is the same as or similar to that used currently or in the past in connection with any product or service in respect of the Business by the Company.

2 . Confidentiality. The Seller acknowledges that the intangible property and all other confidential or proprietary information with respect to the Business are valuable, special and unique assets of the Company. The Seller shall not, at any time after the Closing Date, disclose, directly or indirectly, to any Person, or use or purport to authorize any Person to use any confidential or proprietary information with respect to the Company, whether or not for their own benefit, without the prior written consent of the Purchaser unless required by Law, including, without limitation, (i) Trade Secrets, intangible property, marketing plans, business plans and strategies; (ii) confidential or proprietary information relating to products or services; (iii) the names of customers and contacts, vendors and suppliers, the cost of materials and labor, the prices obtained for services sold (including the methods used in price determination, manufacturing and sales costs), compensation paid to employees and consultants and other terms of employment, production operation techniques or any other confidential or proprietary information of, about or pertaining to the Business, and any other confidential or proprietary information and material relating to any customer, vendor, licensor, licensee, or other party in connection with the Business; and (iv) any other confidential or propriety information which the Seller acquired or developed in connection with or as a result of his being a shareholder, officer, director, employee, agent or representative of GMP, excepting in each instance (i) – (iv) only such information as (a) is already known to the public or which may become known to the public without any fault of the Seller in violation of any confidentiality restrictions, (b) (i) was available to the Seller (prior to its delivery to the Seller by the Company) or (ii) becomes available to the Seller on a non-confidential basis from a Person other than the Company who is not otherwise bound by a confidentiality agreement with respect to such information or is otherwise prohibited from transmitting the information to the Seller, or (c) can be proven to have been independently developed by the Seller without reference to such information.

3 . Continuing Obligations; Equitable Remedies. The restrictions set forth in Sections 1 and 2 are considered by the parties to be reasonable for the purposes of protecting the value of the business and goodwill of GMP. The Seller acknowledges that the Company would be irreparably harmed and that monetary damages would not provide an adequate remedy to the Company in the event the covenants contained in Sections 1 and 2 were not complied with in accordance with their terms. Accordingly, the Seller agrees that any breach by him of any provision of Sections 1 or 2 shall entitle the Company to injunctive and other equitable relief to secure the enforcement of these provisions, in addition to any other remedies (including damages) which may be available to the Company. If the Seller or any of its respective Affiliates breaches the covenant set forth in Section 1, the running of the Restricted Period described therein shall be tolled for so long as such breach continues. It is the desire and intent of the parties that the provisions of Sections 1 and 2 be enforced to the fullest extent permissible under the laws and public policies of each jurisdiction in which enforcement is sought. If any provisions of Section 1 or 2 relating to the time period, scope of activities or geographic area of restrictions is declared by a court of competent jurisdiction to exceed the maximum permissible time period, scope of activities or geographic area, as the case may be, the time period, scope of activities or geographic area shall be reduced to the maximum which such court deems enforceable. If any provisions of Section 1 or 2 other than those described in the preceding sentence are adjudicated to be invalid or unenforceable, the invalid or unenforceable provisions shall be deemed amended (with respect only to the jurisdiction in which such adjudication is made) in such manner as to render them enforceable and to effectuate as nearly as possible the original intentions and agreement of the parties. The Seller agrees that it will be responsible for any breach of this Agreement by it or its Affiliates or any of their respective employees, agents or others under their control.

4 . Indemnification; Costs of Enforcement. The Seller agrees to be responsible for and shall pay and indemnify and hold harmless Company and its respective Affiliates, members, managers, officers, employees and agents from, against and in respect of, the full amount of any and all liabilities, damages, claims, deficiencies, fines, assessments, losses, Taxes, penalties, interest, costs and expenses, including, without limitation, reasonable fees and disbursements of counsel (collectively, "Losses"), and any and all actions, suits, proceedings, demands, assessments or judgments incidental to any of the foregoing arising from, in connection with, or incident to any breach or violation of any of the covenants or agreements of the Seller (whether made on behalf of himself/itself or his/its Affiliates) set forth in Section 1 or 2 of this Agreement. Notwithstanding the foregoing if any party brings an action to enforce any part of this Agreement or to obtain damages for a breach thereof, the prevailing party in such action shall be entitled to recover from the non-prevailing party all attorney's fees and expenses incurred by the prevailing party in such action.

5. Representations and Warranties. Each party to this Agreement represents and warrants to each other party to this Agreement that (a) the execution, delivery and performance by each party to this Agreement constitutes the legal, valid and binding obligation of such party and (b) such party is not a party to any agreement or other restriction which restricts such party from entering into this Agreement.

6. Counterparts. This Agreement may be executed in any number of counterparts each of which shall be deemed an original but all of which together shall constitute one and the same instrument. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for all purposes.

7. Participation of the Parties. The parties hereto have participated jointly in the negotiation and drafting of this Agreement and both parties have either consulted with counsel of their choosing or have had the opportunity to consult with counsel of their choosing and have waived such opportunity. If an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly and no presumption or burden of proof shall arise favoring or disfavoring any party hereto because of the authorship of any provision of this Agreement.

8 . Entire Agreement; Waiver and Modification. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and thereof and supersedes all prior agreements, both written and oral, with respect to such subject matter. Any provision of this Agreement may be waived at any time in writing by the party which is entitled to the benefits thereof. No change, modification, extension, termination, notice of termination, discharge, abandonment or waiver of this Agreement or any of its provisions, nor any representation, promise or condition relating to this Agreement, will be binding upon any party unless made in writing and signed by such party.

9 . Successors. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

10. Governing Law; Consent to Jurisdiction; Waiver of Jury Trial. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to the choice of law principles thereof. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts of the State of New York located in New York County and the United States District Court for the Southern District of New York for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. Each party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. **EACH OF THE PARTIES HERETO WAIVES ANY RIGHT TO REQUEST A TRIAL BY JURY IN ANY LITIGATION WITH RESPECT TO THIS AGREEMENT AND REPRESENTS THAT COUNSEL HAS BEEN CONSULTED SPECIFICALLY AS TO THIS WAIVER.**

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have entered into and signed this Agreement as of the date and year first above written.

CLARUS CORPORATION

_____, Individually and on behalf of Seller

By: _____
Name: Philip A. Baratelli
Title: Chief Financial Officer

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement"), dated as of May 28, 2010, between Clarus Corporation, a Delaware corporation (the "Company"), and Warren B. Kanders (the "Employee").

WITNESSETH:

WHEREAS, the Company and the Employee have previously entered into an employment agreement dated December 6, 2002, as amended effective as of May 1, 2006 and August 6, 2009 (as so amended, the "Existing Employment Agreement");

WHEREAS, the Company desires to enter into this Agreement with the Employee and to be assured of his continued services on the terms and conditions hereinafter set forth; and

WHEREAS, the Employee is willing to accept such continued employment on such terms and conditions.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, the Company and the Employee hereby agree as follows:

1. Term.

The term of this Agreement shall commence on the date hereof (the "Commencement Date") and shall terminate on the third anniversary of the Commencement Date (the "Term"), subject to earlier termination as provided herein. The Existing Employment Agreement shall terminate on the date hereof.

2. Duties.

(a) During the Term of this Agreement, the Employee shall serve as the Executive Chairman of the Board of Directors of the Company and shall perform all duties commensurate with his position and as may be assigned to him by the Board of Directors of the Company (the "Board"), including providing strategic and operational guidance of the Company. The Employee shall devote such business time and energies to the business and affairs of the Company as shall be necessary to perform his duties hereunder and shall use his best efforts, skills and abilities to promote the interests of the Company, and to diligently and competently perform the duties of his position.

(b) The Employee shall report to the Board and shall at all times keep the Board promptly and fully informed (in writing if so requested) of his conduct and of the business or affairs of the Company.

3. Compensation, Bonus, Stock Options, Benefits, etc.

(a) **Salary**. During the Term of this Agreement, the Company shall pay to the Employee, and the Employee shall accept from the Company, as compensation for the performance of services under this Agreement and the Employee's observance and performance of all of the provisions hereof, an annual salary at the rate of $175,000 (the "Base Compensation"). The Base Compensation shall be payable in accordance with the normal payroll practices of the Company. The Employee's performance and the Base Compensation shall be subject to annual review by the Company.

(b) **Bonus**. In addition to the Base Compensation described above, the Employee shall, in the sole and absolute discretion of the Compensation Committee of the Board, be entitled to performance bonuses which may be based upon a variety of factors, including the Employee's performance and the achievement of Company goals, all as determined in the sole and absolute discretion of the Board or the Compensation Committee of the Board. In addition, the Employee may be entitled to participate in such other bonus plans, during the Term of this Agreement, as the Compensation Committee of the Board may, in its sole and absolute discretion, determine. Without limiting the foregoing, the Employee shall, in the sole and absolute discretion of the Compensation Committee of the Board, be entitled to bonuses in the form of cash, stock options and/or restricted stock awards based upon the Employee's provision of strategic advice to the Company in connection with capital markets transactions, financings, capital structure optimization and mergers and acquisitions transactions.

(c) **Stock Options**. During the Term, the Employee shall be entitled to receive stock options, at such exercise prices and other terms as the Compensation Committee of the Board may, in its sole and absolute discretion, determine.

(d) **Benefits**. During the Term of this Agreement, the Employee shall be entitled to participate in or benefit from, in accordance with the eligibility and other provisions thereof, the Company's medical insurance and other fringe benefit plans or policies as the Company may make available to, or have in effect for, its senior executive officers from time to time. In addition, during the Term the Company shall maintain term life insurance on the Employee in the amount of $2,000,000 for the benefit of the Employee's designees (the "Life Insurance"). The Company and its affiliates retain the right to terminate or alter any such plans or policies from time to time. The Employee shall also be entitled to four weeks paid vacation each year, sick leave and other similar benefits in accordance with policies of the Company from time to time in effect for its senior executive officers. In addition, during the Term, the Company shall pay for Bloomberg service, executive assistant service, and cellular telephone service for the Employee.

(e) **Reimbursement of Business Expenses.** During the Term of this Agreement, upon submission of proper invoices, receipts or other supporting documentation reasonably satisfactory to the Company and in accordance with and subject to the Company's expense reimbursement policies, the Employee shall be reimbursed by the Company for all reasonable business expenses actually and necessarily incurred by the Employee on behalf of the Company in connection with the performance of services under this Agreement.

(f) **Taxes.** The Base Compensation and any other compensation paid to Employee, including, without limitation, any bonus, shall be subject to withholding for applicable taxes and other amounts.

4. Representation and Covenant of Employee.

The Employee represents and warrants that he is not party to, or bound by, any agreement or commitment, or subject to any restriction, including but not limited to agreements related to previous employment containing confidentiality or noncompetition covenants, which limit the ability of the Employee to perform his duties under this Agreement.

5. Confidentiality, Noncompetition, Nonsolicitation and Non-Disparagement.

For purposes of this Section 5, all references to the Company shall be deemed to include the Company's affiliates and subsidiaries and their respective subsidiaries, whether now existing or hereafter established or acquired. In consideration for the compensation and benefits provided to the Employee pursuant to this Agreement, the Employee agrees with the provisions of this Section 5.

(a) **Confidential Information**. (i) The Employee acknowledges that as a result of his retention by the Company, the Employee has and will continue to have knowledge of, and access to, proprietary and confidential information of the Company including, without limitation, research and development plans and results, software, databases, technology, inventions, trade secrets, technical information, know-how, plans, specifications, methods of operations, product and service information, product and service availability, pricing information (including pricing strategies), financial, business and marketing information and plans, and the identity of customers, clients and suppliers (collectively, the "Confidential Information"), and that the Confidential Information, even though it may be contributed, developed or acquired by the Employee, constitutes valuable, special and unique assets of the Company developed at great expense which are the exclusive property of the Company. Accordingly, the Employee shall not, at any time, either during or subsequent to the Term of this Agreement, use, reveal, report, publish, transfer or otherwise disclose to any person, corporation, or other entity, any of the Confidential Information without the prior written consent of the Company, except to responsible officers and employees of the Company and other responsible persons who are in a contractual or fiduciary relationship with the Company and who have a need for such Confidential Information for purposes in the best interests of the Company, and except for such Confidential Information which is or becomes of general public knowledge from authorized sources other than by or through the Employee.

(ii) The Employee acknowledges that the Company would not enter into this Agreement without the assurance that all the Confidential Information will be used for the exclusive benefit of the Company.

(b) **Return of Confidential Information**. Upon the termination of this Agreement or upon the request of the Company, the Employee shall promptly return to the Company all Confidential Information in his possession or control, including but not limited to all drawings, manuals, computer printouts, computer databases, disks, data, files, lists, memoranda, letters, notes, notebooks, reports and other writings and copies thereof and all other materials relating to the Company's business, including, without limitation, any materials incorporating Confidential Information.

(c) **Inventions, etc**. During the Term and for a period of one year thereafter, the Employee will promptly disclose to the Company all designs, processes, inventions, improvements, developments, discoveries, processes, techniques, and other information related to the business of the Company conceived, developed, acquired, or reduced to practice by him alone or with others during the Term of this Agreement, whether or not conceived during regular working hours, through the use of Company time, material or facilities or otherwise ("Inventions").

The Employee agrees that all copyrights created in conjunction with his service to the Company and other Inventions, are "works made for hire" (as that term is defined under the Copyright Act of 1976, as amended). All such copyrights, trademarks, and other Inventions shall be the sole and exclusive property of the Company, and the Company shall be the sole owner of all patents, copyrights, trademarks, trade secrets, and other rights and protection in connection therewith. To the extent any such copyright and other Inventions may not be works for hire, the Employee hereby assigns to the Company any and all rights he now has or may hereafter acquire in such copyrights and any other Inventions. Upon request the Employee shall deliver to the Company all drawings, models and other data and records relating to such copyrights, trademarks and Inventions. The Employee further agrees as to all such Inventions, to assist the Company in every proper way (but at the Company's expense) to obtain, register, and from time to time enforce patents, copyrights, trademarks, trade secrets, and other rights and protection relating to said Inventions in any and all countries, and to that end the Employee shall execute all documents for use in applying for and obtaining such patents, copyrights, trademarks, trade secrets and other rights and protection on and enforcing such Inventions, as the Company may reasonably request, together with any assignments thereof to the Company or persons designated by it. Such obligation to assist the Company shall continue beyond the termination of the Employee's service to the Company, but the Company shall compensate the Employee at a reasonable rate after termination of service for time actually spent by the Employee at the Company's request for such assistance. In the event the Company is unable, after reasonable effort, to secure the Employee's signature on any document or documents needed to apply for or prosecute any patent, copyright, trademark, trade secret, or other right or protection relating to an Invention, whether because of the Employee's physical or mental incapacity or for any other reason whatsoever, the Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as his agent coupled with an interest and attorney-in-fact, to act for and in his behalf and stead to execute and file any such application or applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, trademarks, trade secrets, or similar rights or protection thereon with the same legal force and effect as if executed by the Employee.

(d) **Non-Competition**. The Employee agrees not to utilize his special knowledge of the Business and his relationships with customers, prospective customers, suppliers and others or otherwise to compete with the Company in the Business during the Restricted Period. During the Restricted Period, the Employee shall not, and shall not permit any of his respective employees, agents or others under his control, directly or indirectly, on behalf of the Employee or any other Person, to engage or have an interest, anywhere in the world in which the Company conducts business or markets or sells its products, alone or in association with others, as principal, officer, agent, employee, director, partner or stockholder (except as an owner of two percent or less of the stock of any company listed on a national securities exchange or traded in the over-the-counter market), whether through the investment of capital, lending of money or property, rendering of services or capital, or otherwise, in any Competitive Business, it being understood that nothing herein shall prevent Employee from engaging in the business of investing, reinvesting, or trading in any entity or its securities or other financial instruments. During the Restricted Period, the Employee shall not, and shall not permit any of his respective employees, agents or others under his control, directly or indirectly, on behalf of the Employee or any other Person, to accept Competitive Business from, or solicit the Competitive Business of any Person who is a customer of the Business conducted by the Company, or, to the Employee's knowledge, is a customer of the Business conducted by the Company at any time during the Restricted Period.

(e) **Non-Disparagement and Non-Interference**. The Employee shall not, either directly or indirectly, (i) during the Restricted Period, make or cause to be made, any statements that are disparaging or derogatory concerning the Company or its business, reputation or prospects; (ii) during the Restricted Period, request, suggest, influence or cause any party, directly or indirectly, to cease doing business with or to reduce its business with the Company or do or say anything which could reasonably be expected to damage the business relationships of the Company; or (iii) at any time during or after the Restricted Period, use or purport to authorize any Person to use any Intellectual Property owned by the Company or exclusively licensed to the Company or to otherwise infringe on the intellectual property rights of the Company.

(f) **Non-Solicitation**. During the Restricted Period, the Employee shall not recruit or otherwise solicit or induce any Person who is an employee or consultant of, or otherwise engaged by Company, to terminate his or her employment or other relationship with the Company, or such successor, or hire any person who has left the employ of the Company during the preceding one year.

(g) **Certain Definitions**. For purposes of this Agreement: (i) the term "Business" shall mean the business of manufacturing, assembling, licensing, distributing, marketing and selling mountain climbing, hiking and skiing equipment, and any other business that the Company or its subsidiaries may be engaged in during the Term of this Agreement; (ii) the term "Competitive Business" shall mean any business competitive with the Business and (iii) the term "Restricted Period" shall mean the Term of this Agreement and a period of three years after termination of this Agreement; provided, that, if Employee breaches the covenants set forth in this Section 5, the Restricted Period shall be extended for a period equal to the period that a court having jurisdiction has determined that such covenant has been breached.

6. Remedies. The restrictions set forth in Section 5 are considered by the parties to be fair and reasonable. The Employee acknowledges that the restrictions contained in Section 5 will not prevent him from earning a livelihood. The Employee further acknowledges that the Company would be irreparably harmed and that monetary damages would not provide an adequate remedy in the event of a breach of the provisions of Section 5. Accordingly, the Employee agrees that, in addition to any other remedies available to the Company, the Company shall be entitled to injunctive and other equitable relief to secure the enforcement of these provisions. In connection with seeking any such equitable remedy, including, but not limited to, an injunction or specific performance, the Company shall not be required to post a bond as a condition to obtaining such remedy. In any such litigation, the prevailing party shall be entitled to receive an award of reasonable attorneys' fees and costs. If any provisions of Sections 5 or 6 relating to the time period, scope of activities or geographic area of restrictions is declared by a court of competent jurisdiction to exceed the maximum permissible time period, scope of activities or geographic area, the maximum time period, scope of activities or geographic area, as the case may be, shall be reduced to the maximum which such court deems enforceable. If any provisions of Sections 5 or 6 other than those described in the preceding sentence are adjudicated to be invalid or unenforceable, the invalid or unenforceable provisions shall be deemed amended (with respect only to the jurisdiction in which such adjudication is made) in such manner as to render them enforceable and to effectuate as nearly as possible the original intentions and agreement of the parties. For purposes of this Section 6, all references to the Company shall be deemed to include the Company's affiliates and subsidiaries, whether now existing or hereafter established or acquired.

7. Termination. This Agreement shall terminate at the end of the Term set forth in Section 1. In addition, this Agreement may be terminated prior to the end of the Term set forth in Section 1 upon the occurrence of any of the events set forth in, and subject to the terms of, this Section 7.

(a) **Death or Permanent Disability.** If the Employee dies or becomes permanently disabled, this Agreement shall terminate effective upon the Employee's death or when his disability is deemed to have become permanent. If the Employee is unable to perform his normal duties for the Company because of illness or incapacity (whether physical or mental) for 45 consecutive days during the Term of this Agreement, or for 60 days (whether or not consecutive) out of any calendar year during the Term of this Agreement, his disability shall be deemed to have become permanent. If this Agreement is terminated on account of the death or permanent disability of the Employee, then the Employee or his estate shall be entitled to receive accrued Base Compensation through the date of such termination, all unvested stock options held by the Employee shall immediately vest and become exercisable and the Employee or the Employee's estate, as applicable, shall have no further entitlement to Base Compensation, bonus, or benefits, other than the proceeds of the Life Insurance in the event of the Employee's death, from the Company following the effective date of such termination; except as provided in Section 3(b) of this Agreement; provided, however, that any bonus pursuant to Section 3(b) of this Agreement shall be paid only for the year in which such termination occurred pro rated for the portion of such year prior to such termination and shall be paid at such time as the Board determines the bonuses for all senior executive officers of the Company for such year.

(b) **Cause**. This Agreement may be terminated at the Company's option, immediately upon notice to the Employee, upon the occurrence of any of the following ("Cause"): (i) breach by the Employee of any material provision of this Agreement and the expiration of a 10-business day cure period for such breach after written notice thereof has been given to the Employee (which cure period shall not be applicable to clauses (ii) through (v) of this Section 7(b)); (ii) gross negligence or willful misconduct of the Employee in connection with the performance of his duties under this Agreement; (iii) Employee's failure to perform any reasonable directive of the Board; (iv) fraud, criminal conduct, dishonesty or embezzlement by the Employee; or (v) Employee's misappropriation for personal use of any assets (having in excess of nominal value) or business opportunities of the Company. If this Agreement is terminated by the Company for Cause, then the Employee shall be entitled to receive accrued Base Compensation through the date of such termination, all stock options, whether vested or unvested, will be forfeited by the Employee and will terminate and be null and void and the Employee shall have no further entitlement to Base Compensation, bonus, or benefits from the Company following the effective date of such termination.

(c) **Without Cause**. This Agreement may be terminated, at any time by the Company without Cause immediately upon giving written notice to the Employee of such termination. Upon the termination of this Agreement by the Company without Cause, the Employee shall be entitled to receive one year of Base Compensation in one lump sum within five days of the effective date of such termination, subject to withholding for applicable taxes and other amounts, all unvested stock options held by the Employee shall immediately vest and become exercisable and the Employee shall have no further entitlement to Base Compensation, bonus, or benefits from the Company following the effective date of such termination.

(d) **By Employee**.

(i) Subject to the provisions of clause (ii) of this Section 7(d), the Employee may terminate this Agreement at anytime upon providing the Company with six weeks prior written notice. If this Agreement is terminated by the Employee pursuant to this Section 7(d)(i), then the Employee shall be entitled to receive his accrued Base Compensation and benefits through the effective date of such termination, any unvested stock options will terminate and be null and void and the Employee shall have no further entitlement to Base Compensation, bonus, or benefits from the Company following the effective date of such termination.

(ii) The Employee may terminate this Agreement upon the occurrence of any of the following: (A) a breach by the Company of any material provision of this Agreement and the expiration of a 10-business day cure period for such breach after written notice thereof has been given to the Company by the Employee; (B) any material diminution in the authority or responsibilities delegated to the Employee as the chief executive officer of the Company; or (C) any reduction in the Employee's Base Compensation. Upon the termination of this Agreement by the Employee pursuant to this Section 7(d)(ii), the Employee shall be entitled to receive one year of Base Compensation in one lump sum within five days of the effective date of such termination, subject to withholding for applicable taxes and other amounts, all unvested stock options held by the Employee shall immediately vest and become exercisable and the Employee shall have no further entitlement to Base Compensation, bonus, or benefits from the Company following the effective date of such termination.

(e) **Change in Control.** Upon the occurrence of a Change in Control (as hereinafter defined), the Employee shall have the right to terminate this Agreement. Upon the termination of this Agreement by the Employee due to the occurrence of a Change in Control, the Employee shall be entitled to receive one year of Base Compensation in one lump sum within five days of the effective date of such termination, subject to withholding for applicable taxes and other amounts, all unvested stock options held by the Employee shall immediately vest and become exercisable. For purposes of this Agreement, a "Change in Control" of the Company shall be deemed to have occurred in the event that: (i) individuals who, as of the date hereof, constitute the Board cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Board shall be considered as though such individual was a member of the Board as of the date hereof; (ii) the Company shall have been sold by either (A) a sale of all or substantially all its assets, or (B) a merger or consolidation, other than any merger or consolidation pursuant to which the Company acquires another entity, or (C) a tender offer, whether solicited or unsolicited; or (iii) any party, other than the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of voting securities of the Company representing 50% or more of the total voting power of all the then-outstanding voting securities of the Company.

(f) **Return of Payments and Cancellation of Benefits.** In the event that the Employee fails to comply with any of his obligations under this Agreement, including, without limitation, the covenants contained in Section 5 hereof, the Employee shall repay to the Company the one year Base Compensation lump sum payment received by the Employee from the Company pursuant to Section 7(c), 7(d)(ii) or Section 7(e) hereof as of the date of such failure to comply, and the Employee will have no further rights in or to such amounts.

8. **Miscellaneous.**

(a) **Survival.** The provisions of Sections 4, 5, 6, 7 and 8 shall survive the termination of this Agreement.

(b) **Entire Agreement.** This Agreement sets forth the entire understanding of the parties and, except as specifically set forth herein, merges and supersedes any prior or contemporaneous agreements between the parties pertaining to the subject matter hereof.

(c) **Modification.** This Agreement may not be modified or terminated orally, and no modification, termination or attempted waiver of any of the provisions hereof shall be binding unless in writing and signed by the party against whom the same is sought to be enforced.

(d) **Waiver.** Failure of a party to enforce one or more of the provisions of this Agreement or to require at any time performance of any of the obligations hereof shall not be construed to be a waiver of such provisions by such party nor to in any way affect the validity of this Agreement or such party's right thereafter to enforce any provision of this Agreement, nor to preclude such party from taking any other action at any time which it would legally be entitled to take.

(e) **Successors and Assigns.** Neither party shall have the right to assign this Agreement, or any rights or obligations hereunder, without the consent of the other party; provided, however, that upon the sale of all or substantially all of the assets, business and goodwill of the Company to another company, or upon the merger or consolidation of the Company with another company, this Agreement shall inure to the benefit of, and be binding upon, both Employee and the company purchasing such assets, business and goodwill, or surviving such merger or consolidation, as the case may be, in the same manner and to the same extent as though such other company were the Company; and provided, further, that the Company shall have the right to assign this Agreement to any affiliate or subsidiary of the Company. Subject to the foregoing, this Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their legal representatives, heirs, successors and assigns.

(f) **Communications.** All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been given at the time personally delivered or when mailed in any United States post office enclosed in a registered or certified postage prepaid envelope and addressed to the addresses set forth below, or to such other address as any party may specify by notice to the other party; provided, however, that any notice of change of address shall be effective only upon receipt.

If to the Company:

Clarus Corporation
One Landmark Square
Stamford, Connecticut 06901
Facsimile: (203) 428-2024
Attention: Warren B. Kanders

With a copy to:

Kane Kessler, P.C.
1350 Avenue of the Americas
New York, New York 10019
Facsimile: (212) 245-3009
Attention: Robert L. Lawrence, Esq.

If to the Employee:

Warren B. Kanders
One Landmark Square
22nd Floor
Stamford, Connecticut 06901

(g) **Severability.** If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, such invalidity or unenforceability shall not affect the validity and enforceability of the other provisions of this Agreement and the provisions held to be invalid or unenforceable shall be enforced as nearly as possible according to its original terms and intent to eliminate such invalidity or unenforceability.

(h) **Jurisdiction; Venue.** This Agreement shall be subject to the non-exclusive jurisdiction of the federal courts or state courts of the State of Delaware, County of New Castle, for the purpose of resolving any disputes among them relating to this Agreement or the transactions contemplated by this Agreement and waive any objections on the grounds of forum non conveniens or otherwise. The parties hereto agree to service of process by certified or registered United States mail, postage prepaid, addressed to the party in question. The prevailing party in any proceeding instituted in connection with this Agreement shall be entitled to an award of its/his reasonable attorneys' fees and costs.

(i) **Governing Law.** This Agreement is made and executed and shall be governed by the laws of the State of Delaware, without regard to the conflicts of law principles thereof.

(j) **Counterparts.** This Agreement may be executed in any number of counterparts (and by facsimile or other electronic signature), but all counterparts will together constitute but one agreement.

(k) **Third Party Beneficiaries.** This Agreement is for the sole and exclusive benefit of the parties hereto and, except as provided herein, shall not be deemed for the benefit of any other person or entity.

(l) **Headings and References.** The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. References in this Agreement to any section refer to such section of this Agreement unless the context otherwise requires.

(m) **IRC Section 409A.** The parties to this Agreement intend that the Agreement complies with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), where applicable, and this Agreement shall be interpreted in a manner consistent with that intention. Notwithstanding any provision of this Agreement, no payment or other distribution required to be made to the Employee hereunder (including any payment of cash, any transfer of property and any provision of taxable benefits) as a result of his termination with the Company shall be made prior to the earliest date that Employee may receive such payments without a penalty, remedial measure or similar effect being imposed against the Company or the Employee pursuant to Section 409A of the Code.

(n) **Participation of the Parties.** The parties hereto acknowledge and agree that (i) this Agreement and all matters contemplated herein have been negotiated among all parties hereto and their respective legal counsel, if any, (ii) each party has had, or has been afforded the opportunity to have, this Agreement and the transactions contemplated hereby reviewed by independent counsel of its own choosing, (iii) all such parties have participated in the drafting and preparation of this Agreement from the commencement of negotiations at all times through the execution hereof, and (iv) any ambiguities contained in this Agreement shall not be construed against any party hereto.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the parties hereto has duly executed this Employment Agreement as of the date set forth above.

Clarus Corporation

By: /s/ Philip A. Baratelli
Name: Philip A. Baratelli
Title: Chief Financial Officer

Employee

/s/ Warren B. Kanders
Warren B. Kanders

Exhibit 10.14

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement"), dated as of May 28, 2010, between Clarus Corporation, a Delaware corporation (the "Company"), and Robert R. Schiller (the "Employee").

WITNESSETH :

WHEREAS, the Company desires to employ the Employee and to be assured of his services on the terms and conditions hereinafter set forth; and

WHEREAS, the Employee is willing to accept such employment on such terms and conditions.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, the Company and the Employee hereby agree as follows:

1. Term.

The term of this Agreement shall commence on the date hereof (the "Commencement Date") and shall terminate on the third anniversary of the Commencement Date (the "Term"), subject to earlier termination as provided herein.

2. Duties.

(a) During the Term of this Agreement, the Employee shall serve as the Executive Vice Chairman of the Board of Directors of the Company and shall perform all duties commensurate with his position and as may be assigned to him by the Board of Directors of the Company (the "Board"), including providing strategic and operational guidance of the Company. The Employee shall devote such business time and energies to the business and affairs of the Company as shall be necessary to perform his duties hereunder and shall use his best efforts, skills and abilities to promote the interests of the Company, and to diligently and competently perform the duties of his position.

(b) The Employee shall report to the Board and shall at all times keep the Board promptly and fully informed (in writing if so requested) of his conduct and of the business or affairs of the Company.

3. Compensation, Bonus, Stock Options, Benefits, etc.

(a) **Salary**. During the Term of this Agreement, the Company shall pay to the Employee, and the Employee shall accept from the Company, as compensation for the performance of services under this Agreement and the Employee's observance and performance of all of the provisions hereof, an annual salary at the rate of $175,000 (the "Base Compensation"). The Base Compensation shall be payable in accordance with the normal payroll practices of the Company. The Employee's performance and the Base Compensation shall be subject to annual review by the Company.

(b) **Bonus**. In addition to the Base Compensation described above, the Employee shall, in the sole and absolute discretion of the Compensation Committee of the Board, be entitled to performance bonuses which may be based upon a variety of factors, including the Employee's performance and the achievement of Company goals, all as determined in the sole and absolute discretion of the Board or the Compensation Committee of the Board. In addition, the Employee may be entitled to participate in such other bonus plans, during the Term of this Agreement, as the Compensation Committee of the Board may, in its sole and absolute discretion, determine. Without limiting the foregoing, the Employee shall, in the sole and absolute discretion of the Compensation Committee of the Board, be entitled to bonuses in the form of cash, stock options and/or restricted stock awards based upon the Employee's provision of strategic advice to the Company in connection with capital markets transactions, financings, capital structure optimization and mergers and acquisitions transactions.

(c) **Stock Options**. During the Term, the Employee shall be entitled to receive stock options, at such exercise prices and other terms as the Compensation Committee of the Board may, in its sole and absolute discretion, determine.

(d) **Benefits**. During the Term of this Agreement, the Employee shall be entitled to participate in or benefit from, in accordance with the eligibility and other provisions thereof, the Company's medical insurance and other fringe benefit plans or policies as the Company may make available to, or have in effect for, its senior executive officers from time to time. The Company and its affiliates retain the right to terminate or alter any such plans or policies from time to time. The Employee shall also be entitled to four weeks paid vacation each year, sick leave and other similar benefits in accordance with policies of the Company from time to time in effect for its senior executive officers. In addition, during the Term, the Company shall pay for Bloomberg service, executive assistant service, and cellular telephone service for the Employee.

(e) **Reimbursement of Business Expenses.** During the Term of this Agreement, upon submission of proper invoices, receipts or other supporting documentation reasonably satisfactory to the Company and in accordance with and subject to the Company's expense reimbursement policies, the Employee shall be reimbursed by the Company for all reasonable business expenses actually and necessarily incurred by the Employee on behalf of the Company in connection with the performance of services under this Agreement.

(f) **Taxes.** The Base Compensation and any other compensation paid to Employee, including, without limitation, any bonus, shall be subject to withholding for applicable taxes and other amounts.

4. Representation and Covenant of Employee.

The Employee represents and warrants that he is not party to, or bound by, any agreement or commitment, or subject to any restriction, including but not limited to agreements related to previous employment containing confidentiality or noncompetition covenants, which limit the ability of the Employee to perform his duties under this Agreement.

5. Confidentiality, Noncompetition, Nonsolicitation and Non-Disparagement.

For purposes of this Section 5, all references to the Company shall be deemed to include the Company's affiliates and subsidiaries and their respective subsidiaries, whether now existing or hereafter established or acquired. In consideration for the compensation and benefits provided to the Employee pursuant to this Agreement, the Employee agrees with the provisions of this Section 5.

(a) **Confidential Information**. (i) The Employee acknowledges that as a result of his retention by the Company, the Employee has and will continue to have knowledge of, and access to, proprietary and confidential information of the Company including, without limitation, research and development plans and results, software, databases, technology, inventions, trade secrets, technical information, know-how, plans, specifications, methods of operations, product and service information, product and service availability, pricing information (including pricing strategies), financial, business and marketing information and plans, and the identity of customers, clients and suppliers (collectively, the "Confidential Information"), and that the Confidential Information, even though it may be contributed, developed or acquired by the Employee, constitutes valuable, special and unique assets of the Company developed at great expense which are the exclusive property of the Company. Accordingly, the Employee shall not, at any time, either during or subsequent to the Term of this Agreement, use, reveal, report, publish, transfer or otherwise disclose to any person, corporation, or other entity, any of the Confidential Information without the prior written consent of the Company, except to responsible officers and employees of the Company and other responsible persons who are in a contractual or fiduciary relationship with the Company and who have a need for such Confidential Information for purposes in the best interests of the Company, and except for such Confidential Information which is or becomes of general public knowledge from authorized sources other than by or through the Employee.

(ii) The Employee acknowledges that the Company would not enter into this Agreement without the assurance that all the Confidential Information will be used for the exclusive benefit of the Company.

(b) **Return of Confidential Information**. Upon the termination of this Agreement or upon the request of the Company, the Employee shall promptly return to the Company all Confidential Information in his possession or control, including but not limited to all drawings, manuals, computer printouts, computer databases, disks, data, files, lists, memoranda, letters, notes, notebooks, reports and other writings and copies thereof and all other materials relating to the Company's business, including, without limitation, any materials incorporating Confidential Information.

(c) **Inventions, etc**. During the Term and for a period of one year thereafter, the Employee will promptly disclose to the Company all designs, processes, inventions, improvements, developments, discoveries, processes, techniques, and other information related to the business of the Company conceived, developed, acquired, or reduced to practice by him alone or with others during the Term of this Agreement, whether or not conceived during regular working hours, through the use of Company time, material or facilities or otherwise ("Inventions").

The Employee agrees that all copyrights created in conjunction with his service to the Company and other Inventions, are "works made for hire" (as that term is defined under the Copyright Act of 1976, as amended). All such copyrights, trademarks, and other Inventions shall be the sole and exclusive property of the Company, and the Company shall be the sole owner of all patents, copyrights, trademarks, trade secrets, and other rights and protection in connection therewith. To the extent any such copyright and other Inventions may not be works for hire, the Employee hereby assigns to the Company any and all rights he now has or may hereafter acquire in such copyrights and any other Inventions. Upon request the Employee shall deliver to the Company all drawings, models and other data and records relating to such copyrights, trademarks and Inventions. The Employee further agrees as to all such Inventions, to assist the Company in every proper way (but at the Company's expense) to obtain, register, and from time to time enforce patents, copyrights, trademarks, trade secrets, and other rights and protection relating to said Inventions in any and all countries, and to that end the Employee shall execute all documents for use in applying for and obtaining such patents, copyrights, trademarks, trade secrets and other rights and protection on and enforcing such Inventions, as the Company may reasonably request, together with any assignments thereof to the Company or persons designated by it. Such obligation to assist the Company shall continue beyond the termination of the Employee's service to the Company, but the Company shall compensate the Employee at a reasonable rate after termination of service for time actually spent by the Employee at the Company's request for such assistance. In the event the Company is unable, after reasonable effort, to secure the Employee's signature on any document or documents needed to apply for or prosecute any patent, copyright, trademark, trade secret, or other right or protection relating to an Invention, whether because of the Employee's physical or mental incapacity or for any other reason whatsoever, the Employee hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as his agent coupled with an interest and attorney-in-fact, to act for and in his behalf and stead to execute and file any such application or applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, trademarks, trade secrets, or similar rights or protection thereon with the same legal force and effect as if executed by the Employee.

(d) **Non-Competition**. The Employee agrees not to utilize his special knowledge of the Business and his relationships with customers, prospective customers, suppliers and others or otherwise to compete with the Company in the Business during the Restricted Period. During the Restricted Period, the Employee shall not, and shall not permit any of his respective employees, agents or others under his control, directly or indirectly, on behalf of the Employee or any other Person, to engage or have an interest, anywhere in the world in which the Company conducts business or markets or sells its products, alone or in association with others, as principal, officer, agent, employee, director, partner or stockholder (except as an owner of two percent or less of the stock of any company listed on a national securities exchange or traded in the over-the-counter market), whether through the investment of capital, lending of money or property, rendering of services or capital, or otherwise, in any Competitive Business. During the Restricted Period, the Employee shall not, and shall not permit any of his respective employees, agents or others under his control, directly or indirectly, on behalf of the Employee or any other Person, to accept Competitive Business from, or solicit the Competitive Business of any Person who is a customer of the Business conducted by the Company, or, to the Employee's knowledge, is a customer of the Business conducted by the Company at any time during the Restricted Period.

(e) **Non-Disparagement and Non-Interference**. The Employee shall not, either directly or indirectly, (i) during the Restricted Period, make or cause to be made, any statements that are disparaging or derogatory concerning the Company or its business, reputation or prospects; (ii) during the Restricted Period, request, suggest, influence or cause any party, directly or indirectly, to cease doing business with or to reduce its business with the Company or do or say anything which could reasonably be expected to damage the business relationships of the Company; or (iii) at any time during or after the Restricted Period, use or purport to authorize any Person to use any Intellectual Property owned by the Company or exclusively licensed to the Company or to otherwise infringe on the intellectual property rights of the Company.

(f) **Non-Solicitation**. During the Restricted Period, the Employee shall not recruit or otherwise solicit or induce any Person who is an employee or consultant of, or otherwise engaged by Company, to terminate his or her employment or other relationship with the Company, or such successor, or hire any person who has left the employ of the Company during the preceding one year.

(g) **Certain Definitions**. For purposes of this Agreement: (i) the term "Business" shall mean the business of manufacturing, assembling, licensing, distributing, marketing and selling mountain climbing, hiking and skiing equipment, and any other business that the Company or its subsidiaries may be engaged in during the Term of this Agreement; (ii) the term "Competitive Business" shall mean any business competitive with the Business and (iii) the term "Restricted Period" shall mean the Term of this Agreement and a period of three years after termination of this Agreement; provided, that, if Employee breaches the covenants set forth in this Section 5, the Restricted Period shall be extended for a period equal to the period that a court having jurisdiction has determined that such covenant has been breached.

6. **Remedies.** The restrictions set forth in Section 5 are considered by the parties to be fair and reasonable. The Employee acknowledges that the restrictions contained in Section 5 will not prevent him from earning a livelihood. The Employee further acknowledges that the Company would be irreparably harmed and that monetary damages would not provide an adequate remedy in the event of a breach of the provisions of Section 5. Accordingly, the Employee agrees that, in addition to any other remedies available to the Company, the Company shall be entitled to injunctive and other equitable relief to secure the enforcement of these provisions. In connection with seeking any such equitable remedy, including, but not limited to, an injunction or specific performance, the Company shall not be required to post a bond as a condition to obtaining such remedy. In any such litigation, the prevailing party shall be entitled to receive an award of reasonable attorneys' fees and costs. If any provisions of Sections 5 or 6 relating to the time period, scope of activities or geographic area of restrictions is declared by a court of competent jurisdiction to exceed the maximum permissible time period, scope of activities or geographic area, the maximum time period, scope of activities or geographic area, as the case may be, shall be reduced to the maximum which such court deems enforceable. If any provisions of Sections 5 or 6 other than those described in the preceding sentence are adjudicated to be invalid or unenforceable, the invalid or unenforceable provisions shall be deemed amended (with respect only to the jurisdiction in which such adjudication is made) in such manner as to render them enforceable and to effectuate as nearly as possible the original intentions and agreement of the parties. For purposes of this Section 6, all references to the Company shall be deemed to include the Company's affiliates and subsidiaries, whether now existing or hereafter established or acquired.

7. **Termination.** This Agreement shall terminate at the end of the Term set forth in Section 1. In addition, this Agreement may be terminated prior to the end of the Term set forth in Section 1 upon the occurrence of any of the events set forth in, and subject to the terms of, this Section 7.

(a) **Death or Permanent Disability.** If the Employee dies or becomes permanently disabled, this Agreement shall terminate effective upon the Employee's death or when his disability is deemed to have become permanent. If the Employee is unable to perform his normal duties for the Company because of illness or incapacity (whether physical or mental) for 45 consecutive days during the Term of this Agreement, or for 60 days (whether or not consecutive) out of any calendar year during the Term of this Agreement, his disability shall be deemed to have become permanent. If this Agreement is terminated on account of the death or permanent disability of the Employee, then the Employee or his estate shall be entitled to receive accrued Base Compensation through the date of such termination, all unvested stock options held by the Employee shall immediately vest and become exercisable and the Employee or the Employee's estate, as applicable, shall have no further entitlement to Base Compensation, bonus, or benefits from the Company following the effective date of such termination; except as provided in Section 3(b) of this Agreement; provided, however, that any bonus pursuant to Section 3(b) of this Agreement shall be paid only for the year in which such termination occurred pro rated for the portion of such year prior to such termination and shall be paid at such time as the Board determines the bonuses for all senior executive officers of the Company for such year.

(b) **Cause**. This Agreement may be terminated at the Company's option, immediately upon notice to the Employee, upon the occurrence of any of the following ("Cause"): (i) breach by the Employee of any material provision of this Agreement and the expiration of a 10-business day cure period for such breach after written notice thereof has been given to the Employee (which cure period shall not be applicable to clauses (ii) through (v) of this Section 7(b)); (ii) gross negligence or willful misconduct of the Employee in connection with the performance of his duties under this Agreement; (iii) Employee's failure to perform any reasonable directive of the Board; (iv) fraud, criminal conduct, dishonesty or embezzlement by the Employee; or (v) Employee's misappropriation for personal use of any assets (having in excess of nominal value) or business opportunities of the Company. If this Agreement is terminated by the Company for Cause, then the Employee shall be entitled to receive accrued Base Compensation through the date of such termination, all stock options, whether vested or unvested, will be forfeited by the Employee and will terminate and be null and void and the Employee shall have no further entitlement to Base Compensation, bonus, or benefits from the Company following the effective date of such termination.

(c) **Without Cause**. This Agreement may be terminated, at any time by the Company without Cause immediately upon giving written notice to the Employee of such termination. Upon the termination of this Agreement by the Company without Cause, the Employee shall be entitled to receive one year of Base Compensation in one lump sum within five days of the effective date of such termination, subject to withholding for applicable taxes and other amounts, all unvested stock options held by the Employee shall immediately vest and become exercisable and the Employee shall have no further entitlement to Base Compensation, bonus, or benefits from the Company following the effective date of such termination.

(d) **By Employee**.

(i) Subject to the provisions of clause (ii) of this Section 7(d), the Employee may terminate this Agreement at anytime upon providing the Company with six weeks prior written notice. If this Agreement is terminated by the Employee pursuant to this Section 7(d)(i), then the Employee shall be entitled to receive his accrued Base Compensation and benefits through the effective date of such termination, any unvested stock options will terminate and be null and void and the Employee shall have no further entitlement to Base Compensation, bonus, or benefits from the Company following the effective date of such termination.

(ii) The Employee may terminate this Agreement upon the occurrence of any of the following: (A) a breach by the Company of any material provision of this Agreement and the expiration of a 10-business day cure period for such breach after written notice thereof has been given to the Company by the Employee; (B) any material diminution in the authority or responsibilities delegated to the Employee as the chief executive officer of the Company; or (C) any reduction in the Employee's Base Compensation. Upon the termination of this Agreement by the Employee pursuant to this Section 7(d)(ii), the Employee shall be entitled to receive one year of Base Compensation in one lump sum within five days of the effective date of such termination, subject to withholding for applicable taxes and other amounts, all unvested stock options held by the Employee shall immediately vest and become exercisable and the Employee shall have no further entitlement to Base Compensation, bonus, or benefits from the Company following the effective date of such termination.

(e) **Change in Control.** Upon the occurrence of a Change in Control (as hereinafter defined), the Employee shall have the right to terminate this Agreement. Upon the termination of this Agreement by the Employee due to the occurrence of a Change in Control, the Employee shall be entitled to receive one year of Base Compensation in one lump sum within five days of the effective date of such termination, subject to withholding for applicable taxes and other amounts, all unvested stock options held by the Employee shall immediately vest and become exercisable. For purposes of this Agreement, a "Change in Control" of the Company shall be deemed to have occurred in the event that: (i) individuals who, as of the date hereof, constitute the Board cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Board shall be considered as though such individual was a member of the Board as of the date hereof; (ii) the Company shall have been sold by either (A) a sale of all or substantially all its assets, or (B) a merger or consolidation, other than any merger or consolidation pursuant to which the Company acquires another entity, or (C) a tender offer, whether solicited or unsolicited; or (iii) any party, other than the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended), directly or indirectly, of voting securities of the Company representing 50% or more of the total voting power of all the then-outstanding voting securities of the Company.

(f) **Return of Payments and Cancellation of Benefits.** In the event that the Employee fails to comply with any of his obligations under this Agreement, including, without limitation, the covenants contained in Section 5 hereof, the Employee shall repay to the Company the one year Base Compensation lump sum payment received by the Employee from the Company pursuant to Section 7(c), 7(d)(ii) or Section 7(e) hereof as of the date of such failure to comply, and the Employee will have no further rights in or to such amounts.

8. **Miscellaneous.**

(a) **Survival.** The provisions of Sections 4, 5, 6, 7 and 8 shall survive the termination of this Agreement.

(b) **Entire Agreement.** This Agreement sets forth the entire understanding of the parties and, except as specifically set forth herein, merges and supersedes any prior or contemporaneous agreements between the parties pertaining to the subject matter hereof.

(c) **Modification.** This Agreement may not be modified or terminated orally, and no modification, termination or attempted waiver of any of the provisions hereof shall be binding unless in writing and signed by the party against whom the same is sought to be enforced.

(d) **Waiver.** Failure of a party to enforce one or more of the provisions of this Agreement or to require at any time performance of any of the obligations hereof shall not be construed to be a waiver of such provisions by such party nor to in any way affect the validity of this Agreement or such party's right thereafter to enforce any provision of this Agreement, nor to preclude such party from taking any other action at any time which it would legally be entitled to take.

(e) **Successors and Assigns.** Neither party shall have the right to assign this Agreement, or any rights or obligations hereunder, without the consent of the other party; provided, however, that upon the sale of all or substantially all of the assets, business and goodwill of the Company to another company, or upon the merger or consolidation of the Company with another company, this Agreement shall inure to the benefit of, and be binding upon, both Employee and the company purchasing such assets, business and goodwill, or surviving such merger or consolidation, as the case may be, in the same manner and to the same extent as though such other company were the Company; and provided, further, that the Company shall have the right to assign this Agreement to any affiliate or subsidiary of the Company. Subject to the foregoing, this Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their legal representatives, heirs, successors and assigns.

(f) **Communications.** All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been given at the time personally delivered or when mailed in any United States post office enclosed in a registered or certified postage prepaid envelope and addressed to the addresses set forth below, or to such other address as any party may specify by notice to the other party; provided, however, that any notice of change of address shall be effective only upon receipt.

If to the Company:

Clarus Corporation
One Landmark Square
Stamford, Connecticut 06901
Facsimile: (203) 428-2024
Attention: Warren B. Kanders

With a copy to:

Kane Kessler, P.C.
1350 Avenue of the Americas
New York, New York 10019
Facsimile: (212) 245-3009
Attention: Robert L. Lawrence, Esq.

If to the Employee:

Robert R. Schiller
3940 Alhambra Drive W.
Jacksonville, Florida 32207

(g) **Severability.** If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, such invalidity or unenforceability shall not affect the validity and enforceability of the other provisions of this Agreement and the provisions held to be invalid or unenforceable shall be enforced as nearly as possible according to its original terms and intent to eliminate such invalidity or unenforceability.

(h) **Jurisdiction; Venue.** This Agreement shall be subject to the non-exclusive jurisdiction of the federal courts or state courts of the State of Delaware, County of New Castle, for the purpose of resolving any disputes among them relating to this Agreement or the transactions contemplated by this Agreement and waive any objections on the grounds of forum non conveniens or otherwise. The parties hereto agree to service of process by certified or registered United States mail, postage prepaid, addressed to the party in question. The prevailing party in any proceeding instituted in connection with this Agreement shall be entitled to an award of its/his reasonable attorneys' fees and costs.

(i) **Governing Law.** This Agreement is made and executed and shall be governed by the laws of the State of Delaware, without regard to the conflicts of law principles thereof.

(j) **Counterparts.** This Agreement may be executed in any number of counterparts (and by facsimile or other electronic signature), but all counterparts will together constitute but one agreement.

(k) **Third Party Beneficiaries.** This Agreement is for the sole and exclusive benefit of the parties hereto and, except as provided herein, shall not be deemed for the benefit of any other person or entity.

(l) **Headings and References.** The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. References in this Agreement to any section refer to such section of this Agreement unless the context otherwise requires.

(m) **IRC Section 409A.** The parties to this Agreement intend that the Agreement complies with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), where applicable, and this Agreement shall be interpreted in a manner consistent with that intention. Notwithstanding any provision of this Agreement, no payment or other distribution required to be made to the Employee hereunder (including any payment of cash, any transfer of property and any provision of taxable benefits) as a result of his termination with the Company shall be made prior to the earliest date that Employee may receive such payments without a penalty, remedial measure or similar effect being imposed against the Company or the Employee pursuant to Section 409A of the Code.

(n) **Participation of the Parties.** The parties hereto acknowledge and agree that (i) this Agreement and all matters contemplated herein have been negotiated among all parties hereto and their respective legal counsel, if any, (ii) each party has had, or has been afforded the opportunity to have, this Agreement and the transactions contemplated hereby reviewed by independent counsel of its own choosing, (iii) all such parties have participated in the drafting and preparation of this Agreement from the commencement of negotiations at all times through the execution hereof, and (iv) any ambiguities contained in this Agreement shall not be construed against any party hereto.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, each of the parties hereto has duly executed this Employment Agreement as of the date set forth above.

Clarus Corporation	**Employee**
By: /s/ Philip A. Baratelli	/s/ Robert R. Schiller
Name: Philip A. Baratelli	Robert R. Schiller
Title: Chief Financial Officer	

Exhibit 10.16

AMENDMENT NO. 1 TO
EMPLOYMENT AGREEMENT

THIS AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT (this "Amendment") is entered into as of the 28th day of May 2010, by and between Clarus Corporation, a Delaware corporation (the "Company"), and Peter Metcalf (the "Employee").

WHEREAS, the Company and the Employee are parties to an Employment Agreement dated as of May 7, 2010 (the "Employment Agreement"). Capitalized terms not otherwise defined in this Amendment shall have their respective meanings as set forth in the Employment Agreement; and

WHEREAS, the Company and the Employee now desire to amend certain terms of the Employment Agreement with regard to the exercise price of the Stock Options.

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Section 3(c) of the Employment Agreement is hereby amended and restated in its entirety to read as follows:

(c) **Stock Options.** Effective upon the Commencement Date, the Company shall issue and grant to Employee options (the "Stock Options") to purchase 75,000 shares of the Company's common stock, par value $0.0001 per share (the "Common Stock"), having an exercise price equal to the closing price of the Company's shares of Common Stock on the Commencement Date, which shall vest in three installments as follows: 30,000 shares shall vest on December 31, 2012 and 22,500 shares shall vest on each of December 31, 2013 and December 31, 2014; provided, that, any unvested Stock Options shall accelerate and vest in the event that this Agreement has not been renewed upon its scheduled expiration date; and, provided further, that all Stock Options shall expire on the tenth anniversary of the Commencement Date. The terms and provisions of the Stock Options shall be set forth in a stock option agreement in a form satisfactory to the Company. In addition, the Employee may be entitled, during the Term of this Agreement, to receive such additional options, at such exercise prices and other terms as the Compensation Committee of the Board may, in its sole and absolute discretion, determine.

2. Except as expressly amended by this Amendment, the Employment Agreement is hereby ratified, approved and confirmed, and remains in full force and effect.

3. This Amendment is made and executed and shall be governed by the laws of the State of Delaware, without regard to the conflicts of law principles thereof.

4. This Amendment may be executed in any number of counterparts (and by facsimile or other electronic signature), but all counterparts will together constitute but one agreement.

IN WITNESS WHEREOF, each of the parties hereto have duly executed this Amendment No. 1 to the Employment Agreement as of the date set forth above.

Clarus Corporation	**Employee**
By: /s/ Warren B. Kanders	/s/ Peter Metcalf
Name: Warren B. Kanders	Peter Metcalf
Title: Chairman	

CLARUS CORPORATION
2005 STOCK INCENTIVE PLAN
RESTRICTED STOCK AWARD AGREEMENT

RESTRICTED STOCK AWARD AGREEMENT (the "Agreement") made as of this 28th day of May 2010, by and between Clarus Corporation, a Delaware corporation, having its principal office at 2084 East 3900 South, Salt Lake City, UT 84124 (the "Company"), and Warren B. Kanders**,** an individual residing in Greenwich, CT (the "Employee"). Capitalized terms not defined herein shall have the meanings ascribed to them in the Company's 2005 Stock Incentive Plan.

WHEREAS, the Company has heretofore adopted the Clarus Corporation 2005 Stock Incentive Plan (the "Plan") for the benefit of certain employees, officers, directors, consultants, independent contractors and advisors of the Company or Subsidiaries of the Company, which Plan has been approved by the Company's stockholders; and the Employee is a valued and trusted employee of the Company and/or one of its subsidiaries; and

WHEREAS, the Company believes it to be in the best interests of the Company to secure the future services of the Employee by providing the Employee with an inducement to remain an employee of the Company and/or one of its Subsidiaries through the grant of restricted shares of Common Stock (the "Restricted Stock Award").

NOW, THEREFORE, the parties agree as follows:

1. Stock Grant. Subject to the provisions hereinafter set forth and the terms and conditions of the Plan, the Company hereby grants to the Employee, as of May 28, 2010, a Restricted Stock Award, subject to the vesting schedule set forth below, of up to an aggregate of 500,000 shares (the "Grant Shares") of common stock of the Company, par value $0.0001 per share (the "Common Stock"), such number being subject to adjustment as provided in the Plan. As more fully described below, the Grant Shares granted hereby are subject to forfeiture by the Employee if certain criteria are not satisfied.

2. Vesting.

(a) The Grant Shares shall vest and become non-forfeitable in accordance with the following schedule: (i) 250,000 Grant Shares shall vest if, on or before May 28, 2017, the Fair Market Value (as defined in the 2005 Stock Incentive Plan) of the Company's Common Stock shall have exceeded $10.00 per share for 20 consecutive business days; and (ii) 250,000 Grant Shares shall vest, if on or before May 28, 2017, the Fair Market Value (as defined in the 2005 Stock Incentive Plan) of the Company's Common Stock shall have exceeded $12.00 per share for 20 consecutive business days; provided, however that all of the Grant Shares shall immediately vest and become nonforfeitable upon the occurrence of a Change in Control (as defined in the Employment Agreement dated May 28, 2010, by and between the Company and the Employee).

(b) Notwithstanding the vesting schedule set forth above, such vesting schedule may be accelerated by the Board of Directors or the Compensation Committee of the Board of Directors (the "Committee") in their sole decision.

(c) Upon the vesting date the earned portion of the Grant Shares shall be issued to the Employee in accordance with the Plan and the terms hereof including Section 3 below.

(d) If the Employee is terminated by the Company or its Subsidiaries for Cause (as defined in the Plan) or voluntarily terminates employment by the Company or its Subsidiaries, prior to the satisfaction of the vesting provisions set forth above, no further portion of the Grant Shares shall become vested pursuant to this Agreement and such unvested Grant Shares shall be forfeited effective as of the date that the Employee ceases to be so employed by the Company.

(e) Nothing in the Plan or this Agreement shall confer on Employee any right to continue in the employ of, or other relationship with, the Company or any Subsidiary of the Company, or limit in any way the right of the Company or any Affiliate or Subsidiary of the Company to terminate Employee's employment or other relationship at any time, with or without Cause. This Agreement does not constitute an employment contract. This Agreement does not guarantee employment for the length of time of the vesting schedule set forth in Section 2(a) hereof or for any portion thereof.

(f) Tax Consequences. Employee understands that Employee may suffer adverse tax consequences as a result of the grant, vesting or disposition of the Grant Shares. Employee represents that Employee has consulted with his or her own independent tax consultant(s) as Employee deems advisable in connection with the grant, vesting or disposition of the Grant Shares and that Employee is not relying on the Company for any tax advice.

3. Issuance and Withholding.

(a) Upon vesting, the Company shall issue the earned Grant Shares registered in the name of Employee, Employee's authorized assignee, or Employee's legal representative, and shall deliver certificates representing the Grant Shares.

(b) Subject to Section 16 below, prior to the issuance of the Grant Shares, Employee must pay or provide for any applicable federal or state withholding obligations of the Company.

4. Compliance With Laws and Regulations. The issuance and transfer of Grant Shares shall be subject to compliance by the Company and Employee with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange or quotation system on which the Company's Common Stock may be listed at the time of such issuance or transfer

5. Non-transferability. Until the Grant Shares shall be vested and issued and until the satisfaction of any and all other conditions specified herein, the Grant Shares may not be sold, transferred, assigned, pledged or otherwise encumbered or disposed of by the Employee, other than by will or by the laws of descent and distribution, except upon the written consent of the Company and, in any case, in compliance with the terms and conditions of this Agreement. The terms of this Stock Grant shall be binding upon the executors, administrators, successors and assigns of Employee.

6. Privileges of Stock Ownership. Employee shall not have any of the rights of a stockholder with respect to any Grant Shares until the Grant Shares are issued to Employee.

7. Interpretation. Any dispute regarding the interpretation of this Agreement shall be submitted by Employee or the Company to the Committee for review. The resolution of such a dispute by the Committee shall be final and binding on the Company and Employee.

8. Entire Agreement. The Plan is incorporated herein by reference. This Agreement and the Plan constitute the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersede all prior understandings and agreements with respect to such subject matter.

9. **Notices.** Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Employee shall be in writing and addressed to Employee at the address indicated above or to such other address as such party may designate in writing from time to time to the Company. All notices shall be deemed to have been given or delivered upon: personal delivery; three (3) days after deposit in the United States mail by certified or registered mail (return receipt requested); one (1) business day after deposit with any return receipt express courier (prepaid); or one (1) business day after transmission by facsimile.

10. **Successors and Assigns.** The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein, this Agreement shall be binding upon Employee and Employee's heirs, executors, administrators, legal representatives, successors and assigns.

11. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, applicable to agreements made and to be performed entirely within such state, other than conflict of laws principles thereof directing the application of any law other than that of Delaware.

12. **Acceptance.** Employee hereby acknowledges receipt of a copy of the Plan and this Agreement. Employee has read and understands the terms and provisions thereof, and accepts this stock Grant subject to all the terms and conditions of the Plan and this Agreement. Employee acknowledges that there maybe adverse tax consequences upon the grant or the vesting of this stock Grant, issuance or disposition of the Grant Shares and that the Company has advised Employee to consult a tax advisor regarding the tax consequences of the grant, vesting, issuance or disposition.

13. **Covenants of the Employee** The Employee agrees (and for any proper successor hereby agrees) upon the request of the Committee, to execute and deliver a certificate, in form reasonably satisfactory to the Committee, regarding applicable Federal and state securities law matters.

14. **Obligations of the Company**

(a) Notwithstanding anything to the contrary contained herein, neither the Company nor its transfer agent shall be required to issue any fraction of a share of Common Stock, and the Company shall issue the largest number of whole Grant Shares of Common Stock to which Employee is entitled and shall return to the Employee the amount of any unissued fractional share in cash.

(b) The Company may endorse such legend or legends upon the certificates for Grant Shares issued to the Employee pursuant to the Plan and may issue such "stop transfer" instructions to its transfer agent in respect of such Grant Shares as, in its discretion, it determines to be necessary or appropriate to: (i) prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act; or (ii) implement the provisions of the Plan and any agreement between the Company and the Employee or grantee with respect to such Grant Shares.

(c) The Company shall pay all issue or transfer taxes with respect to the issuance or transfer of Grant Shares to Employee, as well as all fees and expenses necessarily incurred by the Company in connection with such issuance or transfer.

(d) All Grant Shares issued following vesting shall be fully paid and non-assessable to the extent permitted by law.

15. **No Section 83(b) Election.** Employee shall not file an election with the Internal Revenue Service under Section 83(b).

16. **Withholding Taxes**. The Employee acknowledges that the Company is not responsible for the tax consequences to the Employee of the granting, vesting or issuance of the Grant Shares, and that it is the responsibility of the Employee to consult with the Employee's personal tax advisor regarding all matters with respect to the tax consequences of the granting, vesting and issuance of the Grant Shares. The Company shall have the right to deduct from the Grant Shares or any payment to be made with respect to the Grant Shares any amount that federal, state, local or foreign tax law requires to be withheld with respect to the Grant Shares or any such payment. Alternatively, the Company may require that the Employee, prior to or simultaneously with the Company incurring any obligation to withhold any such amount, pay such amount to the Company in cash or in shares of the Company's Common Stock (including shares of Common Stock retained from the Stock Grant Award creating the tax obligation), which shall be valued at the Fair Market Value of such shares on the date of such payment. In any case where it is determined that taxes are required to be withheld in connection with the issuance, transfer or delivery of the shares, the Company may reduce the number of shares so issued, transferred or delivered by such number of shares as the Company may deem appropriate to comply with such withholding. The Company may also impose such conditions on the payment of any withholding obligations as may be required to satisfy applicable regulatory requirements under the Exchange Act, if any.

17. **Miscellaneous**

(a) If the Employee loses this Agreement representing the stock Grant granted hereunder, or if this Agreement is stolen, damaged or destroyed, the Company shall, subject to such reasonable terms as to indemnity as the Committee, in its sole discretion shall require, replace the Agreement.

(b) This Agreement cannot be amended, supplemented or changed, and no provision hereof can be waived, except by a written instrument making specific reference to this Agreement and signed by the party against whom enforcement of any such amendment, supplement, modification or waiver is sought. A waiver of any right derived hereunder by the Employee shall not be deemed a waiver of any other right derived hereunder.

(c) This Agreement may be executed in any number of counterparts, but all counterparts will together constitute but one agreement.

(d) In the event of a conflict between the terms and conditions of this Agreement and the Plan, the terms and conditions of the Plan shall govern. All capitalized terms used herein but not defined shall have the meanings given to such terms in the Plan.

[signature page follows]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed in duplicate by its duly authorized representative and Employee has executed this Agreement in duplicate as of the Date of Grant.

CLARUS CORPORATION

By: /s/ Philip A. Baratelli
Name: Philip A. Baratelli
Title: Chief Financial Officer

EMPLOYEE

By: /s/ Warren B. Kanders
Warren B. Kanders

Exhibit 10.20

TRANSITION AGREEMENT

TRANSITION AGREEMENT ("Agreement"), dated as of May 28, 2010, between Clarus Corporation ("Clarus"), a Delaware corporation, having its principal office at 2084 East 3900 South, Salt Lake City, UT 84124 and Kanders & Company, Inc. (the "Company"), a Delaware corporation, having its principal offices at One Landmark Square, 22nd floor, Stamford, Connecticut 06901.

WHEREAS, Clarus and the Company entered into that certain lease, dated September 23, 2003 (the "Lease") for space on the 22nd floor in that certain building known as One Landmark Square, Stamford, Connecticut ("Premises") whereby Clarus and the Company are collectively referred to as "Tenant";

WHEREAS, in connection with its acquisitions (the "Acquisitions") of Black Diamond Equipment, Ltd. and Gregory Mountain Products, Inc., Clarus is moving its principal office to Utah and will, therefore, vacate the Premises and has requested to be released of its obligations as a Tenant under the Lease and the Company agrees to release Clarus with respect to such obligations upon the terms and conditions hereinafter set forth; and

WHEREAS, Clarus desires to retain the Company due to the Company's extensive familiarity with Clarus, to provide certain transition services in connection with the
Acquisitions and the Company agrees to provide such transition services, on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises, the mutual terms, covenants and conditions hereinafter set forth and other good and valuable consideration, Clarus and the Company hereby agree as follows:

1. **Lease Termination and Release.** (a) Effective as of May 28, 2010 ("Release Date") Clarus shall be released of any and all obligations and liability under the Lease accruing or arising out of facts and circumstances occurring after the Release Date, including, but not limited to payment and performance obligations of Tenant (the "Released Obligations"). Clarus shall have no further obligation or liability to the Company with respect to the Released Obligations under the Lease and the Company assumes liability and responsibility for any and all Released Obligations of Tenant under the Lease.

(b) Clarus shall pay to the Company simultaneous with the execution of this Agreement, the sum of $1,076,507 ("Release Payment") representing 75% of the rent, operating expenses, real estate taxes and early termination fee relating to the Lease for the period commencing on the date of this Agreement through and including September 23, 2011 (the "Early Termination Date"). It is agreed by and between the parties that the Release Payment is sufficient to cover 75% of the obligations of Tenant through and including the Early Termination Date. In the event the Release Payment is not sufficient to cover 75% of the obligations of Tenant through the Early Termination Date solely by reason of escalations in real estate taxes or operating expenses pursuant to the terms of the Lease ("Adjustment Amount") and such amount could not be determined prior to execution of this Agreement, the Company shall deduct the Adjustment Amount from Clarus' pro rata share of the Security Deposit (as hereinafter defined), provided prior written notice is given to Clarus.

(c) The Company agrees to indemnify and hold harmless Clarus, its predecessors-in-interest, and their present and former officers, directors, agents, employees, attorneys, heirs, executors, administrators, successors and assigns, from, against and in respect of, the full amount of any and all liabilities, damages, claims, deficiencies, fines, assessments, losses, taxes, penalties, interest, costs and expenses, including, without limitation, reasonable fees and disbursements of counsel arising from, in connection with, or incident to (i) the Released Obligations; (ii) any breach of Section 1(d); and (iii) any and all actions, suits, proceedings, demands, assessments or judgments, costs and expenses incidental to any of the foregoing. Clarus agrees to notify the Company promptly of the assertion of any claim against Clarus in connection with matters set forth in this Section 1(c). Notwithstanding the foregoing, the Company shall not be obligated to make any indemnity in connection with any claim made against Clarus (i) for which payment has actually been received by or on behalf of Clarus under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount actually received under any insurance policy or other indemnity provision; (ii) for any judgments, fines, penalties, damages, liabilities, claims, and amounts paid in settlement which the Company is prohibited by applicable law from paying as indemnity or for any other reason; or (iii) for which a court of competent jurisdiction has determined is due to Clarus' gross negligence or willful misconduct. At the Company's election, unless there is a conflict of interest as determined by the Company, the defense of Clarus shall be conducted by the Company's counsel who shall be reasonably satisfactory to the Clarus. In any action or proceeding the defense of which the Company assumes, Clarus will have the right to participate in such litigation and to retain its own counsel at the Clarus' own expense. The Company shall not settle or compromise any such action or proceeding without Clarus' prior written consent which shall not be unreasonably withheld or denied, unless the terms of such settlement or compromise include an unconditional release of Clarus from all liability or loss arising out of such proceeding. In addition, Clarus shall give the Company such information and cooperation as it may reasonably require in connection with any claim against Clarus.

(d) The Lease provides that the Tenant may terminate the Lease as of the Early Termination Date. The Company agrees that it shall have the option to comply with the provisions of the Lease with respect to early termination. Upon receipt of the security deposit being held pursuant to the Lease, each party agrees to promptly pay to the other party their respective pro rata share of the $850,000 security deposit (the "Security Deposit") being held by the landlord pursuant to the Lease plus or minus, as applicable, the Adjustment Amount, if any.

2. **Transition Services**. (a) Clarus hereby retains the Company to provide mutually agreed upon transition services in connection with the Acquisition (the "Services") through March 31, 2011, or as otherwise agreed upon in writing by the parties (the "Term") and in connection therewith hereby assigns to the Company certain leasehold improvements, fixtures, hardware and office equipment previously used by Clarus. The Company shall devote such time and energies as is reasonably necessary to professionally perform the Services. Clarus shall pay to the Company, and the Company shall accept from Clarus as compensation for the performance of the Services and for severance payments, $1,061,058 (the "Compensation"). The Compensation shall not be subject to withholding for applicable taxes and other amounts, all of which shall be the Consultant's sole responsibility.

(b) During the Term, upon submission of proper invoices, receipts or other supporting documentation reasonably satisfactory to Clarus, the Company shall be reimbursed by Clarus for all reasonable business expenses actually and necessarily incurred by the Company on behalf of Clarus in connection with the performance of the Services under this Agreement.

(c) Clarus hereby agrees to hold harmless and indemnify the Company, its predecessors-in-interest, and their present and former officers, directors, agents, employees, attorneys, heirs, executors, administrators, successors and assigns, from, against and in respect of, the full amount of any and all liabilities, damages, claims, deficiencies, fines, assessments, losses, taxes, penalties, interest, costs and expenses from and against all losses, claims, damages, liabilities, disbursements and expenses (including, but not limited to, reasonable counsel fees and expenses) incurred by the Company in connection with any claim arising out of, relating to or in connection with the Services, and/or the matters relating thereto to the fullest extent permitted under Delaware law. Notwithstanding the foregoing, Clarus shall not be obligated to make any indemnity in connection with any claim made against the Company (i) for which payment has actually been received by or on behalf of the Company under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount actually received under any insurance policy or other indemnity provision; (ii) for any judgments, fines, penalties, damages, liabilities, claims, and amounts paid in settlement which Clarus is prohibited by applicable law from paying as indemnity or for any other reason; or (iii) for which a court of competent jurisdiction has determined is due to the Company's gross negligence or willful misconduct. Clarus shall reimburse the Company for such counsel fees and expenses when they are paid or incurred by the Company. The Company agrees to notify Clarus promptly of the assertion of any claim against the Company in connection with matters set forth in 2(c) hereof; and Clarus agrees to notify the Company promptly of the assertion of any claim against the Company in connection with the Services. At Clarus' election, unless there is a conflict of interest as determined by Clarus, the defense of the Company shall be conducted by Clarus' counsel, who shall be reasonably satisfactory to the Company. In any action or proceeding the defense of which Clarus assumes, the Company will have the right to participate in such litigation and to retain its own counsel at the Company's own expense. Clarus shall not settle or compromise any such action or proceeding without the Company's prior written consent, which shall not be unreasonably withheld or denied, unless the terms of such settlement or compromise include an unconditional release of the Company from all liability or loss arising out of such proceeding. In addition, the Company shall give Clarus such information and cooperation as it may reasonably require in connection with any claim against the Company.

3. **Miscellaneous.**

(a) The provisions of Sections 1(c), 1(d) and 2(c) shall survive the termination of this Agreement.

(b) This Agreement sets forth the entire understanding of the parties and merges and supersedes any prior or contemporaneous agreements between the parties pertaining to the subject matter hereof.

(c) This Agreement may not be modified or terminated orally, and no modification, termination or attempted waiver of any of the provisions hereof shall be binding unless in writing and signed by the party against whom the same is sought to be enforced.

(d) Failure of a party to enforce one or more of the provisions of this Agreement or to require at any time performance of any of the obligations hereof shall not be construed to be a waiver of such provisions by such party nor to in any way affect the validity of this Agreement or such party's right thereafter to enforce any provision of this Agreement, nor to preclude such party from taking any other action at any time which it would legally be entitled to take.

(e) Neither party shall have the right to assign this Agreement, or any rights or obligations hereunder, without the prior written consent of the other party. Subject to the foregoing, this Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their legal representatives, heirs, successors and assigns.

(f) This Agreement has been entered into and shall be construed and enforced in accordance with the laws of the State of New York without reference to the choice of law principles thereof. This agreement shall be subject to the exclusive jurisdiction of the federal and New York State courts located in the County of New York, State of New York, United States of America, and the parties to this Agreement expressly agree to submit to the jurisdiction of the federal and New York State courts located in the County of New York, State of New York, United States of America for the purpose of resolving any disputes among the parties relating to this Agreement or the transactions contemplated hereby. By the execution and delivery of this Agreement, the parties irrevocably waive, to the fullest extent permitted by law, any objection which they may now or hereafter have to the laying of venue or to the jurisdiction of any such suit, action or proceeding arising out of or relating to this agreement, or any judgment entered by any court in respect hereof brought in the federal or New York State courts located in the county of New York, State of New York, United States of America, and irrevocably submit generally and unconditionally to the jurisdiction of any such court in any such suit, action or proceeding, and further irrevocably waive any claim that any such suit, action or proceeding brought in the federal or New York State courts located in the County of New York, State of New York, United States of America has been brought in an inconvenient forum. Each party agrees that service of process may be made by any method of service provided for under the applicable laws in effect in the State of New York.

(g) This Agreement constitutes the entire agreement between the parties hereto with respect to the matters stated herein and may not be amended or modified unless such amendment or modification shall be in writing and signed by the party against whom enforcement is sought.

(signature page follows)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CLARUS CORPORATION

By: /s/ Philip A. Baratelli
Name: Philip A. Baratelli
Title: Chief Financial Officer

KANDERS & COMPANY, INC.

By: /s/ Warren B. Kanders
Name: Warren B. Kanders
Title: President

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors of Clarus Corporation:

We consent to the incorporation by reference in the registration statements on Form s S-8 (Registration Nos. 333-42600, 333-42604, 333-127686 and 333-79565) of Clarus Corporation of our reports dated September 15, 2009 and September 26, 2008, with respect to the consolidated balance sheets of Black Diamond Equipment, Ltd. and Subsidiaries as of June 30, 2009, 2008 and 2007, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for the years then ended which reports appear in this Form 8-K of Clarus Corporation dated June 4, 2010.

/s/ Tanner LC

Salt Lake City, Utah
June 4, 2010

CONSENT OF INDEPENDENT ACCOUNTANTS

The Board of Directors of Clarus Corporation:

We hereby consent to the incorporation by reference in the registration statements on Form S-8 (Registration Nos. 333-42600, 333-42604, 333-127686 and 333-79565) of Clarus Corporation of our report dated February 10, 2010 (except for Note 15 as to which the date is May 13, 2010) with respect to the balance sheets of Gregory Mountain Products, Inc. as of December 31, 2009 and 2008, and the related statements of operations, changes in stockholder's equity, and cash flows for the year ended December 31, 2009 and for the period from March 15, 2008 (inception) to December 31, 2008, and our report dated May 14, 2009 (except for Note 14 as to which the date is May 13, 2010) with respect to the balance sheets of Gregory Mountain Products, Inc. as of December 31, 2008 (Successor), March 15, 2008 (Successor), and December 31, 2007 (Predecessor), and the related statements of operations, changes in stockholder's equity, and cash flows for the period from March 15, 2008 to December 31, 2008 (Successor), the period from January 1, 2008 to March 14, 2008 (Predecessor), and the year ended December 31, 2007 (Predecessor), which reports appear on this Form 8-K of Clarus Corporation.

/s/ Burr Pilger Mayer, Inc.
San Francisco, California
June 3, 2010

Exhibit 99.2

Black Diamond Equipment, Ltd. and Subsidiaries

Table of Contents

Black Diamond Equipment, Ltd. and Subsidiaries

Condensed Consolidated Financial Statements
(Unaudited)

Nine-Month Periods Ended March 31, 2010 and 2009

Black Diamond Equipment, Ltd. and Subsidiaries

Condensed Consolidated Balance Sheets
(Unaudited)
All Figures in $ Thousands (except share data)

	March 31 2010	2009
Assets		
Current assets:		
Cash	**$ 1,246**	$ 2,615
Accounts receivable, less allowance for doubtful accounts of $533 and $458, respectively	**14,693**	12,137
Inventories	**19,543**	22,860
Prepaid expenses and other current assets	**1,263**	2,637
Deferred income taxes	**2,224**	1,790
Total current assets	**38,969**	42,039
Property and equipment, net	**9,508**	9,567
Goodwill	**1,160**	1,160
Other intangibles, net	**936**	32
	$ 50,573	$ 52,798
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt, revolving lines of credit and capital leases	**$ 3,176**	$ 2,785
Accounts payable	**3,737**	4,261
Accrued liabilities	**7,153**	4,908
Total current liabilities	**14,066**	11,954
Long-term debt, revolving lines of credit and capital leases, net of current portion	**5,132**	16,557
Other long-term liabilities	**678**	–
Deferred income taxes	**634**	449
Total liabilities	**20,510**	28,960
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value; 200,000 shares authorized; 86,345 shares issued at March 31, 2010 and 2009 (including 6,270 and 11,272 shares held in treasury at March 31, 2010 and 2009, respectively)	**1**	1
Additional paid-in capital	**3,275**	2,378
Retained earnings	**27,620**	22,957
Treasury stock, at cost	**(2,021)**	(2,309)
Deferred compensation	**(12)**	(19)
Accumulated other comprehensive income	**1,200**	830
Total stockholders' equity	**30,063**	23,838
	$ 50,573	$ 52,798

See accompanying notes to condensed consolidated financial statements.

Black Diamond Equipment, Ltd. And Subsidiaries

Condensed Consolidated Statements of Income
(Unaudited)
All Figures in $ Thousands

	Nine-Month Periods Ended March 31	
	2010	**2009**
Net sales	**$ 75,796**	$ 68,737
Cost of sales	**46,534**	43,396
Gross margin	**29,262**	25,341
Selling, general and administrative expenses	**21,390**	20,110
Income from operations	**7,872**	5,231
Other income (expense):		
Interest expense	**(471)**	(872)
Other income (expense), net	**(110)**	(188)
Total other income (expense)	**(581)**	(1,060)
Income before income tax provision	**7,291**	4,171
Income tax provision	**(2,170)**	(1,428)
Net income	**$ 5,121**	$ 2,743
Earnings per share:		
Basic	**$ 63.96**	$ 36.55
Diluted	**60.43**	32.38
Weighted average common shares outstanding:		
Basic	**80,063**	75,051
Diluted	**84,748**	84,711

See accompanying notes to condensed consolidated financial statements.

Black Diamond Equipment, Ltd. and Subsidiaries

Condensed Consolidated Statements of Stockholders' Equity and Comprehensive Income
(Unaudited)
All Figures in $ Thousands (except share data)

	Common Stock		Additional Paid-In	Retained	Treasury Stock		Deferred	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Earnings	Shares	Amount	Compensation	Income	Equity
Balances at July 1, 2008	86,345	$ 1	$ 2,365	$ 20,439	11,369	$ (2,318)	$ (34)	$ 1,113	$ 21,566
Treasury stock purchased at $310.86-$336.86 per share	–	–	–	–	8	(3)	–	–	(3)
Exercise of stock options	–	–	9	–	(98)	13	–	–	22
Treasury stock adjusted, related to deferred compensation at $310.86 per share	–	–	–	–	13	(4)	–	–	(4)
Treasury stock issued as director compensation at $310.86- $336.86 per share	–	–	4	–	(20)	3	–	–	7
Dividends paid	–	–	–	(225)	–	–	–	–	(225)
Amortization of deferred compensation	–	–	–	–	–	–	15	–	15
Comprehensive income, net of tax:									
Net income	–	–	–	2,743	–	–	–	–	2,743
Unrealized holding gain on derivative transactions, net	–	–	–	–	–	–	–	184	184
Foreign currency translation adjustment, net	–	–	–	–	–	–	–	(467)	(467)
Net comprehensive income									2,460
Balances at March 31, 2009	86,345	$ 1	$ 2,378	$ 22,957	11,272	$ (2,309)	$ (19)	$ 830	$ 23,838
Balances at July 1, 2009	86,345	$ 1	$ 2,722	$ 22,499	11,128	$ (2,678)	$ (15)	$ 703	$ 23,232
Treasury stock purchased at $336.86 per share	–	–	–	–	**2,047**	**(689)**	–	–	**(689)**
Exercise of stock options	**–**	**–**	**254**	**–**	**(6,850)**	**1,331**	**–**	**–**	**1,585**
Treasury stock issued as deferred compensation at $336.86 per share	–	–	**2**	–	**(30)**	**8**	**(10)**	–	–
Treasury stock issued as director compensation at $336.86 per share	**–**	**–**	**1**	**–**	**(25)**	**7**	**–**	**–**	**8**
Stock based compensation	–	–	**38**	–	–	–	–	–	**38**
Tax benefit related to common stock issued as deferred compensation	**–**	**–**	**258**	**–**	**–**	**–**	**–**	**–**	**258**
Amortization of deferred compensation	–	–	–	–	–	–	**13**	–	**13**
Comprehensive income, net of tax:									
Net income	–	–	–	**5,121**	–	–	–	–	**5,121**
Unrealized holding gain on derivative transactions, net	–	–	–	–	–	–	–	**436**	**436**
Foreign currency									

translation adjustment, net	–	–	–	–	–	–	–	61	61
Net comprehensive income									5,618
Balances at March 31, 2010	86,345	$ 1	$ 3,275	$ 27,620	6,270	$ (2,021)	$ (12)	$ 1,200	$ 30,063

See accompanying notes to condensed consolidated financial statements.

Black Diamond Equipment, Ltd. and Subsidiaries

Condensed Consolidated Statements of Cash Flows
(Unaudited)
All Figures in $ Thousands

	Nine-Month Periods Ended March 31	
	2010	**2009**
Cash flows from operating activities		
Net income	**$ 5,121**	$ 2,743
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	**1,762**	1,593
Loss on sale of assets	**3**	2
Amortization of deferred compensation	**13**	15
Tax benefit related to stock issued as deferred compensation	**258**	–
Stock based compensation	**38**	–
Treasury stock issued as director compensation	**8**	7
Deferred income taxes	**(491)**	177
Changes in operating assets and liabilities:		
Accounts receivable	**(4,966)**	(3,783)
Inventories	**6,037**	(981)
Prepaid expenses and other assets	**(617)**	(1,356)
Accounts payable	**(1,815)**	(785)
Accrued liabilities	**2,821**	1,117
Other	**536**	255
Net cash provided by (used in) operating activities	**8,708**	(996)
Cash flows from investing activities		
Purchase of property and equipment	**(1,492)**	(3,238)
Purchase of intangible asset	**(10)**	–
Proceeds from disposition of property and equipment	**3**	2
Net cash used in investing activities	**(1,499)**	(3,236)
Cash flows from financing activities		
Repayments of long-term debt, revolving lines of credit and capital leases	**(8,288)**	(258)
Proceeds from long-term debt, revolving lines of credit	**56**	5,552
Purchase of treasury stock	**(689)**	(3)
Proceeds from sales of treasury stock and exercise of stock options	**1,585**	18
Dividends paid	**–**	(225)
Other	**31**	–
Net cash (used in) provided by financing activities	**(7,305)**	5,084
Effect of foreign exchange rates on cash	**71**	(526)
Net (decrease) increase in cash	**(25)**	326
Cash at beginning of the period	**1,271**	2,289
Cash at end of the period	**$ 1,246**	$ 2,615
Supplemental cash flow disclosure and noncash transactions		
Cash paid for:		
Income taxes	**$ 1,131**	$ 628
Interest	**486**	864
Change in other comprehensive income, net of taxes	**110**	12
Treasury stock issued as deferred compensation	**8**	–

See accompanying notes to condensed consolidated financial statements.

1. Significant Accounting Policies

Ownership and Business

Black Diamond Equipment, Ltd., a Delaware corporation, has three wholly owned subsidiaries: Black Diamond Retail, Inc., a company incorporated under the laws of the State of Delaware; Black Diamond Equipment AG (BDAG), a company incorporated under the laws of Switzerland; and Black Diamond Sporting Equipment (ZFTZ) Co. Ltd. (BDEA), a company incorporated under the laws of the Peoples Republic of China. Black Diamond Equipment, Ltd. and its subsidiaries are collectively referred to as "the Company" throughout the notes to the condensed consolidated financial statements. The Company designs, manufactures and sells outdoor recreation equipment for climbing, skiing and related activities to domestic and foreign customers.

Unaudited Information

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, as well as SEC instructions for interim reporting. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, all adjustments (consisting solely of normal recurring accruals) considered necessary for a fair presentation of the interim financial statements have been included. A significant part of the Company's business is of a seasonal nature; therefore, the results of operations for the nine months ended March 31, 2010 and 2009 are not necessarily indicative of the results to be expected for the full year.

Principles of Consolidation

The consolidated financial statements include the accounts of Black Diamond Equipment, Ltd. and all its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated upon consolidation.

1. Significant Accounting Policies (continued)

Foreign Currency Transactions and Translation

The financial statements of BDAG and BDEA are translated into U.S. dollars in accordance with ASC 830, *Foreign Currency Matters*. Under ASC 830, foreign currency assets and liabilities are translated at the current exchange rate and income statement amounts are translated at the average exchange rate for the year. Translation gains and losses are reflected as a separate component of stockholders' equity in accumulated other comprehensive income.

During the nine-month periods ended March 31, 2010 and 2009, the Company recorded losses of approximately $551,000 and $366,000, respectively, from transactions denominated in currencies other than the Company's functional currencies. These losses are reflected in other income in the accompanying consolidated statements of income.

Inventories

Inventories, other than those held at BDAG and BDEA, are stated at the lower of last-in, first-out (LIFO) cost or market value. The excess of current cost using the first-in, first-out (FIFO) cost method over the LIFO value of inventories was approximately $1,531,000 and $1,228,000 at March 31, 2010 and 2009, respectively. Inventories at BDAG and BDEA are stated at the lower of FIFO cost or market value. Inventories for BDAG and BDEA totaled approximately $11,028,000 and $10,605,000 as of March 31, 2010 and 2009, respectively.

Derivative Financial Instruments

The Company uses derivative instruments to hedge currency rate movements on foreign currency denominated assets, liabilities and cash flows. The Company enters into forward contracts, option contracts and non-deliverable forwards to manage the impact of foreign currency fluctuations on a portion of its forecasted foreign currency exposure. The Company accounts for these derivative contracts in accordance with ASC 815, *Derivatives and Hedging.* These derivatives are carried at fair value on the Company's consolidated balance sheets in prepaid expenses and accrued liabilities. Changes in fair value of the derivatives not designated as hedge instruments are included in the determination of net income. For derivative contracts designated as hedge instruments, the effective portion of gains and losses resulting from changes in fair value of the instruments are included in accumulated other comprehensive income and reclassified to earnings in the period the underlying hedged item is recognized in earnings. The Company uses operating budgets and cash flow forecasts to estimate future economic exposure and to determine the level and timing of derivative transactions intended to mitigate such exposures in accordance with its risk management polices.

1. Significant Accounting Policies (continued)

Stock-Based Compensation

The Company sponsors a nonqualified stock option plan. The stock options are accounted for following the provisions of ASC 718, *Compensation - Stock Compensation.* This guidance requires companies to measure the cost of employee services received in exchange for an award of equity instruments (typically stock options) based on the grant-date fair value of the award. The fair value is estimated using option-pricing models. The resulting cost is recognized over the period during which an employee is required to provide service in exchange for the award, usually the vesting period.

As allowed under ASC 718, the Company estimates the stock-based compensation for stock options using the Black-Scholes option-pricing model, which requires various highly subjective assumptions, including volatility and expected option life. In addition, pursuant to this guidance, the Company estimates forfeitures when calculating stock-based compensation expense, rather than accounting for forfeitures as incurred, which was the previous method. If any of these assumptions change significantly, the stock based compensation expense may differ materially in the future from the expense recorded in the current period.

Revenue Recognition

The Company sells its products pursuant to customer orders or sales contracts entered into with its customers. Revenue is recognized when title and risk of loss pass to the customer and when collectability is reasonably assured. Charges for shipping and handling fees are included in net sales and the corresponding shipping and handling expenses are included in cost of sales in the accompanying consolidated statements of income.

Income Taxes

Effective July 1, 2009, the Company implemented the accounting guidance for uncertainty in income taxes using the provisions of ASC 740-10-25. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. As of March, 31, 2010, the Company had no uncertain tax positions that quality for either recognition or disclosure in the financial statements. The company conducts its business globally, as a result, the Company and its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions, and are subject to examination for the open tax years of 2006-2008.

1. Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates and assumptions used.

Significant Customers and Foreign Sales

During the nine-month periods ended March 31, 2010 and 2009, one customer accounted for approximately 12% of the Company's net sales. Additionally, one customer's accounts receivable balance totaled approximately 14% and 12% of the Company's net accounts receivable at March 31, 2010 and 2009, respectively. Sales to foreign customers were approximately $41,818,000 and $36,184,000 during the nine-month periods ended March 31, 2010 and 2009, respectively.

Subsequent Events

Subsequent events have been evaluated through the date the financial statements were available to be issued, as required by ASC 855*, Subsequent Events.*

2. Inventories

Inventories consist of the following at March 31 (thousands):

	2010	2009
Raw materials	**$ 4,027**	$ 4,422
Work-in-process	**403**	703
Finished goods	**15,113**	17,735
	$ 19,543	$ 22,860

3. Revolving Line of Credit

During the nine-month period ended March 31, 2010, the Company restructured its loan agreement with a bank whereby the Company may borrow up to $30,000,000 under a revolving line of credit. The maturity date of this loan is January 2, 2013. Of this amount, $25,000,000 of the loan has been committed and approved by the bank. The remaining $5,000,000 is available provided certain conditions are met. The loan is collateralized by a security interest in all domestic assets and security interests in the Company's subsidiary stocks. Advance rates are based on certain percentages of the Company's accounts receivables, inventory and property and equipment. Interest, payable monthly, is computed on Ninety Day LIBOR plus 275 to 310 basis points depending on a quarterly determination of the Company's twelve month trailing EBITDA.

The loan contains restrictive debt covenants that require the Company to maintain a minimum trailing twelve month EBITDA, a minimum quarterly EBITDA, a maximum amount of funded debt and a minimum working capital amount. As of March 31, 2010 and 2009, the Company was in compliance with these covenants. As of March 31, 2010 and 2009, the approximate balance of the loan was $4,863,000 and $15,972,000, respectively.

4. Stock-Based Compensation

Stock Bonus Deferred Compensation Plan

The Company maintains a stock bonus deferred compensation plan, under which shares of common stock can be awarded to key employees and outside directors. Under this plan, shares are awarded by the compensation committee of the Board of Directors from the Company's treasury stock. Awards are subject to vesting schedules as determined by the compensation committee, and deferred compensation is amortized over the vesting period based on the fair value of the common stock as of the grant date.

4. Stock-Based Compensation (continued)

Shares have been awarded under this plan as follows:

Award Date	Vesting Date	Shares Awarded	Fair Market Value per Share at Date of Grant	As of March 31, 2010 Shares Forfeited	As of March 31, 2010 Shares Vested
3/31/2008	1/01/2011	49	310.86	-	-
3/31/2008	1/01/2011	65	310.86	-	-
6/30/2008	1/01/2009	33	310.86	13	20
6/30/2008	6/30/2009	33	310.86	-	33
8/01/2009	8/01/2011	30	336.86	-	-

Stock Option Plan

The Company has adopted a nonqualified stock option plan (the Plan) under which options may be granted to key employees and directors. As of March 31, 2010, there were 1,750 shares available for future grant under the Plan.

Stock option activity under the Plan during the nine-month periods indicated is as follows:

	March 31 2010 Number of Shares	March 31 2010 Weighted-Average Exercise Price	March 31 2009 Number of Shares	March 31 2009 Weighted-Average Exercise Price
Balance outstanding – beginning of period	**11,700**	**$ 267.74**	9,548	$ 236.17
Granted	**-**	**-**	-	-
Exercised	**6,850**	**231.40**	98	231.40
Forfeited	**250**	**336.86**	-	-
Expired	**250**	**231.40**	-	-
Balance outstanding – end of period	**4,350**	**$ 323.09**	9,450	$ 236.22
Exercisable – end of period	**1,000**	**$ 276.95**	9,450	$ 236.22

4. Stock-Based Compensation (continued)

The intrinsic value of all options exercised for the nine-month periods ended March 31, 2010 and 2009 were approximately $722,000 and $8,000, respectively. As of March 31, 2010 and 2009, the aggregate intrinsic values of options outstanding and exercisable were approximately $60,000 and $951,000, respectively.

5. Derivative Financial Instruments

Derivative Contracts not designated as hedged instruments

The Company held the following contracts not designated as hedged instruments as of March 31, 2010 and 2009.

	2010		2009	
Instrument Type	Notional Amount	Latest Maturity	Notional Amount	Latest Maturity
Foreign exchange contracts-Euros	-	-	2,500,000	10/2009
Foreign exchange contracts-Swiss Francs	-	-	750,000	11/2009
Non-deliverable contracts- Chinese Yuans	-	-	35,070,000	2/2010

The Company reported mark-to-market net gains on these contracts of approximately $28,000 and $319,000 for the nine-month periods ended March 31, 2010 and 2009, respectively.

Forward interest rate swap not designated as hedged instrument

During the nine-month periods ended March 31, 2010 and 2009, the Company held a forward interest rate swap, in an effort to manage interest rate risk on a certain debt instrument with a variable interest rate. In September 2005, the Company entered into a swap agreement with a notional amount of $4,000,000, a maturity date of October 2010, and a fixed rate of 4.54%. The fair value of the swap as of March 31, 2010 and 2009 was approximately $101,000 and $242,000, respectively. This swap does not qualify for hedge account treatment; therefore, the change in the agreement's fair value has been expensed on the consolidated statement of income.

5. Derivative Financial Instruments (continued)

Derivative Contracts designated as hedged instruments

During the nine-month periods ended March 31, 2010 and 2009, the Company held foreign exchange option contracts whereby it purchased put options and sold call options. At the inception of each option, the cost to buy the put would offset the price to sell the call resulting in a zero sum cost to enter the contract. The Company also held forward exchange contracts.

As of March 31, 2010 and 2009, the Company held the following hedged contracts:

	2010		2009	
Instrument Type	Notional Amount	Latest Maturity	Notional Amount	Latest Maturity
Foreign exchange contracts-USD	2,125,000	7/2010	-	-
Foreign exchange contracts-Swiss Francs	11,650,000	12/2010	2,000,000	3/2010
Foreign exchange contracts-Euros	9,186,000	4/2011	5,472,000	12/2009
Foreign exchange contracts-Canadian Dollars	5,024,000	1/2011	-	-
Foreign exchange contracts-Norwegian Kroners	3,687,000	1/2011	2,244,000	12/2009
Foreign exchange contracts-British Pounds	924,000	1/2011	481,000	12/2009

The Company accounts for these contracts as cash flow hedges and tests effectiveness by determining whether changes in the cash flow of the derivative offset, within a range, changes in the cash flow of the hedged item. During the nine-month periods ended March 31, 2010 and 2009, the Company reported an adjustment to accumulated other comprehensive income of approximately $223,000 and $133,000, respectively, as a result of the change in fair value of these contracts.

6. Fair Value of Financial Instruments

Effective July 1, 2008, the Company adopted ASC 820, *Fair Value Measurements and Disclosures*, for assets and liabilities that are measured at fair value on a recurring basis. ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a three-level fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The three fair value hierarchy levels are defined as follows:

Level 1- inputs to the valuation methodology are quoted market prices for identical assets or liabilities in active markets.

Level 2- inputs to the valuation methodology include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3- inputs to the valuation methodology are based on prices or valuation techniques that are unobservable.

The following tables present the assets and liabilities carried at fair value as of March 31, 2010 and 2009 in the consolidated balance sheet by fair value hierarchy level, as described above (thousands).

	March 31, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Cash equivalents	$ -	$ -	$ -	$ -
Forward exchange contracts	-	572	-	572
Total assets	$ -	$ 572	$ -	$ 572
Liabilities				
Forward interest rate swap	$ -	$ -	$ 101	$ 101
Forward exchange contracts	-	512	-	512
Total liabilities	$ -	$ 512	$ 101	$ 613

6. Fair Value of Financial Instruments (continued)

	March 31, 2009			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 207	$ -	$ -	$ 207
Forward exchange contracts	-	628	-	628
Total assets	$ 207	$ 628	$ -	$ 835
Liabilities				
Forward interest rate swap	$ -	$ -	$ 242	$ 242
Forward exchange contracts	-	422	-	422
Total liabilities	$ -	$ 422	$ 242	$ 664

Forward exchange contracts with Level 2 inputs to the valuation methodology are based upon models that use primarily market observable inputs, such as yield curves and option volatilities. Forward interest rate swaps with Level 3 inputs to the valuation method are based upon models that use primarily unobservable inputs, such as implied forward and discount curves.

Level 3 assets measured at fair value on a recurring basis are reconciled for the nine-month periods ended March 31, 2010 and 2009 as follows (thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Balance as of July 1, 2008	$ 103
Total losses (realized and unrealized)	139
Net purchases, issuances and settlements	-
Net transfers in and out of Level 3	-
Balance as of March 31, 2009	$ 242

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Balance as of July 1, 2009	$ 201
Total gains (realized and unrealized)	(100)
Net purchases, issuances and settlements	-
Net transfers in and out of Level 3	-
Balance as of March 31, 2010	$ 101

6. Fair Value of Financial Instruments (continued)

The carrying amounts of the Company's accounts receivable, accounts payable, accrued liabilities, and other liabilities approximate their fair values due to their short-term maturities. Based upon borrowing rates currently available to the Company for loans with similar terms, the carrying values of the Company's debt obligations also approximate fair value.

There was no material effect from the adoption of ASC 820 on the Company's consolidated financial position or results of operations.

7. Income Taxes

The components of the provision for income taxes are as follows for the nine-month periods ended March 31 (thousands):

	2010	2009
Current (provision) benefit:		
Federal	**$ (2,149)**	$ (1,239)
State	**(301)**	(174)
Foreign	**(211)**	162
	(2,661)	(1,251)
Deferred (provision) benefit:		
Federal	**431**	(155)
State	**60**	(22)
	491	(177)
Total income tax provision	**$ (2,170)**	$ (1,428)

The Company's effective tax rates vary from federal statutory rates primarily due to nondeductible items and statutory exclusions, such as a portion of the Company's meals and entertainment expenses, state income taxes, income eligible for the extraterritorial income exclusion, federal and state research and development credits, and deductions related to domestic production activities.

7. Income Taxes (continued)

The net deferred tax asset (liability) consists of the following as of March 31 (thousands):

	2010	2009
Current deferred taxes:		
Gross assets	**$ 2,540**	$ 2,091
Gross liabilities	**(316)**	(301)
Total current deferred taxes	**2,224**	1,790
Noncurrent deferred taxes:		
Gross assets	**912**	798
Gross liabilities	**(1,546)**	(1,247)
Total noncurrent deferred taxes	**(634)**	(449)
Net deferred tax asset	**$ 1,590**	$ 1,341

Deferred taxes are comprised primarily of amounts related to inventory reserves, accelerated depreciation of property and equipment and other reserves and accruals.

8. Related Party Transactions

During the nine-month periods ended March 31, 2010 and 2009, the Company had sales to an entity controlled by a director and stockholder of the Company totaling approximately $2,940,000 and $3,425,000, respectively. Due to the related nature of these transactions, the amounts received might have been different if similar activities had been undertaken with unrelated parties.

At March 31, 2010 and 2009, accounts receivable included approximately $347,000 and $648,000, respectively, due from an entity controlled by a director and stockholder of the Company.

9. Guarantees

In January 2009, the Company provided a guarantee for full and complete payment of any unpaid balance owed to a supplier of the Company's glove vendor. The guarantee does not provide for any limitation of the maximum potential for future payments the Company could be obligated to make. As of March 31, 2010, the Company has not made any payments related to the guarantee it provides. The guarantee remains in place until terminated by the Company by providing written notice to the supplier. Any unpaid balances owed prior to the notice would still be the liability of the Company. As of March 31, 2010, the Company has not recorded any liability for this guarantee since the estimated fair value of the obligation to stand ready to act as a guarantor is not material and, to date, the Company has not received notification of any amount payable under the terms of the guarantee.

10. Subsequent Event

The Company signed a letter of intent in February 2010 with Clarus Corporation (Clarus), a publicly traded Delaware corporation, for an exclusive due diligence period of 90 days. On May 7, 2010, the Board of the Company and Clarus signed a definitive merger agreement, and on May 28, 2010, the Company was acquired by Clarus pursuant to the merger agreement.

In connection with the closing of the merger, the Company entered into a Loan Agreement effective May 28, 2010 with Zions First National Bank, a national banking association and was named as co-borrower on the loan.

Consolidated Financial Statements

Black Diamond Equipment, Ltd. and Subsidiaries
Years Ended June 30, 2009 and 2008
With Independent Auditors' Report

Board of Directors and Stockholders
Black Diamond Equipment, Ltd. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Black Diamond Equipment, Ltd. and Subsidiaries (collectively the Company) as of June 30, 2009 and 2008, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Black Diamond Equipment, Ltd. and Subsidiaries as of June 30, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Tanner LC

Salt Lake City, Utah
September 15, 2009

Black Diamond Equipment, Ltd. and Subsidiaries

Consolidated Balance Sheets

All Figures in $ Thousands (except share data)

	June 30	
	2009	**2008**
Assets		
Current assets:		
Cash	**$ 1,271**	$ 2,289
Accounts receivable, less allowance for doubtful accounts of $474 and $380, respectively	**9,727**	8,354
Inventories	**25,580**	21,879
Prepaid expenses and other current assets	**646**	1,281
Deferred income taxes	**1,810**	1,616
Total current assets	**39,034**	35,419
Property and equipment:		
Land	**336**	336
Buildings and improvements	**4,279**	3,085
Machinery and equipment	**8,662**	5,591
Computer hardware and software	**3,620**	2,742
Furniture and fixtures	**2,177**	1,876
Construction in progress	**725**	2,429
	19,799	16,059
Less:		
Accumulated depreciation	**(10,018)**	(8,137)
	9,781	7,922
Goodwill and other intangibles, net	**2,089**	1,196
	$ 50,904	$ 44,537
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt, revolving lines of credit and capital leases	**$ 2,992**	$ 2,906
Accounts payable	**5,552**	5,046
Accrued liabilities	**4,332**	3,791
Total current liabilities	**12,876**	11,743
Long-term debt, revolving lines of credit and capital leases, net of current portion	**13,398**	11,142
Other long-term liabilities	**797**	–
Deferred income taxes	**601**	86
Total liabilities	**27,672**	22,971
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value; 200,000 shares authorized; 86,345 shares issued at June 30, 2009 and 2008 (including 11,128 and 11,369 shares held in treasury at June 30, 2009 and 2008, respectively)	**1**	1
Additional paid-in capital	**2,722**	2,365
Retained earnings	**22,499**	20,439
Treasury stock, at cost	**(2,678)**	(2,318)
Deferred compensation	**(15)**	(34)
Accumulated other comprehensive income	**703**	1,113
Total stockholders' equity	**23,232**	21,566
	$ 50,904	$ 44,537

See accompanying notes.

Black Diamond Equipment, Ltd. and Subsidiaries

Consolidated Statements of Income

All Figures in $ Thousands

	Years Ended June 30	
	2009	**2008**
Net sales	**$ 83,956**	$ 77,793
Cost of sales	**53,392**	49,204
Gross margin	**30,564**	28,589
Selling, general and administrative expenses	**25,935**	25,031
Income from operations	**4,629**	3,558
Other income (expense):		
Interest expense	**(1,018)**	(869)
Other income (expense), net	**(69)**	240
Total other income (expense)	**(1,087)**	(629)
Income before income tax provision	**3,542**	2,929
Income tax provision	**(1,257)**	(872)
Net income	**$ 2,285**	$ 2,057

See accompanying notes.

Black Diamond Equipment, Ltd. and Subsidiaries

Consolidated Statements of Stockholders' Equity and Comprehensive Income

All Figures in $ Thousands (except share data)

	Common Stock		Additional Paid-In	Retained	Treasury Stock		Deferred	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Earnings	Shares	Amount	Compensation	Income	Equity
Balances at July 1, 2007	86,345	$ 1	$ 1,943	$ 18,737	12,573	$ (2,225)	$ (26)	$ 296	$ 18,726
Treasury stock purchased at $276.95-$310.86 per share	–	–	–	–	**1,412**	**(431)**	–	–	**(431)**
Treasury stock sold at $310.86 per share	–	–	**190**	–	**(1,081)**	**146**	–	–	**336**
Exercise of stock options	–	–	**133**	–	**(1,212)**	**148**	–	–	**281**
Treasury stock issued as deferred compensation at $310.86 per share	–	–	**43**	–	**(245)**	**33**	**(76)**	–	–
Treasury stock issued as director / legal compensation at $276.95- $310.86 per share	–	–	**13**	–	**(78)**	**11**	–	–	**24**
Stock based compensation	–	–	**18**	–	–	–	–	–	**18**
Dividends paid	–	–	–	**(355)**	–	–	–	–	**(355)**
Tax benefit related to common stock issued as deferred compensation	–	–	**25**	–	–	–	–	–	**25**
Amortization of deferred compensation	–	–	–	–	–	–	**68**	–	**68**
Comprehensive income, net of tax:									
Net income	–	–	–	**2,057**	–	–	–	–	**2,057**
Unrealized holding loss on derivative transactions, net	–	–	–	–	–	–	–	**(78)**	**(78)**
Foreign currency translation adjustment, net	–	–	–	–	–	–	–	**895**	**895**
Net comprehensive income									**2,874**
Balances at June 30, 2008	86,345	1	2,365	20,439	11,369	(2,318)	(34)	1,113	21,566
Treasury stock purchased at $310.86-$336.86 per share	–	–	–	–	**2,033**	**(685)**	–	–	**(685)**
Treasury stock sold at $336.86 per share	–	–	**154**	–	**(799)**	**115**	–	–	**269**
Exercise of stock options	–	–	**127**	–	**(1,448)**	**208**	–	–	**335**
Treasury stock adjusted, related to deferred compensation at $310.86 per share	–	–	–	–	**13**	**(4)**	–	–	**(4)**
Treasury stock issued as director compensation at $310.86- $336.86 per share	–	–	**7**	–	**(40)**	**6**	–	–	**13**
Stock based compensation	–	–	**16**	–	–	–	–	–	**16**
Dividends paid	–	–	–	**(225)**	–	–	–	–	**(225)**
Tax benefit related to common stock issued as deferred compensation	–	–	**53**	–	–	–	–	–	**53**
Amortization of deferred compensation	–	–	–	–	–	–	**19**	–	**19**
Comprehensive income, net of tax:									
Net income	–	–	–	**2,285**	–	–	–	–	**2,285**
Unrealized holding loss on derivative transactions, net	–	–	–	–	–	–	–	**(148)**	**(148)**
Foreign currency translation adjustment, net	–	–	–	–	–	–	–	**(262)**	**(262)**
Net comprehensive									

income																**1,875**
Balances at June 30, 2009	**86,345**	**$**	**1**	**$**	**2,722**	**$**	**22,499**	**11,128**	**$**	**(2,678)**	**$**	**(15)**	**$**	**703**	**$**	**23,232**

See accompanying notes.

Black Diamond Equipment, Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

All Figures in $ Thousands

	Years Ended June 30	
	2009	**2008**
Cash flows from operating activities		
Net income	**$ 2,285**	$ 2,057
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	**2,042**	1,541
Loss on sale of assets	**4**	5
Amortization of deferred compensation	**19**	68
Tax benefit related to stock issued as deferred compensation	**53**	25
Stock based compensation	**16**	18
Treasury stock issued as director compensation	**13**	24
Deferred income tax benefit	**393**	(460)
Changes in operating assets and liabilities:		
Accounts receivable	**(1,373)**	(1,597)
Inventories	**(3,701)**	(2,208)
Prepaid expenses and other assets	**635**	513
Accounts payable	**506**	62
Accrued liabilities	**251**	796
Net cash provided by operating activities	**1,143**	844
Cash flows from investing activities		
Purchase of property and equipment	**(3,912)**	(3,896)
Proceeds from disposition of property and equipment	**11**	42
Net cash used in investing activities	**(3,901)**	(3,854)
Cash flows from financing activities		
Repayments of long-term debt, revolving lines of credit and capital leases	**(173)**	(121)
Proceeds from long-term debt, revolving lines of credit and capital leases	**2,515**	2,699
Purchase of treasury stock	**(685)**	(431)
Proceeds from sales of treasury stock and exercise of stock options	**600**	617
Dividends paid	**(225)**	(355)
Net cash provided by financing activities	**2,032**	2,409
Effect of foreign exchange rates on cash	**(292)**	1,187
Net (decrease) increase in cash	**(1,018)**	586
Cash at beginning of the year	**2,289**	1,703
Cash at end of the year	**$ 1,271**	$ 2,289
Supplemental cash flow disclosure and noncash transactions		
Cash paid for:		
Income taxes	**$ 1,130**	$ 1,911
Interest	**1,024**	892
Change in deferred income tax and other comprehensive income	**(72)**	247
Treasury stock issued as deferred compensation	**–**	33
Note payable to acquire intangible asset	**897**	–

See accompanying notes.

1. Significant Accounting Policies

Ownership and Business

Black Diamond Equipment, Ltd., a Delaware corporation, has three wholly owned subsidiaries: Black Diamond Retail, Inc., a company incorporated under the laws of the State of Delaware; Black Diamond Equipment AG (BDAG), a company incorporated under the laws of Switzerland; and Black Diamond Sporting Equipment (ZFTZ) Co. Ltd. (BDEA), a company incorporated under the laws of the Peoples Republic of China. Black Diamond Equipment, Ltd. and its subsidiaries are collectively referred to as "the Company" throughout the notes to the consolidated financial statements. The Company designs, manufactures and sells outdoor recreation equipment for climbing, skiing and related activities to domestic and foreign customers.

Principles of Consolidation

The consolidated financial statements include the accounts of Black Diamond Equipment, Ltd. and all its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated upon consolidation.

Foreign Currency Transactions and Translation

The financial statements of BDAG and BDEA are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards (SFAS) No. 52, *Foreign Currency Translation*. Under this Statement, foreign currency assets and liabilities are translated at the current exchange rate and income statement amounts are translated at the average exchange rate for the year. Translation gains and losses are reflected as a separate component of stockholders' equity in accumulated other comprehensive income.

During the years ended June 30, 2009 and 2008, the Company recorded losses of approximately $363,000 and $258,000, respectively, from transactions denominated in currencies other than the Company's functional currencies. These losses are reflected in other income in the accompanying consolidated statements of income.

Cash

Cash includes all highly liquid investments with maturities of three months or less when purchased.

1. Significant Accounting Policies (continued)

Accounts Receivable and Allowance for Doubtful Accounts

The Company records its trade receivables at sales value and establishes a nonspecific reserve for estimated doubtful accounts based on a percentage of sales. In addition, specific reserves are established for customer accounts as known collection problems occur due to insolvency, disputes or other collection issues. The amounts of these specific reserves are estimated by management based on the customer's financial position, the age of the customer's receivables and the reasons for any disputes. The allowance for doubtful accounts is reduced by any write-off of uncollectible customer accounts. Interest is charged on trade receivables that are outstanding beyond the payment terms and is recognized as it is charged.

Inventories

Inventories, other than those held at BDAG and BDEA, are stated at the lower of last-in, first-out (LIFO) cost or market value. The excess of current cost using the first-in, first-out (FIFO) cost method over the LIFO value of inventories was approximately $1,062,000 and $1,489,000 at June 30, 2009 and 2008, respectively. Inventories at BDAG and BDEA are stated at the lower of FIFO cost or market value. Inventories for BDAG and BDEA totaled approximately $13,974,000 and $10,268,000 as of June 30, 2009 and 2008, respectively.

Goodwill and Other Intangible Assets

The Company accounts for goodwill and other intangible assets in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*. Accordingly, goodwill and other intangible assets with indefinite lives are tested annually for impairment. As of June 30, 2009 and 2008, recorded goodwill and other assets with indefinite lives were approximately $2,057,000. The Company performed impairment tests based on estimated future cash flows. These tests indicated no impairment.

As of June 30, 2009 and 2008, other intangible assets with definite lives had a gross value of approximately $68,000 and consisted of value assigned to trademarks, patents and product designs resulting from acquisitions of externally developed technologies. The Company amortizes these intangible assets on a straight-line basis over a period of five to fifteen years. Accumulated amortization on other intangible assets at June 30, 2009 and 2008 was approximately $36,000 and $32,000, respectively.

1. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is stated at historical cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, ranging from 3 to 20 years, or over the life of the lease, if shorter. Major replacements, which extend the useful lives of equipment, are capitalized and depreciated over the remaining useful life. Normal maintenance and repair items are expensed as incurred.

Depreciation expense of approximately $2,038,000 and $1,533,000 is included in general and administrative expenses and cost of sales on the consolidated statements of income for the years ended June 30, 2009 and 2008, respectively.

Derivative Financial Instruments

The Company uses derivative instruments to hedge currency rate movements on foreign currency denominated assets, liabilities and cash flows. The Company enters into forward contracts, option contracts and non-deliverable forwards to manage the impact of foreign currency fluctuations on a portion of its forecasted foreign currency exposure. The Company accounts for these derivative contracts in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. These derivatives are carried at fair value on the Company's consolidated balance sheets in prepaid expenses and accrued liabilities. Changes in fair value of the derivatives not designated as hedge instruments are included in the determination of net income. For derivative contracts designated as hedge instruments, the effective portion of gains and losses resulting from changes in fair value of the instruments are included in accumulated other comprehensive income and reclassified to earnings in the period the underlying hedged item is recognized in earnings. The Company uses operating budgets and cash flow forecasts to estimate future economic exposure and to determine the level and timing of derivative transactions intended to mitigate such exposures in accordance with its risk management polices.

1. Significant Accounting Policies (continued)

Stock-Based Compensation

The Company sponsors a nonqualified stock option plan. The stock options are accounted for following the provisions of SFAS No. 123(R), *Share-Based Payment*. This pronouncement requires companies to measure the cost of employee services received in exchange for an award of equity instruments (typically stock options) based on the grant-date fair value of the award. The fair value is estimated using option-pricing models. The resulting cost is recognized over the period during which an employee is required to provide service in exchange for the award, usually the vesting period.

As allowed under SFAS No. 123(R), the Company estimates the stock-based compensation for stock options using the Black-Scholes option-pricing model, which requires various highly subjective assumptions, including volatility and expected option life. In addition, pursuant to SFAS No. 123(R), the Company estimates forfeitures when calculating stock-based compensation expense, rather than accounting for forfeitures as incurred, which was the previous method. If any of these assumptions change significantly, the stock based compensation expense may differ materially in the future from the expense recorded in the current period. See Note 5 of Notes to Consolidated Financial Statements for additional information.

Revenue Recognition

The Company sells its products pursuant to customer orders or sales contracts entered into with its customers. Revenue is recognized when title and risk of loss pass to the customer and when collectability is reasonably assured. Charges for shipping and handling fees are included in net sales and the corresponding shipping and handling expenses are included in cost of sales in the accompanying consolidated statements of income.

Reporting of Taxes Collected

Taxes collected from customers and remitted to government authorities are reported on the net basis and are excluded from sales.

1. Significant Accounting Policies (continued)

Advertising Costs

The Company expenses all advertising costs as they are incurred. During the years ended June 30, 2009 and 2008, total advertising expenses were approximately $1,334,000 and $1,077,000, respectively.

Research and Development

Research and development costs are charged to expense as incurred. During the years ended June 30, 2009 and 2008, total research and development costs were approximately $2,073,000 and $2,280,000, respectively, and are included in selling, general and administrative expenses in the accompanying consolidated statements of income.

1. Significant Accounting Policies (continued)

Income Taxes

The Company accounts for income taxes based on the asset and liability method required by SFAS No. 109, *Accounting for Income Taxes*. Under the asset and liability method, deferred tax assets and deferred tax liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and deferred tax liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and deferred tax liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

In June 2006, the Financial Accounting Standards Board (FASB) released FASB interpretation (FIN) No.48, *Accounting for Uncertainty in Income Taxes*. FIN 48 interprets the guidance in SFAS No. 109. Under FIN 48, reporting entities utilize different recognition thresholds and measurement requirements when compared to prior technical literature. On December 30, 2008, the FASB Staff issued FASB Staff Position (FSP) FIN48-3, *Effective Date of FASB Interpretation No.48 for Certain Nonpublic Enterprises*. As provided by the guidance in FSP FIN 48-3, the Company is not required to implement the provisions of FIN 48 until fiscal years beginning after December 15, 2008. As such, the Company has not implemented those provisions in the 2009 consolidated financial statements. The adoption of FIN 48 is not expected to have a significant impact on the Company's results of operations and consolidated financial position.

Since the provisions of FIN 48 have not been implemented, the Company continues to account for these positions by following the guidance in SFAS No. 5, *Accounting for Contingencies*. Disclosure is not required of a loss contingency involving an unasserted claim or assessment where there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of June 30, 2009, the Company has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financials statements.

1. Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates and assumptions used.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and accounts receivable. Risks associated with cash within the United States are mitigated by banking with federally insured, creditworthy institutions. As of June 30, 2009, the Company had $392,000 of foreign cash that exceeded foreign government guarantees. To date, the Company has not experienced a loss or lack of access to its cash; however, no assurance can be provided that access to the Company's cash will not be impacted by adverse conditions in the financial markets. In the normal course of business, the Company provides unsecured credit terms to its customers. Accordingly, the Company performs ongoing credit evaluations of its customers and maintains allowances for possible losses as considered necessary by management.

Significant Customers and Foreign Sales

During the years ended June 30, 2009 and 2008, one customer accounted for approximately 12% and 13%, respectively, of the Company's net sales. Additionally, two customers' accounts receivable balances totaled approximately 32% and 25% of the Company's net accounts receivable at June 30, 2009 and 2008, respectively. Sales to foreign customers were approximately $43,670,000 and $38,891,000 during the years ended June 30, 2009 and 2008, respectively.

Subsequent Events

Subsequent events have been evaluated through September 15, 2009, which is the date the financial statements were available to be issued, as required by SFAS No. 165, *Subsequent Events.*

2. Inventories

Inventories consist of the following at June 30 (thousands):

	2009	2008
Raw materials	**$ 4,711**	$ 3,817
Work-in-process	**465**	1,026
Finished goods	**20,404**	17,036
	$ 25,580	$ 21,879

3. Long-Term Debt, Revolving Lines of Credit and Capital Leases

Debt consists of the following at June 30:

(all figures in thousands except monthly payments)	2009	2008
Revolving line of credit with a bank, interest at the bank's prime rate less 0.15% (3.10% at June 30, 2009), payable in equal monthly installments beginning October 1, 2009 through October 1, 2014, unsecured (See additional information at the end of Note 3)	**$ 12,669**	$ 10,460
Revolving line of credit with a bank with a maximum availability of $3,685, interest of 2.0% at June 30, 2009, due September 30, 2009, unsecured	**2,763**	2,748
Note payable to a government agency, interest at 6.345%, monthly installments of $5,409 ending December 2015, secured by real property and certain equipment and guaranteed by an executive officer	**345**	387
Various capital leases payable to banks: interest rates ranging from 4.63% to 7.75%; monthly installments ranging from $780 to $5,075; ending between October 2010 and April 2014; secured by certain equipment	**613**	453
	16,390	14,048
Less current portion	**(2,992)**	(2,906)
Long-term debt, revolving lines of credit and capital leases, net of current portion	**$ 13,398**	$ 11,142

3. Long-Term Debt, Revolving Lines of Credit and Capital Leases (continued)

The approximate aggregate maturities of long-term debt and revolving lines of credit for the fiscal years subsequent to June 30, 2009 are as follows (thousands):

2010	$	2,808
2011		47
2012		50
2013		12,722
2014		57
Thereafter		93
	$	15,777

Property held under capital leases as of June 30, 2009 and 2008 was approximately $848,000 and $556,000, and accumulated amortization was approximately $192,000 and $86,000, respectively.

Capital lease future minimum lease payments and the present value of net minimum lease payments for the fiscal years subsequent to June 30, 2009 are as follows (thousands):

2010	$	219
2011		218
2012		151
2013		58
2014		39
Total Future minimum lease payments		685
Less amount representing interest		(72)
Present value of net minimum lease payments		613
Less current portion		(184)
Long-term capital lease obligations	$	429

3. Long-Term Debt, Revolving Lines of Credit and Capital Leases (continued)

Subsequent to year end, the Company restructured its loan agreement with a bank whereby the Company may borrow up to $30,000,000 under a revolving line of credit. The maturity date of this loan is January 2, 2013. Of this amount, $25,000,000 of the loan has been committed and approved by the bank. The remaining $5,000,000 is available provided certain conditions are met. The loan is collateralized by a security interest in all domestic assets and security interests in the Company's subsidiary stocks. Advance rates are based on certain percentages of the Company's accounts receivables, inventory and property and equipment. Interest, payable monthly, is computed on Ninety Day LIBOR plus 275 to 310 basis points depending on a quarterly determination of the Company's twelve month trailing EBITDA.

The loan contains restrictive debt covenants that require the Company to maintain a minimum trailing twelve month EBITDA, a minimum quarterly EBITDA, a maximum amount of funded debt and a minimum working capital amount. As of June 30, 2009 and 2008, the Company was in compliance with these covenants. As of June 30, 2009 and 2008, the approximate balance of the loan was $12,669,000 and $10,460,000, respectively.

4. Other Long-Term Liabilities

In June 2009, the Company entered into a contract to purchase the exclusive rights to the Black Diamond trademark for clothing. The face amount of the non-interest bearing note is $1,000,000. The unamortized discount, based upon an imputed interest rate of 5% as of June 30, 2009, is $103,000.

Future payments under this agreement (including imputed interest) for the fiscal years subsequent to June 30, 2009 are approximately (thousands):

2010	$	100
2011		150
2012		150
2013		600
Total payments	$	1,000

5. Capital Stock

Preferred Stock

The Company has authorized 20,000 shares of preferred stock. As of June 30, 2009 and 2008, no shares were outstanding. The Company's Board of Directors has the authority to determine the rights, preferences, privileges and restrictions of the preferred stock.

Common Stock (Including Stock Held in Treasury)

During the years ended June 30, 2009 and 2008, the Company purchased shares of its common stock to provide shares for sale in connection with the Company's profit sharing plan and to provide liquidity for its stockholders. These treasury shares are recorded at cost. The shares are purchased at the estimated fair value of the underlying common stock as determined by the Board of Directors based on independent appraisals.

As of June 30, 2009 and 2008, 75,217 and 74,976 shares of common stock were outstanding, respectively.

Stock Bonus Deferred Compensation Plan

The Company maintains a stock bonus deferred compensation plan, under which shares of common stock can be awarded to key employees and outside directors. Under this plan, shares are awarded by the compensation committee of the Board of Directors from the Company's treasury stock. Awards are subject to vesting schedules as determined by the compensation committee, and deferred compensation is amortized over the vesting period based on the fair value of the common stock as of the grant date.

5. Capital Stock (continued)

Shares have been awarded under this plan as follows:

				As of June 30, 2009	
Award Date	**Vesting Date**	**Shares Awarded**	**Fair Market Value per Share at Date of Grant**	**Shares Forfeited**	**Shares Vested**
6/30/2006	6/30/2008	154	232.35	44	110
6/30/2007	1/01/2008	28	276.95	-	28
6/30/2007	6/30/2008	65	276.95	-	65
3/31/2008	1/01/2011	49	310.86	-	-
3/31/2008	1/01/2011	65	310.86	-	-
6/30/2008	6/30/2008	65	310.86	-	65
6/30/2008	1/01/2009	33	310.86	13	20
6/30/2008	6/30/2009	33	310.86	-	33

Stock Option Plan

The Company has adopted a nonqualified stock option plan (the Plan) under which options may be granted to key employees and directors. The Plan is administered by the Board of Directors, which determines the terms of options granted including the exercise price, the number of shares subject to the option, and the exercisability of the option. The terms of awards (including shares granted, vesting periods and price per share) made under this plan are generally at the discretion of the Compensation Committee, but are limited to 17,000 shares of the common stock of the Company. Stock options are granted with an exercise price not less than the stock's fair market value at the date of grant and generally vest over four to five years. As of June 30, 2009, there were 5,300 shares available for future grant under the Plan.

5. Capital Stock (continued)

Stock option activity under the Plan during the years indicated is as follows:

	2009		2008	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Balance outstanding – beginning of year	**9,548**	**$ 236.17**	9,760	$ 231.40
Granted	**3,600**	**336.86**	1,000	276.95
Exercised	**1,448**	**231.40**	1,212	231.40
Forfeited	**-**	**-**	-	-
Balance outstanding – end of year	**11,700**	**$ 267.74**	9,548	$ 236.17
Exercisable – end of year	**8,100**	**$ 237.02**	9,548	$ 236.17

The intrinsic value of all options exercised for the years ended June 30, 2009 and 2008 were approximately $150,000 and $56,000, respectively. As of June 30, 2009 and 2008, the aggregate intrinsic value of options outstanding and exercisable were approximately $899,000 and $736,000, respectively.

For options granted during the fiscal years ended June 30, 2009 and 2008, the Company estimated the fair value of stock options using the Black-Scholes option pricing model. Key input assumptions used to estimate the fair value of stock options include the exercise price of the award, excepted option term, the expected volatility of the Company's stock over the option's expected term, the risk-free interest rate over the option's expected term, and the Company's expected annual dividend yield. The expected option term represents time until exercise and is based on Company's historical experience with similar awards, taking into consideration contractual terms, vesting schedules and expected employee behavior.

5. Capital Stock (continued)

The expected stock price volatility is based upon historical volatility of similar publicly traded companies, due to the fact that the Company's stock is not publicly traded. The risk-free interest rate is based on U.S. Treasury yield rates in effect at the time of the grant. The Company's expected annual dividend yield is based upon historical experience. Assumptions are evaluated and revised, as necessary, to reflect changes in market conditions and the Company's experience. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by the people who receive equity awards.

The following table shows the weighted average assumptions for the years ended June 30:

	2009	2008
Options granted	**3,600**	1,000
Expected term	**2.5 years**	2.0 years
Expected stock price volatility	**25%**	25%
Risk-free interest rate	**1.65%**	2.92%
Expected dividend yield	**2.0%**	2.0%
Estimated average fair value	**$49.03**	$50.02

6. Derivative Financial Instruments

Derivative Contracts not designated as hedged instruments

As of June 30, 2009, the Company held forward exchange contracts with maturing dates between September and November 2009 to sell 2,500,000 Euro for approximately $3,557,000 and to sell 750,000 Swiss Francs for approximately $702,000. The Company reported mark-to-market gains on these contracts of approximately $310,000 for the year ended June 30, 2009. As of June 30, 2008, the Company held forward exchange contracts with maturing dates between September and November 2008 to sell 2,000,000 Euro for approximately $2,937,000 and to sell 1,000,000 Swiss Francs for approximately $921,000. The Company reported mark-to-market losses on these contracts of approximately $253,000 for the year ended June 30, 2008.

As of June 30, 2009 the Company held non-deliverable forward exchange contracts to buy approximately 25,300,000 Chinese Yuan for $4,000,000 with eight monthly contracts maturing between July 2009 and February 2010. For the year ended June 30, 2009, the Company reported mark-to-market losses of approximately $353,000. As of June 30, 2008 the Company held non-deliverable forward exchange contracts to buy approximately 62,000,000 Chinese Yuan for $9,500,000 with nineteen monthly contracts maturing between August 2008 and February 2010. For the year ended June 30, 2008, the Company reported mark-to-market gains of approximately $15,000.

Forward interest rate swap not designated as hedged instrument

During the years ended June 30, 2009 and 2008, the Company held a forward interest rate swap, in an effort to manage interest rate risk on a certain debt instrument with a variable interest rate. In September 2005, the Company entered into a swap agreement with a notional amount of $4,000,000, a maturity date of October 2010, and a fixed rate of 4.54%. The fair value of the swap as of June 30, 2009 and 2008 was approximately $201,000 and $103,000, respectively. This swap does not qualify for hedge account treatment; therefore, the change in the agreement's fair value has been expensed on the consolidated statement of income.

6. Derivative Financial Instruments (continued)

Derivative Contracts designated as hedged instruments

During the years ended June 30, 2009 and 2008, the Company held foreign exchange option contracts whereby it purchased put options and sold call options. At the inception of each option, the cost to buy the put would offset the price to sell the call resulting in a zero sum cost to enter the contract. As of June 30, 2009, the Company held put options of 6,550,000 Euro for approximately $5,749,000 and sold call options of 6,550,000 for approximately $5,931,000. As of June 30, 2008, the Company held put options of 4,750,000 Euro for approximately $7,158,000 and sold call options of 4,750,000 for approximately $7,347,350.

As of June 30, 2009, the Company also held forward exchange contracts, with maturing dates between July 2009 and June 2010 to sell the following amounts: 750,000 Swiss Francs for approximately $646,000; 922,000 British Pound for approximately $1,514,000; 2,244,000 Norwegian Kroner for approximately $348,000; and 8,736,000 Euro for approximately $12,238,000.

The Company accounts for these contracts as cash flow hedges and tests effectiveness by determining whether changes in the cash flow of the derivative offset, within a range, changes in the cash flow of the hedged item. During the years ended June 30, 2009 and 2008, the Company reported an adjustment to accumulated other comprehensive income of approximately $313,000 and $123,000, respectively, as a result of the change in fair value of these contracts.

7. Fair Value of Financial Instruments

Effective July 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements*, for assets and liabilities that are measured at fair value on a recurring basis. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a three-level fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The three fair value hierarchy levels are defined as follows:

Level 1- inputs to the valuation methodology are quoted market prices for identical assets or liabilities in active markets.

Level 2- inputs to the valuation methodology include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3- inputs to the valuation methodology are based on prices or valuation techniques that are unobservable.

The following table presents the assets and liabilities carried at fair value as of June 30, 2009 in the consolidated balance sheet by fair value hierarchy level, as described above (thousands).

	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 395	$ -	$ -	$ 395
Forward exchange contracts	-	57	-	57
Total assets	$ 395	$ 57	$ -	$ 452
Liabilities				
Forward interest rate swap	$ -	$ -	$ 201	$ 201
Forward exchange contracts	-	593	-	593
Total liabilities	$ -	$ 593	$ 201	$ 794

Forward exchange contracts with Level 2 inputs to the valuation methodology are based upon models that use primarily market observable inputs, such as yield curves and option volatilities. Forward interest rate swaps with Level 3 inputs to the valuation method are based upon models that use primarily unobservable inputs, such as implied forward and discount curves.

7. Fair Value of Financial Instruments (continued)

Level 3 assets measured at fair value on a recurring basis are reconciled for the year ended June 30, 2009 as follows (thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Balance as of July 1, 2008	$ 103
Total losses (realized and unrealized)	98
Net purchases, issuances and settlements	-
Net transfers in and out of Level 3	-
Balance as of June 30, 2009	$ 201

The carrying amounts of the Company's accounts receivable, accounts payable, accrued liabilities, and other liabilities approximate their fair values due to their short-term maturities. Based upon borrowing rates currently available to the Company for loans with similar terms, the carrying values of the Company's debt obligations also approximate fair value.

There was no material effect from the adoption of SFAS No. 157 on the Company's consolidated financial position or results of operations.

8. Income Taxes

The components of the provision for income taxes are as follows for the years ended June 30 (thousands):

	2009	2008
Current provision:		
Federal	**$ (758)**	$ (1,008)
State	**(106)**	(142)
Foreign	**-**	(182)
	(864)	(1,332)
Deferred benefit:		
Federal	**(345)**	403
State	**(48)**	57
	(393)	460
Total income tax provision	**$ (1,257)**	$ (872)

The Company's effective tax rates vary from federal statutory rates primarily due to nondeductible items and statutory exclusions, such as a portion of the Company's meals and entertainment expenses, state income taxes, income eligible for the extraterritorial income exclusion, federal and state research and development credits, and deductions related to domestic production activities.

The net deferred tax asset (liability) consists of the following as of June 30 (thousands):

	2009	2008
Current deferred taxes:		
Gross assets	**$ 2,124**	$ 2,044
Gross liabilities	**(314)**	(428)
Total current deferred taxes	**1,810**	1,616
Noncurrent deferred taxes:		
Gross assets	**724**	662
Gross liabilities	**(1,325)**	(748)
Total noncurrent deferred taxes	**(601)**	(86)
Net deferred tax asset	**$ 1,209**	$ 1,530

8. Income Taxes (continued)

Deferred taxes are comprised primarily of amounts related to inventory reserves, accelerated depreciation of property and equipment and other reserves and accruals.

9. Leases

The Company leases warehouse space and certain equipment under noncancelable operating leases. Total rental expense for the years ended June 30, 2009 and 2008 was approximately $543,000 and $379,000, respectively.

Future minimum lease payments under operating leases are approximately (thousands):

2010	$	594
2011		583
2012		429
2013		440
2014		140
Total minimum lease payments	$	2,186

10. Commitments and Contingencies

The Company is involved, periodically, in various claims and legal actions arising in the ordinary course of business. It is the opinion of management, after discussions with legal counsel, that the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or consolidated results of operations.

11. Profit Sharing Plan

Substantially all full-time employees in the United States over the age of 21 are covered under the Company's profit sharing retirement savings plan. Contributions to the plan are made at the discretion of management and the Directors of the Company. There was no contribution made for the year ended June 30, 2009. For the year ended June 30, 2008, the Company contributed approximately $91,000 to the plan.

12. Related Party Transactions

During the years ended June 30, 2009 and 2008, the Company had sales to an entity controlled by a director and stockholder of the Company totaling approximately $3,625,000 and $2,663,000, respectively. Due to the related nature of these transactions, the amounts received might have been different if similar activities had been undertaken with unrelated parties.

At June 30, 2009 and 2008, accounts receivable included approximately $81,000 and $143,000, respectively, due from an entity controlled by a director and stockholder of the Company.

13. Guarantees

In January 2009, the Company provided a guarantee for full and complete payment of any unpaid balance owed to a supplier of the Company's glove vendor. The guarantee does not provide for any limitation of the maximum potential for future payments the Company could be obligated to make. As of June 30, 2009, the Company has not made any payments related to the guarantee it provides. The guarantee remains in place until terminated by the Company by providing written notice to the supplier. Any unpaid balances owed prior to the notice would still be the liability of the Company. As of June 30, 2009, the Company has not recorded any liability for this guarantee since the estimated fair value of the obligation to stand ready to act as a guarantor is not material and, to date, the Company has not received notification of any amount payable under the terms of the guarantee.

Consolidated Financial Statements

Black Diamond Equipment, Ltd. and Subsidiaries
Years Ended June 30, 2008 and 2007
with Report of Independent Auditors

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
Black Diamond Equipment, Ltd. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Black Diamond Equipment, Ltd. and Subsidiaries (the "Company") as of June 30, 2008 and 2007, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Black Diamond Equipment, Ltd. and Subsidiaries as of June 30, 2008 and 2007, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Tanner LC

Salt Lake City, Utah
September 26, 2008

Black Diamond Equipment, Ltd. and Subsidiaries

Consolidated Balance Sheets

All Figures in $ Thousands (except share data)

	June 30 2008	2007
Assets		
Current assets:		
Cash	**$ 2,289**	$ 1,703
Accounts receivable, less allowance for doubtful accounts of $380 and $349, respectively	**8,354**	6,757
Inventories	**21,879**	19,671
Prepaid expenses and other current assets	**1,281**	1,742
Deferred income taxes	**1,616**	1,068
Total current assets	**35,419**	30,941
Property and equipment:		
Land	**336**	336
Buildings and improvements	**3,085**	3,036
Machinery and equipment	**5,591**	4,880
Computer hardware and software	**2,742**	2,225
Furniture and fixtures	**1,876**	1,327
Construction in progress	**2,429**	676
	16,059	12,480
Less:		
Accumulated depreciation	**(8,137)**	(6,874)
	7,922	5,606
Deferred income taxes	**–**	249
Goodwill and other intangibles, net	**1,196**	1,204
Other long-term assets	**–**	52
	$ 44,537	$ 38,052
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt, revolving lines of credit and capital lease	**$ 2,906**	$ 1,605
Accounts payable	**5,046**	4,984
Accrued liabilities	**3,791**	2,872
Total current liabilities	**11,743**	9,461
Long-term debt, revolving lines of credit and capital lease, net of current portion	**11,142**	9,865
Deferred income taxes	**86**	–
Total Liabilities	**22,971**	19,326
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value; 200,000 shares authorized; 86,345 shares issued at June 30, 2008 and 2007 (including 11,369 and 12,573 shares held in treasury at June 30, 2008 and 2007, respectively)	**1**	1
Additional paid-in capital	**2,365**	1,943
Retained earnings	**20,439**	18,737
Treasury stock, at cost	**(2,318)**	(2,225)
Deferred compensation	**(34)**	(26)
Accumulated other comprehensive income	**1,113**	296
Total stockholders' equity	**21,566**	18,726
	$ 44,537	$ 38,052

See accompanying notes.

Black Diamond Equipment, Ltd. and Subsidiaries

Consolidated Statements of Income

All Figures in $ Thousands

	Years Ended June 30	
	2008	**2007**
Net sales	**$ 77,793**	$ 64,023
Cost of sales	**49,204**	40,030
Gross margin	**28,589**	23,993
Selling, general and administrative expenses	**25,031**	20,741
Income from operations	**3,558**	3,252
Other income (expense):		
Other income, net	**240**	171
Interest expense	**(869)**	(755)
Total other income (expense)	**(629)**	(584)
Income before income tax provision	**2,929**	2,668
Income tax provision	**(872)**	(1,152)
Net income	**$ 2,057**	$ 1,516

See accompanying notes.

Black Diamond Equipment, Ltd. and Subsidiaries

Consolidated Statements of Stockholders' Equity and Comprehensive Income

All Figures in $ Thousands (except share data)

	Common Stock		Additional Paid-In	Retained	Treasury Stock		Deferred	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Earnings	Shares	Amount	Compensation	Income	Equity
Balances at July 1, 2006	86,345	$ 1	$ 1,800	$ 17,516	12,325	$ (2,006)	$ (77)	$ 171	$ 17,405
Treasury stock purchased at $232.35-$276.95 per share	–	–	–	–	**1,333**	**(346)**	–	–	**(346)**
Treasury stock sold at $232.35-$276.95 per share	–	–	**37**	–	**(276)**	**33**	–	–	**70**
Exercise of stock options	–	–	**75**	–	**(690)**	**85**	–	–	**160**
Treasury stock issued as deferred compensation at $276.95 per share	–	–	**14**	–	**(93)**	**11**	**(25)**	–	–
Forfeiture of unvested shares on employee departure	–	–	–	–	**44**	**(10)**	**10**	–	–
Treasury stock issued as director compensation at $232.35-$276.95 per share	–	–	**9**	–	**(70)**	**8**	–	–	**17**
Dividends paid	–	–	–	**(295)**	–	–	–	–	**(295)**
Tax benefit related to common stock issued as deferred compensation	–	–	**8**	–	–	–	–	–	**8**
Amortization of deferred compensation	–	–	–	–	–	–	**66**	–	**66**
Comprehensive income:									
Net income	–	–	–	**1,516**	–	–	–	–	**1,516**
Foreign currency translation adjustment	–	–	–	–	–	–	–	**125**	**125**
Net comprehensive income									**1,641**
Balances at June 30, 2007	86,345	1	1,943	18,737	12,573	(2,225)	(26)	296	18,726
Treasury stock purchased at $276.95-$310.86 per share	–	–	–	–	**1,412**	**(431)**	–	–	**(431)**
Treasury stock sold at $310.86 per share	–	–	**190**	–	**(1,081)**	**146**	–	–	**336**
Exercise of stock options	–	–	**133**	–	**(1,212)**	**148**	–	–	**281**
Treasury stock issued as deferred compensation at $310.86 per									

share	–	–	**43**	–	**(245)**	**33**	**(76)**	–	–
Treasury stock issued as director / legal compensation at $276.95-$310.86 per share	–	–	**13**	–	**(78)**	**11**	–	–	**24**
Stock based compensation	–	–	**18**	–	–	–	–	–	**18**
Dividends paid	–	–	–	**(355)**	–	–	–	–	**(355)**
Tax benefit related to common stock issued as deferred compensation	–	–	**25**	–	–	–	–	–	**25**
Amortization of deferred compensation	–	–	–	–	–	–	**68**	–	**68**
Comprehensive income, net of tax:									
Net income	–	–	–	**2,057**	–	–	–	–	**2,057**
Unrealized holding loss on derivative transactions, net	–	–	–	–	–	–	–	**(78)**	**(78)**
Foreign currency translation adjustment	–	–	–	–	–	–	–	**895**	**895**
Net comprehensive income									**2,874**
Balances at June 30, 2008	**86,345**	**$ 1**	**$ 2,365**	**$ 20,439**	**11,369**	**$ (2,318)**	**$ (34)**	**$ 1,113**	**$ 21,566**

See accompanying notes.

Black Diamond Equipment, Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

All Figures in $ Thousands

	Years Ended June 30	
	2008	**2007**
Cash flows from operating activities		
Net income	**$ 2,057**	$ 1,516
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	**1,541**	1,214
Loss on sale of assets	**5**	73
Amortization of deferred compensation	**68**	66
Tax benefit related to stock issued as deferred compensation	**25**	8
Stock based compensation	**18**	–
Treasury stock issued as director compensation	**24**	17
Deferred income tax benefit	**(460)**	(134)
Changes in operating assets and liabilities:		
Accounts receivable	**(1,597)**	(919)
Inventories	**(2,208)**	(5,534)
Prepaid expenses and other assets	**513**	(356)
Accounts payable	**62**	711
Accrued liabilities	**796**	646
Net cash provided by (used in) operating activities	**844**	(2,692)
Cash flows from investing activities		
Purchase of property and equipment	**(3,896)**	(2,527)
Proceeds from disposition of property and equipment	**42**	8
Net cash used in investing activities	**(3,854)**	(2,519)
Cash flows from financing activities		
Repayments of long-term debt, revolving lines of credit and capital leases	**(121)**	(48)
Proceeds from long-term debt, revolving lines of credit and capital leases	**2,699**	4,999
Purchase of treasury stock	**(431)**	(346)
Proceeds from sales of treasury stock and exercise of stock options	**617**	230
Dividends paid	**(355)**	(295)
Net cash provided by financing activities	**2,409**	4,540
Effect of foreign exchange rates on cash	**1,187**	125
Net increase (decrease) in cash	**586**	(546)
Cash at beginning of the year	**1,703**	2,249
Cash at end of the year	**$ 2,289**	$ 1,703
Supplemental cash flow disclosure and noncash transactions		
Cash paid for:		
Income taxes	**$ 1,911**	$ 1,071
Interest	**892**	719
Deferred income tax liability recorded by reducing other comprehensive income	**247**	–
Treasury stock issued as deferred compensation	**33**	11
Forfeiture of unvested shares	**–**	10

See accompanying notes.

1. Significant Accounting Policies

Ownership and Business

Black Diamond Equipment, Ltd., a Delaware corporation, has three wholly owned subsidiaries: Black Diamond Retail, Inc., a company incorporated under the laws of the State of Delaware; Black Diamond Equipment AG (BDAG), a company incorporated under the laws of Switzerland; and Black Diamond Sporting Equipment (ZFTZ) Co. Ltd. (BDEA), a company incorporated under the laws of the Peoples Republic of China. Black Diamond Equipment, Ltd. and its subsidiaries are collectively referred to as "the Company" throughout the notes to the consolidated financial statements. The Company designs, manufactures and sells outdoor recreation equipment for climbing, skiing and related activities to domestic and foreign customers.

Principles of Consolidation

The consolidated financial statements include the accounts of Black Diamond Equipment, Ltd. and all its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated upon consolidation.

Foreign Currency Transactions and Translation

The financial statements of BDAG and BDEA are translated into U.S. dollars in accordance with Statement of Financial Accounting Standards (SFAS) No. 52, *Foreign Currency Translation*. Under this Statement, foreign currency assets and liabilities are translated at the current exchange rate and income statement amounts are translated at the average exchange rate for the year. Translation gains and losses are reflected as a separate component of stockholders' equity in accumulated other comprehensive income.

During the years ended June 30, 2008 and 2007, the Company recorded (losses) gains of approximately ($258,000) and $151,000, respectively, from transactions denominated in currencies other than the Company's functional currencies. These gains are reflected in other income in the accompanying consolidated statements of income.

Cash

Cash includes all highly liquid investments with maturities of three months or less when purchased.

1. Significant Accounting Policies (continued)

Accounts Receivable and Allowance for Doubtful Accounts

The Company records its trade receivables at sales value and establishes a nonspecific reserve for estimated doubtful accounts based on a percentage of sales. In addition, specific reserves are established for customer accounts as known collection problems occur due to insolvency, disputes or other collection issues. The amounts of these specific reserves are estimated by management based on the customer's financial position, the age of the customer's receivables and the reasons for any disputes. The allowance for doubtful accounts is reduced by any write-off of uncollectible customer accounts.

Inventories

Inventories, other than those held at BDAG and BDEA, are stated at the lower of last-in, first-out (LIFO) cost or market value. The excess of current cost using the first-in, first-out (FIFO) cost method over the LIFO value of inventories was approximately $1,489,000 and $601,000 at June 30, 2008 and 2007, respectively. Inventories at BDAG and BDEA are stated at the lower of FIFO cost or market value. Inventories for BDAG and BDEA totaled approximately $10,268,000 and $3,512,000 as of June 30, 2008 and 2007, respectively.

Goodwill and Other Intangible Assets

The Company accounts for goodwill in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*. Accordingly, goodwill is tested annually for impairment. As of June 30, 2008 and 2007, recorded goodwill was approximately $1,160,000. The Company performed impairment tests on its goodwill based on estimated future cash flows. These tests indicated no impairment.

As of June 30, 2008 and 2007, other intangible assets had a gross value of approximately $68,000, and consisted of value assigned to trademarks, patents and product designs resulting from acquisitions of externally developed technologies. The Company amortizes these intangible assets on a straight-line basis over a period of five to fifteen years. Accumulated amortization on other intangible assets at June 30, 2008 and 2007 was approximately $32,000 and $25,000, respectively. The Company performed impairment tests on its other intangible assets based on estimated future cash flows. These tests indicated no impairment as of June 30, 2008 and 2007.

1. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment is stated at historical cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, ranging from 3 to 20 years, or over the life of the lease, if shorter, for leasehold improvements. Major replacements, which extend the useful lives of equipment, are capitalized and depreciated over the remaining useful life. Normal maintenance and repair items are expensed as incurred.

Depreciation expense of approximately $1,533,000 and $1,200,000 is included in general and administrative expenses and cost of sales on the consolidated statements of income for the years ended June 30, 2008 and 2007, respectively.

Derivative Financial Instruments

The Company uses derivative instruments to hedge currency rate movements on foreign currency denominated assets, liabilities and cash flows. The Company enters into forward contracts, option contracts and non-deliverable forwards to manage the impact of foreign currency fluctuations on a portion of its forecasted foreign currency exposure. The Company accounts for these derivative contracts in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. These derivatives are carried at fair value on the Company's consolidated balance sheet. Changes in fair value of the derivatives not designed as hedge instruments are included in the determination of net income. For derivative contracts designated as hedge instruments, the effective portion of gains and losses resulting from changes in fair value of the instruments are included in accumulated other comprehensive income and reclassified to earnings in the period the underlying hedged item is recognized in earnings. The Company uses operating budgets and cash flow forecasts to estimate future economic exposure and to determine the level and timing of derivative transactions intended to mitigate such exposures in accordance with its risk management polices.

1. Significant Accounting Policies (continued)

Stock-Based Compensation

During the fiscal year ended June 30, 2004, the Company adopted the 2004 Nonqualified Stock Option Plan.

During the fiscal year ended June 30, 2007, the Company adopted SFAS No. 123(R), *Share-Based Payment*, which amends SFAS No. 123, *Accounting for Stock-Based Compensation*, and supersedes Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*. This pronouncement requires companies to measure the cost of employee services received in exchange for an award of equity instruments (typically stock options) based on the grant-date fair value of the award. The fair value is estimated using option-pricing models. The resulting cost is recognized over the period during which an employee is required to provide service in exchange for the award, usually the vesting period. The Company has granted options since adopting this standard. Under SFAS No. 123(R)'s prospective transition method, the Company continues to account for previously-issued options for which the vesting period is not complete using the intrinsic value method of APB No. 25.

As allowed under SFAS No. 123(R), the Company estimates the stock-based compensation for stock options using the Black-Scholes option-pricing model, which requires various highly subjective assumptions, including volatility and expected option life. In addition, pursuant to SFAS No. 123(R), the Company estimates forfeitures when calculating stock-based compensation expense, rather than accounting for forfeitures as incurred, which was the previous method. If any of these assumptions change significantly, the stock based compensation expense may differ materially in the future from the expense recorded in the current period. See Note 4 of Notes to Consolidated Financial Statements for additional information.

1. Significant Accounting Policies (continued)

Revenue Recognition

The Company sells its products pursuant to customer orders or sales contracts entered into with its customers. Revenue is recognized when title and risk of loss pass to the customer and when collectability is reasonably assured. Charges for shipping and handling fees are included in net sales and the corresponding shipping and handling expenses are included in cost of sales in the accompanying consolidated statements of income.

Reporting of Taxes Collected

Taxes collected from customers and remitted to government authorities are reported on the net basis and are excluded from sales.

Advertising Costs

The Company expenses all advertising costs as they are incurred. During the years ended June 30, 2008 and 2007, total advertising expenses were approximately $1,077,000 and $1,068,000, respectively.

Research and Development

Research and development costs are charged to expense as incurred. During the years ended June 30, 2008 and 2007, total research and development costs were approximately $2,280,000 and $1,999,000, respectively, and are included in selling, general and administrative expenses in the accompanying consolidated statements of income.

1. Significant Accounting Policies (continued)

Income Taxes

The Company accounts for income taxes based on the asset and liability method required by SFAS No. 109, *Accounting for Income Taxes*. Under the asset and liability method, deferred tax assets and deferred tax liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and deferred tax liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and deferred tax liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates and assumptions used.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and accounts receivable. Risks associated with cash are mitigated by banking with federally insured, creditworthy institutions. In the normal course of business, the Company provides unsecured credit terms to its customers. Accordingly, the Company performs ongoing credit evaluations of its customers and maintains allowances for possible losses as considered necessary by management.

1. Significant Accounting Policies (continued)

Significant Customers and Foreign Sales

During each of the years ended June 30, 2008 and 2007, one customer accounted for approximately 13% of the Company's net sales. Additionally, three customers' accounts receivable balances totaled approximately 28% and 25% of the Company's net accounts receivable at June 30, 2008 and 2007, respectively. Sales to foreign customers were approximately $38,891,000 and $31,082,000 during the years ended June 30, 2008 and 2007, respectively.

2. Inventories

Inventories consist of the following at June 30 (thousands):

	2008	2007
Raw materials	**$ 3,817**	$ 3,713
Work-in-process	**1,026**	1,039
Finished goods	**17,036**	14,919
	$ 21,879	$ 19,671

3. Long-Term Debt, Revolving Lines of Credit and Capital Leases

Debt consists of the following at June 30:

(all figures in thousands except monthly payments)	2008	2007
Revolving line of credit with a bank, interest at the bank's prime rate less 0.65% (4.35% at June 30, 2008), payable in equal monthly installments beginning October 1, 2009 through October 1, 2014, unsecured	**$ 10,460**	$ 9,398
Revolving line of credit with a bank with a maximum availability of $2,944, interest of 4.35% at June 30, 2008, due September 30, 2008, unsecured	**2,748**	1,546
Note payable to a government agency, interest at 6.345%, payable in monthly installments of $5,409 ending December 2015, secured by real property and certain equipment and guaranteed by an executive officer	**387**	426
Capital lease payable to a bank, interest at 7.20%, payable in monthly installments of $2,205 ending December 2011, secured by certain equipment	**80**	100
Capital lease payable to a bank, interest at 7.75%, payable in monthly installments of $5,075 ending August 2012, secured by certain equipment	**216**	-
Capital lease payable to a bank, interest at 6.24%, payable in monthly installments of $1,663 ending October 2010, secured by certain equipment	**67**	-
Capital lease payable to a bank, interest at 6.70%, payable in monthly installments of $3,278 ending December 2010, secured by certain equipment	**90**	-
	14,048	11,470
Less current portion	**(2,906)**	(1,605)
Long-term debt, revolving lines of credit and capital leases, net of current portion	**$ 11,142**	$ 9,865

3. Long-Term Debt, Revolving Lines of Credit and Capital Leases (continued)

The approximate aggregate maturities of long-term debt and revolving line of credit for the fiscal years subsequent to June 30, 2008 are as follows (thousands):

2009	**$ 2,790**
2010	**1,311**
2011	**2,018**
2012	**2,108**
2013	**2,203**
Thereafter	**3,165**
	$ 13,595

Property held under capital leases as of June 30, 2008 and 2007 was $556,000 and $112,000, net of accumulated amortization of $86,000 and $13,000, respectively.

Capital lease future minimum lease payments and the present value of net minimum lease payments are as follows:

2009	**$ 145**
2010	**145**
2011	**144**
2012	**72**
2013	**10**
Total Future minimum lease payments	**516**
Less amount representing interest	**(63)**
Present value of net minimum lease payments	**453**
Less current portion	**(116)**
Long-term capital lease obligations	**$ 337**

3. Long-Term Debt, Revolving Lines of Credit and Capital Leases (continued)

In August 2007, the Company restructured its loan agreement on a revolving line of credit. This increased the maximum amount the Company may borrow from $19,000,000 to $20,000,000. As of the years ended June 30, 2008 and 2007, the approximate balance was $10,460,000 and $9,398,000, respectively. Current advances under the revolving line of credit bear interest at the bank's prime interest rate less 0.65%. The interest rate is adjusted quarterly based on certain financial ratios. The revolving line of credit expires October 1, 2014 and is unsecured, provided that certain financial ratios are maintained at levels outlined in the credit agreement.

The revolving line of credit contains certain restrictive debt covenants that require the Company to maintain a specified ratio of liabilities to tangible net worth, a minimum current ratio, and a minimum consolidated EBITDA (earnings before interest, taxes, depreciation and amortization). As of June 30, 2008 and 2007, the Company was in compliance with these covenants.

4. Capital Stock

Preferred Stock

The Company has authorized 20,000 shares of preferred stock. As of June 30, 2008 and 2007, no shares were outstanding. The Company's Board of Directors has the authority to determine the rights, preferences, privileges, and restrictions of the preferred stock.

Common Stock (Including Stock Held in Treasury)

During the years ended June 30, 2008 and 2007, the Company purchased shares of its common stock to provide shares for sale in connection with the Company's profit sharing plan and to provide liquidity for its stockholders. These treasury shares are recorded at cost. The shares are purchased at the estimated fair value of the underlying common stock as determined by the Board of Directors based on independent appraisals.

As of June 30, 2008 and 2007, 74,976 and 73,772 shares of common stock were outstanding, respectively.

4. Capital Stock (continued)

Stock Bonus Deferred Compensation Plan

The Company maintains a stock bonus deferred compensation plan, under which shares of common stock can be awarded to key employees and outside directors. Under this plan, shares are awarded by the compensation committee of the Board of Directors from the Company's treasury stock. Awards are subject to vesting schedules as determined by the compensation committee, and deferred compensation is amortized over the vesting period based on the fair value of the common stock as of the grant date. Shares have been awarded under this plan as follows:

				As of June 30, 2008	
Award Date	Vesting Date	Shares Awarded	Fair Market Value per Share at Date of Grant	Shares Forfeited	Shares Vested
3/1/2004	1/1/2007	1,272	231.40	11	1,261
10/1/2004	1/1/2007	44	231.40	22	22
6/30/2006	6/30/2008	154	232.35	44	110
6/30/2007	1/1/2008	28	276.95	-	28
6/30/2007	6/30/2008	65	276.95	-	65
3/31/2008	1/1/2011	49	310.86	-	-
3/31/2008	1/1/2011	65	310.86	-	-
6/30/2008	6/30/2008	65	310.86	-	65
6/30/2008	1/1/2009	33	310.86	-	-
6/30/2008	6/30/2009	33	310.86	-	-

Stock Option Plan

The Company has adopted a nonqualified stock option plan (the Plan) under which options may be granted to key employees and directors. The Plan is administered by the Board of Directors, which determines the terms of options granted including the exercise price, the number of shares subject to the option, and the exercisability of the option. The terms of awards (including shares granted, vesting periods and price per share) made under this plan are generally at the discretion of the Compensation Committee, but are limited to 12,000 shares of the common stock of the Company. Stock options are granted with an exercise price not less than the stock's fair market value at the date of grant and generally vest over four to five years. As of June 30, 2008, there were 2,452 shares available for future grant under the Plan.

4. Capital Stock (continued)

Stock option activity under the Plan during the years indicated is as follows:

	2008		2007	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Balance outstanding – beginning of year	**9,760**	**$ 231.40**	10,450	$ 231.40
Granted	**1,000**	**276.95**	-	-
Exercised	**1,212**	**231.40**	690	231.40
Forfeited	**-**	**-**	-	-
Balance outstanding – end of year	**9,548**	**$ 236.17**	9,760	$ 231.40
Exercisable – end of year	**9,548**	**$ 236.17**	9,760	$ 231.40

The intrinsic value of all options exercised for the years ended June 30, 2008 and 2007 were approximately $56,000 and $20,000, respectively. As of June 30, 2008 and 2007, the aggregate intrinsic value of options outstanding and options exercisable were approximately $736,000 and $445,000, respectively.

For options granted during the fiscal year ended June 30, 2008, the Company estimated the fair value of stock options using the Black-Scholes option pricing model. Key input assumptions used to estimate the fair value of stock options include the exercise price of the award, excepted option term, the expected volatility of the Company's stock over the option's expected term, the risk-free interest rate over the option's expected term, and the Company's expected annual dividend yield. The expected option term represents time until exercise and is based on Company's historical experience with similar awards, taking into consideration contractual terms, vesting schedules and expected employee behavior.

4. Capital Stock (continued)

The expected stock price volatility is based upon historical volatility of similar publicly traded companies, due to the fact that the Company's stock is not publicly traded. The risk-free interest rate is based on U.S. Treasury yield rates in effect at the time of the grant. The Company's expected annual dividend yield is based upon historical experience. Assumptions are evaluated and revised as necessary to reflect changes in market conditions and the Company's experience. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by the people who receive equity awards.

The following table shows the weighted average assumptions for the year ended June 30, 2008:

Options granted	1,000
Expected term	2.0 years
Expected stock price volatility	25%
Risk-free interest rate	2.92%
Expected dividend yield	2.0%
Estimated average fair value	$50.02

5. Derivative Financial Instruments

Derivative Contracts not designated as hedged instruments

As of June 30, 2008, the Company held forward exchange contracts with maturing dates between September and November 2008 to sell 2,000,000 Euro for approximately $2,937,000 and to sell 1,000,000 Swiss Francs for approximately $921,000. The Company reported losses on these contracts of approximately $253,000 for the year ended June 30, 2008. As of June 30, 2007, the Company held forward exchange contracts with maturing dates between October and December 2007 to sell 2,375,000 Swiss Francs for approximately $1,969,000. The Company reported gains of approximately $7,000 on these contracts.

As of June 30, 2008 the Company held non-deliverable forward exchange contracts to buy approximately 62,000,000 Chinese Yuan for $9,500,000 with nineteen monthly contracts maturing between August 2008 and February 2010. For the year ended June 30, 2008, the Company reported gains of approximately $15,000. The Company did not have any non-deliverable contracts as of June 30, 2007.

Derivative Contracts designated as hedged instruments

As of June 30, 2008 the Company held foreign exchange option contracts whereby it purchased put options and sold call options. At the inception of each option, the cost to buy the put would offset the price to sell the call resulting in a zero sum cost to enter the contract. As of June 30, 2008, the Company held put options of 4,750,000 Euro for approximately $7,158,000 and sold call options of 4,750,000 for approximately $7,347,350. The Company accounts for these contracts as cash flow hedges and tests effectiveness by determining whether changes in the cash flow of the derivative offset, within a range, changes in the cash flow of the hedged item. The Company reported an adjustment to accumulated other comprehensive income of approximately $123,000 for the year ended June 30, 2008 as a result of the change in fair value of these contracts. The Company did not have any forward exchange contracts that qualified for hedge accounting as of June 30, 2007.

6. Income Taxes

The components of the provision for income taxes are as follows for the years ended June 30 (thousands):

	2008	2007
Current provision:		
Federal	**$ (1,008)**	$ (729)
State	**(142)**	(102)
Foreign	**(182)**	(455)
	(1,332)	(1,286)
Deferred benefit:		
Federal	**403**	118
State	**57**	16
	460	134
Total income tax provision	**$ (872)**	$ (1,152)

The Company's effective tax rates vary from federal statutory rates primarily due to nondeductible items and statutory exclusions, such as a portion of the Company's meals and entertainment expenses, state income taxes, income eligible for the extraterritorial income exclusion, federal and state research and development credits, and deductions related to domestic production activities.

The net deferred tax asset consists of the following as of June 30 (thousands):

	2008	2007
Current deferred taxes:		
Gross assets	**$ 2,044**	$ 1,552
Gross liabilities	**(428)**	(484)
Total current deferred taxes	**1,616**	1,068
Noncurrent deferred taxes:		
Gross assets	**662**	644
Gross liabilities	**(748)**	(395)
Total noncurrent deferred taxes	**(86)**	249
Net deferred tax asset	**$ 1,530**	$ 1,317

6. Income Taxes (continued)

Deferred taxes are comprised primarily of amounts related to inventory reserves, accelerated depreciation of property and equipment and other reserves and accruals.

7. Leases

The Company leases warehouse space and certain equipment under noncancelable operating leases. Total rental expense for the years ended June 30, 2008 and 2007 was approximately $379,000 and $343,000, respectively.

Future minimum lease payments under operating leases are approximately (thousands):

2009	$	240
2010		203
2011		170
2012		4
2013		3
Total minimum lease payments	$	620

8. Commitments and Contingencies

The Company is involved in various claims and legal actions arising in the ordinary course of business. It is the opinion of management, after discussions with legal counsel, that the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or consolidated results of operations.

9. Profit Sharing Plan

Substantially all full-time employees in the United States over the age of 21 are covered under the Company's profit sharing retirement savings plan. Contributions to the plan are made at the discretion of management and the directors of the Company. During the years ended June 30, 2008 and 2007, the Company contributed approximately $91,000 and $81,000, respectively, to the plan.

10. Related Party Transactions

During the years ended June 30, 2008 and 2007, the Company had sales to an entity controlled by a director and stockholder of the Company totaling approximately $2,663,000 and $2,734,000, respectively. Due to the related nature of these transactions, the amounts received might have been different if similar activities had been undertaken with unrelated parties.

At June 30, 2008 and 2007, accounts receivable included approximately $143,000 and $253,000, respectively, due from an entity controlled by a director and stockholder of the Company.

Gregory Mountain Products, Inc.

Table of Contents

Gregory Mountain Products, Inc.

(Unaudited) Financial Statements

for the three months ended March 31, 2010 and 2009

GREGORY MOUNTAIN PRODUCTS, INC.
BALANCE SHEETS
March 31, 2010 and 2009
(in thousands, except share and per share amounts)

	2010	2009
ASSETS	*Unaudited*	
Current assets:		
Cash and cash equivalents	$ 1,847	$ 3,460
Accounts receivable, net of allowance for doubtful accounts of $83 and $102, respectively	3,940	3,771
Inventories, net	3,916	4,366
Deferred income tax assets	465	440
Other current assets	69	125
Total current assets	10,237	12,162
Property and equipment, net	527	665
Goodwill and intangible assets, net	7,368	7,612
Other assets	133	67
Total assets	$ 18,265	$ 20,506
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$ 1,801	$ 2,705
Income tax payable	446	870
Accrued liabilities	1,116	1,098
Note payable to former stockholder	1,500	-
Total current liabilities	4,863	4,673
Deferred income tax liabilities	547	497
Total liabilities	5,410	5,170
Commitments and contingencies.		
Stockholder's equity:		
Preferred stock, par value $0.01; 5,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value $0.01; 10,000 shares authorized; 100 shares issued; 83.87 shares and 100 shares outstanding, respectively	-	-
Additional paid-in capital	13,934	13,934
Treasury stock, at cost; 16.13 shares held	(3,750)	-
Retained earnings	2,671	1,402
Total stockholder's equity	12,855	15,336
Total liabilities and stockholder's equity	$ 18,265	$ 20,506

The accompanying notes are an integral part of these financial statements.

GREGORY MOUNTAIN PRODUCTS, INC.
STATEMENTS OF OPERATIONS
for the three months ended March 31, 2010 and 2009
(in thousands)

	2010	2009
	Unaudited	
Net sales	$ 9,455	$ 8,828
Cost of sales	5,465	4,923
Gross profit	3,990	3,905
Operating expenses:		
Selling, general, and administrative	2,009	1,628
Depreciation and amortization	134	124
Total operating expenses	2,143	1,752
Income from operations	1,847	2,153
Other income (expense), net	6	(3)
Income before income taxes	1,853	2,150
Provision for income taxes	757	688
Net income	$ 1,096	$ 1,462

The accompanying notes are an integral part of these financial statements.

GREGORY MOUNTAIN PRODUCTS, INC.
STATEMENTS OF CASH FLOWS
for the three months ended March 31, 2010 and 2009
(in thousands)

	2010	2009
	Unaudited	
Cash flows from operating activities:		
Net income	$ 1,096	$ 1,462
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	148	137
Changes in operating assets and liabilities:		
Accounts receivable	(2,569)	(2,134)
Inventories	1,225	(52)
Other current assets	256	(34)
Other assets	(27)	(4)
Deferred income taxes	81	(182)
Accounts payable	(702)	(145)
Income tax payable	446	870
Accrued liabilities	(36)	935
Net cash (used in) provided by operating activities	(82)	853
Cash flows from investing activities:		
Purchase of property and equipment	(55)	(21)
Net cash used in investing activities	(55)	(21)
Cash flows from financing activities:		
Payment of note payable to BAE Systems	-	(1,000)
Net cash used in financing activities	-	(1,000)
Net decrease in cash and cash equivalents	(137)	(168)
Cash and cash equivalents, beginning of period	1,984	3,628
Cash and cash equivalents, end of period	$ 1,847	$ 3,460

The accompanying notes are an integral part of these financial statements.

Gregory Mountain Products, Inc.

Notes to Financial Statements

(amounts stated in thousands)

1. **Organization and Presentation**

Organization

On March 3, 2008, Gregory Mountain Products, Inc. (the Company or "GMP") was formed in the state of Delaware. On March 14, 2008, GMP acquired the Gregory Mountain Products business unit from Bianchi International (Bianchi), a subsidiary of BAE Systems. GMP's business is to design, manufacture and market outdoor equipment and lifestyle products to customers globally. GMP is a wholly-owned subsidiary of KSS Outdoor Holdings LLC.

Gregory Mountain Products, headquartered in Sacramento, California, serves the backpacking, mountaineering, hiking, climbing, travel and lifestyle markets. In North America and Europe, Gregory is a technical brand distributed through leading outdoor specialty retail chains, including REI and EMS, and other specialty outdoor retailers. In Japan and other Asian markets, in addition to being a leading provider of technical backpacking products, the brand also serves a premium lifestyle market, specializing in high-end daypacks, briefcases and satchels. The Company also supplies two Gregory-only retail stores in Tokyo, Japan and Seoul, Korea.

2. **Summary of Significant Accounting Policies**

Basis of Presentation

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and judgments relied upon by management in preparing these financial statements include collectibility of accounts receivable, inventory obsolescence, depreciable lives for fixed assets, life and impairment adjustment of intangible assets, revenue recognition, and valuation of deferred income taxes. Actual results could differ from those estimates.

Cash and Cash Equivalents

We consider all highly liquid investments with maturities of three months or less, at date of purchase, to be cash equivalents.

2. **Summary of Significant Accounting Policies**, continued

Concentration Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. We maintain our cash and cash equivalents with what we believe to be high quality banks. Amounts held in individual banks may exceed federally insured amounts. Our accounts receivable consist of amounts due from customers located throughout the world. We maintain reserves for potential credit losses. Three customers accounted for 54% of accounts receivable at March 31, 2010. Two customers accounted for 60% of accounts receivable at March 31, 2009. Two customers accounted for 61 % and 67 % of net sales for the three months ended March 31, 2010 and 2009.

The Company purchases finished goods backpacks and related lifestyle products from two outsourced manufacturers overseas. The revenues related to purchased inventory is approximately 90% of total company revenues for the three months ended March 31, 2010 and 85% of total company revenues for the three months ended March 31, 2009. Although there are a limited number of suppliers who can perform the outsourced manufacturing process, management believes that other vendors could provide similar products on comparable terms. A change in suppliers would be time consuming, and could cause delays in delivery of product to customers and possible losses in revenue, which could materially and adversely affect operating results.

Accounts Receivable

Accounts receivable consists of amounts billed currently due from customers. The allowance for doubtful accounts represents the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company's allowance is determined based on historical write-off experience and on specific customer accounts believed to be a collection risk. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, and notes payable approximates fair value.

Inventory

Inventory is valued at the lower of cost or market, with cost computed on a first-in, first-out basis (FIFO). Adjustments to reduce the cost of inventory to its net realizable value, if required, are made for estimated excess or obsolete inventory.

2. **Summary of Significant Accounting Policies**, continued

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization is provided using the straight-line method over the estimated useful life of the assets ranging from 3 to 5 years. Additions and improvements that increase the value or extend the life of an asset are capitalized.

Goodwill and Purchased Intangible Assets

Goodwill is reviewed annually (or more frequently if impairment indicators arise) for impairment. Impairment indicators include the significant decrease in the fair value of an asset, significant adverse changes in the extent or use or physical condition of an asset, significant adverse change in legal or regulatory factors affecting an asset, operating or cash flow losses (or a projection of losses) that demonstrates continuing losses associated with the use of an asset, or a current expectation that, more likely than not, an asset will be sold or disposed of significantly before the end of its previously estimated useful life. Purchased intangible assets that have definite lives are carried at cost less accumulated amortization. Amortization of definite-lived intangibles is computed using the straight-line method over the economic lives of the respective assets, generally 4 to 12 years. Purchased intangible assets that have indefinite lives are not subject to amortization, but are reviewed annually for impairment.

Impairment of Long-Lived Assets

The Company assesses long-lived assets, such as property, plant and equipment, and purchased intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The purchase method of accounting for business combinations requires us to make use of estimates and judgments to allocate the purchase price paid for acquisitions to the fair value of the net tangible and identifiable intangible assets acquired and liabilities assumed. The recoverability of an asset is measured by a comparison of the carrying amount of an asset to its estimated undiscounted future cash flows expected to be generated. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. The Company performs impairment tests annually. There were no impairment charges recorded for any periods presented.

Foreign Currency Translation

The functional currency for all of the Company's operations presented in the accompanying financial statements is in U.S. dollars. The Company transacts in U.S. dollars except for sales made to Canadian customers, which are billed and collected in Canadian dollars at the exchange rate existing at the time of sale. All receivables from Canadian dollars are translated into U.S. dollars at the rates of exchange at the balance sheet date. Foreign currency translation gains and losses are included in other expense, net.

2. **Summary of Significant Accounting Policies**, continued

Revenue Recognition

Revenue is recognized when (i) there is a contract or other arrangement of sale, (ii) the sales price is fixed or determinable, (iii) title and the risks of ownership have been transferred to the customer and (iv) collection of the receivable is reasonably assured. Net Sales to wholesale customers and sales directly to the end user customer are generally recognized when the product has been shipped and risk of loss has passed to the customer. Net sales are recorded after reduction of allowances for trade terms, volume and other discounts, customer markdowns and charge-backs, and sales incentive programs. The Company does not offer customers the right of return and has not historically experienced any significant or material returns. Sales taxes and any value added taxes collected from customers that are remitted directly to governmental authorities are excluded from Net Sales.

Warranty Reserve

The Company product has a lifetime warranty. A provision for estimated future repair or replacement costs, based on historical and anticipated trends, is recorded when these products are sold. The warranty reserve is based upon a historical product return rate, adjusted for any specific known conditions or circumstances. Adjustments to the warranty reserve are recorded in cost of goods sold.

Research and Product Development Costs

The Company's policy is to expense all research and product development costs as incurred. Any research and product development costs are included in selling, general and administrative expenses. The types of costs classified as research and development expense include salaries of technical design staff, supplies costs, facilities rental, and utilities costs related to product design and development. Research and product development costs amounted to approximately $280 and $254 for the three months ended March 31, 2010 and 2009, respectively.

Advertising

Advertising costs are expensed as incurred and amounted to approximately $261 and $206 for the three months ended March 31, 2010 and 2009, respectively.

Shipping and Handling

The Company records shipping and handling costs in cost of sales. Freight costs billed to customers is recorded in revenues. These costs were not material during the periods reported.

2. **Summary of Significant Accounting Policies**, continued

Income Taxes

GMP accounts for income taxes following the asset and liability method, whereby deferred taxes are determined based on the difference between the financial reporting and tax bases of assets and liabilities. Deferred tax liabilities are offset by deferred tax assets relating to temporary differences. Recognition of deferred tax assets is based on management's belief that it is more likely than not that the tax benefit associated with temporary differences will be utilized. A valuation allowance is recorded for those deferred tax assets for which it is more likely than not that the realization will not occur.

Effective January 1, 2009, the Company adopted the provisions of Accounting Standards Codification Topic (ASC) 740-10, "Income Taxes." This standard clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. It prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. In addition, it provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized. The cumulative effect of adopting ASC 740-10 resulted in no uncertain tax liability on the balance sheets. The implementation of the accounting standard at the adoption date of January 1, 2009 did not have any impact on the liability of unrecognized tax benefits or the beginning balance of retained earnings. For the three months ended March 31, 2010 and 2009, no penalties or interest expense related to income tax positions were recognized. As of March 31, 2010 and 2009, no penalties or interest related to income tax positions were accrued. The Company does not anticipate that any of the unrecognized tax benefits will increase or decrease significantly in the next twelve months.

Treasury Stock

Treasury stock transactions are recorded using the cost method.

Subsequent Events

The Company has evaluated all events occurring subsequent to December 31, 2009 through May 13, 2010, and nothing has occurred outside the normal course of our business operations.

Recent Accounting Pronouncement

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement No. 168, *The FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles – A replacement of FASB Statement No. 162* (the Codification). The Codification supersedes all existing accounting and reporting standards other than the rules of the Securities and Exchange Commission (the SEC). Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative guidance for SEC registrants. Updates to the Codification are being issued as Accounting Standards Updates, which will also provide background information about the guidance, and provide the basis for conclusions on changes in the Codification. The Codification became effective for the Company on July 1, 2009 and did not have a material impact on the Company's financial statements.

(amounts stated in thousands)

3. **Acquisitions**

On March 14, 2008, BAE and the Company reached a definitive agreement whereby the Company purchased the assets and liabilities of GMP's business from Bianchi for $13,933 in cash and $1,000 seller financing from BAE. The stockholders of the Company contributed $13,950 at the purchase date, and paid BAE $13,933 in March 2008. The note payable to BAE was paid in March 2009 and did not bear any interest. The costs associated to the purchase totaling approximately $336 consisted mainly of legal and other fees. The cash paid, note payable, and costs incurred totaling $15,269 were allocated to the assets acquired and liabilities assumed.

The acquisition was accounted for as a purchase business combination, and accordingly, the results of operations were included in the Company's financial statements after the acquisition date. Fair values were estimated by management based on estimated replacement costs, third-party valuation, and estimates of future operating results.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition:

Assets acquired:		
Accounts receivable	$	3,886
Inventories		5,124
Current assets		182
Property and equipment		196
Other assets		33
Deferred income tax assets		17
Trademark and patent-related intangibles		4,477
Customer-related intangibles		2,399
Technology-related intangibles		680
Goodwill		304
Total assets acquired		17,298
Liabilities assumed:		
Accounts payable and accrued liabilities		(1,752)
Deferred income tax liabilities		(277)
Net assets acquired	$	15,269

The customer-related intangible assets relate to acquired customer relationships and are being amortized over a fourteen-year life straight-line basis. The technology-related intangible assets relate to certain acquired patents and are being amortized over a four to twelve-year life on a straight-line basis. The trademark and patent-related intangible assets relate to acquired trade names and trademarks have an indefinite useful life. Goodwill, trademark, and patent-related intangibles are being evaluated on an annual basis for impairment.

(amounts stated in thousands)

4. **Inventories, Net**

Inventories consist of the following at March 31:

	2010	2009
	Unaudited	
Raw materials	$ 409	$ 709
Work-in-process	83	75
Finished goods	3,828	3,962
Total	4,320	4,746
Less allowance for inventory obsolescence	(404)	(380)
	$ 3,916	$ 4,366

5. **Property and Equipment, Net**

Property and equipment consist of the following at March 31:

	2010	2009
	Unaudited	
Machinery and equipment	$ 166	$ 142
Furniture and fixtures	346	346
Computer equipment and software	564	462
Leasehold improvements	57	24
Subtotal	1,133	974
Less accumulated depreciation and amortization	(606)	(309)
	$ 527	$ 665

Depreciation and amortization expense charged to operating expenses was $73 and $62 and depreciation and amortization expense charged to cost of sales was $14 and $14 for the three months ended March 31, 2010 and 2009, respectively.

(amounts stated in thousands)

6. **Goodwill and Intangibles, Net**

Goodwill and intangible assets consist of the following at March 31:

	2010	2009
	Unaudited	
Goodwill and unamortized intangible assets:		
Goodwill	$ 309	$ 309
Trademark and trade names	4,477	4,477
Subtotal	4,786	4,786
Amortized intangible assets:		
Customer relationships	2,399	2,399
Product technology	680	680
Less accumulated amortization	(497)	(253)
Subtotal	2,582	2,826
Total	$ 7,368	$ 7,612

Amortization expense for intangible assets was $61 and $61 for the three months ended March 31, 2010 and 2009, respectively. Future amortization expense for intangible assets at March 31, 2010 is as follows:

	Amount
Year ending December 31:	
2010	$ 182
2011	243
2012	225
2013	220
2014	220
Thereafter	1,492
Total	$ 2,582

(amounts stated in thousands)

7. **Accrued Liabilities**

Accrued liabilities consist of the following at March 31:

	2010	2009
	Unaudited	
Accrued compensation and payroll-related	$ 622	$ 504
Accrued warranty	224	177
Accrued marketing co-op	83	133
Deferred rent	66	75
Accrued customer deposits	32	187
Other	89	22
	$ 1,116	$ 1,098

8. **Notes Payable**

The Company has a note payable to a former employee and stockholder in the amount of $1,500 at March 31, 2010 (see Note 12). The note is payable in installments through October 2010 and does not bear interest. The note matures within one year from the date of issuance; therefore, the Company considers the principal amount of $1,500 to approximate its net present value.

9. **Revolving Credit Agreement**

On October 1, 2009, the Company renewed its $2,500 revolving credit agreement with Wells Fargo Bank N.A. (Wells Fargo) which now matures on December 31, 2010. The credit facility is secured by a first priority, perfected security interest in all assets of the Company. There are no amounts outstanding under the credit agreement as of March 31, 2010. At the Company's election, any future amounts borrowed under the revolving line, if any, will bear interest at 2.25% above the Daily One Month LIBOR Rate or at a fixed rate per annum determined by Wells Fargo to be 2% above LIBOR in effect on the first day of the applicable Fixed Rate Term. The credit agreement also provides for the issuance of letters of credit under a letter of credit sub-feature up to $1,000. The Company's vendors historically have not requested payment guaranteed by a letter of credit.

(amounts stated in thousands)

10. **Commitments and Contingencies**

Operating Leases

The Company leases facilities and some office equipment under noncancelable operating leases, which mature through 2013. The facility leases include rent escalation and renewal options. Future minimum payments for the next five years under the noncancelable operating leases consist of the following at March 31, 2010:

	Amount
Year ending December 31:	
2011	$ 327
2012	278
2013	164
Total	$ 769

Rent expense under all operating leases was $123 and $125 for the three months ended March 31, 2010 and 2009, respectively. The Company also sub-leases a production facility from Bianchi with a 90-day notice to terminate.

Purchase Commitments

The Company has entered into purchase obligations, which include non-cancelable purchase commitments with suppliers. Total short-term purchase commitments to suppliers at March 31, 2010 was $3,580. The accounts payable under these commitment, which represent inventories received and in-transit, was $1,515 as of March 31, 2010. The Company reviews purchase agreements, assesses the likelihood of a shortfall in purchases, and determines if it is necessary to record a liability. The Company has no long-term purchase commitments.

11. **Employee Benefit Plans**

Defined Contribution Plan

The Company provides a defined contribution plan, in which the Company's employees are eligible to participate and the Company provides a matching contribution. Total defined contribution expense for the Company's employees participating in domestic defined contributions plans was $37 and $42 for the three months ended March 31, 2010 and 2009, respectively.

(amounts stated in thousands)

12. **Related Parties**

The Company is a wholly-owned subsidiary of KSS Outdoor Holdings, LLC (KSS). From time to time, the Company has transactions with KSS. As of March 31, 2010 and 2009, the Company has a payable to KSS amounting to $17. On May 7, 2010, KSS was dissolved as a result of the acquisition of GMP by another company. See Note 15.

In June 2009, the Company repurchased the shares of stock owned by the former president for a total consideration of $3,750. The Company paid the former president $1,750 in cash and issued a non-interest bearing promissory note for the balance of $2,000 payable in installments through October 2010. The balance of the note payable was $1,500 as of March 31, 2010.

13. **Geographic Information**

The Company operates in one business segment, the design and manufacturing of backpacks and related lifestyle products. The following is a summary of revenues by geographic region at March 31:

	2010	2009
	Unaudited	
Asia	46%	53%
North America	48%	41%
Europe	6%	6%
Rest of World	<1%	<1%
Total	100%	100%

All of the Company's assets are primarily located in the United States.

(amounts stated in thousands)

14. **Income Taxes**

The Company's provision for (benefit from) income taxes consist of the following at March 31:

	2010	2009
	Unaudited	
Current:		
Federal	$ 520	$ 672
State	156	198
Total current	676	870
Deferred:		
Federal	60	(212)
State	21	30
Total deferred	81	(182)
Total provision for (benefit from) income taxes	$ 757	$ 688

The Company's effective income tax rate differs from the federal statutory rate (34%) primarily because of operating loss carryforwards in prior period, amortization of goodwill for tax purposes, and certain expenses deductible for financial reporting purposes that are not deductible for tax purposes.

Deferred taxes reflect the impact of "temporary differences" between the amount of assets and liabilities for financial reporting purposes and tax reporting purposes.

(amounts stated in thousands)

14. **Income Taxes**, continued

Below is a summary of deferred tax assets and deferred tax liabilities at March 31:

	2010	2009
		Unaudited
Deferred Tax Assets–Current:		
Allowance for bad debts	$ 33	$ 41
Inventory reserve	161	151
Warranty reserve	89	70
Accrued vacation	46	37
Other	136	141
Net Deferred Tax Assets–Current	$ 465	$ 440
Net Deferred Tax Liability–Noncurrent:		
Deferred rent	$ 26	$ 29
Fixed assets depreciation	(54)	(111)
Goodwill and intangible assets amortization	(519)	(415)
Net Deferred Tax Liability–Noncurrent	$ (547)	$ (497)

15. **Subsequent Events**

On May 7, 2010, the Company (or GMP) entered into a definitive agreement with Clarus Corporation (Clarus), a publicly held company. Under the terms of the agreement, Clarus agreed to acquire GMP for $45 million subject to certain adjustments.

On May 7, the two members of KSS dissolved the KSS partnership.

On May 7, GMP assumed the liability of KSS (parent company) under the Equity Incentive Plan. Upon the closing of the merger agreement with Clarus, GMP will pay Eligible Employees $370 to be paid 50% in cash and 50% in Clarus' shares of stock.

Upon the closing of the agreement with Clarus, GMP will terminate its credit agreement with Wells Fargo. Wells Fargo will release its security interest in the assets of GMP.

Gregory mountain products, inc.

_____

Report on Audit of
Financial Statements

as of December 31, 2009 and for the year ended December 31, 2009,
and as of December 31, 2008 and for the period from
March 15, 2008 (inception) to December 31, 2008

Report of Independent Auditors

To the Stockholder of Gregory Mountain Products, Inc.

We have audited the accompanying balance sheets of Gregory Mountain Products, Inc. (the Company) as of December 31, 2009 and 2008, and the related statements of operations, changes in stockholder's equity, and cash flows for the year ended December 31, 2009 and for the period from March 15, 2008 (inception) to December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor have we been engaged to perform, an audit of the Company's internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gregory Mountain Products, Inc. as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the year ended December 31, 2009 and for the period from March 15, 2008 (inception) to December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

/s/ Burr Pilger Mayer, Inc.

San Francisco, California
February 10, 2010 (except for Note 15 as to which the date is May 13, 2010)

GREGORY MOUNTAIN PRODUCTS, INC.
BALANCE SHEETS
December 31, 2009 and 2008
(in thousands, except for share and per share amount)

ASSETS	December 31, 2009	2008
Current assets:		
Cash and cash equivalents	$ 1,984	$ 3,628
Accounts receivable, net of allowance for doubtful accounts of $48 and 42, respectively	1,371	1,637
Inventories, net	5,141	4,314
Deferred income tax assets	550	205
Other current assets	325	91
Total current assets	9,371	9,875
Property and equipment, net	559	721
Goodwill and intangible assets, net	7,429	7,667
Other assets	106	64
Total assets	$ 17,465	$ 18,327
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	$ 2,503	$ 2,000
Accrued liabilities	1,153	1,009
Due to BAE Systems	-	-
Note payable to BAE Systems	-	1,000
Note payable to former stockholder	1,500	-
Total current liabilities	5,156	4,009
Deferred income tax liabilities	551	444
Total liabilities	5,707	4,453
Commitments and contingencies.		
Stockholder's equity:		
Preferred stock, par value $0.01; 5,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value $0.01; 10,000 shares authorized; 100 shares issued; 83.87 shares and 100 shares outstanding, respectively	-	-
Additional paid-in capital	13,934	13,934
Treasury stock, at cost; 16.13 shares held	(3,750)	-
Retained earnings (accumulated deficit)	1,574	(60)
Total stockholder's equity	11,758	13,874
Total liabilities and stockholder's equity	$ 17,465	$ 18,327

The accompanying notes are an integral part of these financial statements.

GREGORY MOUNTAIN PRODUCTS, INC.
STATEMENTS OF OPERATIONS
for the year ended December 31, 2009
for the period from March 15, 2008 (inception) to December 31, 2008
(in thousands)

	December 31, 2009	March 15, 2008 to December 31, 2008
Net sales	$ 25,355	$ 19,140
Cost of sales	15,115	13,172
Gross profit	10,240	5,968
Operating expenses:		
Selling, general, and administrative	7,355	5,704
Depreciation and amortization	515	341
Total operating expenses	7,870	6,045
Income (loss) from operations	2,370	(77)
Other income (expense), net	76	(4)
Income (loss) before income taxes	2,446	(81)
Provision for (benefit from) income taxes	812	(21)
Net income (loss)	$ 1,634	$ (60)

The accompanying notes are an integral part of these financial statements.

GREGORY MOUNTAIN PRODUCTS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
for the year ended December 31, 2009
for the period from March 15, 2008 (inception) to December 31, 2008
(in thousands, except for share amount)

	Common Stock		Additional Paid-in	Treasury Stock		Retained Earnings (Accumulated	Total Stockholder's
	Shares	Amount	Capital	Shares	Amount	Deficit)	Equity
Balance, March 15, 2008 (inception)	-	$ -	$ -	-	$ -	$ -	$ -
Issuance of common stock	100	-	13,934	-	-	-	13,934
Net loss	-	-	-	-	-	(60)	(60)
Balance, December 31, 2008	100	-	13,934	-	-	(60)	13,874
Net income	-	-	-	-	-	1,634	1,634
Purchase of treasury stock	-	-	-	16.13	(3,750)	-	(3,750)
Balance, December 31, 2009	100	$ -	$ 13,934	16.13	$ (3,750)	$ 1,574	$ 11,758

The accompanying notes are an integral part of these financial statements.

GREGORY MOUNTAIN PRODUCTS, INC.
STATEMENTS OF CASH FLOWS
for the year ended December 31, 2009
for the period from March 15, 2008 (inception) to December 31, 2008
(in thousands)

	December 31, 2009	March 15, 2008 to December 31, 2008
Cash flows from operating activities:		
Net income (loss)	$ 1,634	$ (60)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	571	387
Changes in operating assets and liabilities:		
Accounts receivable	266	2,249
Inventories	(827)	810
Other current assets	(234)	91
Other assets	(42)	(31)
Deferred income taxes	(238)	(21)
Accounts payable	503	1,021
Accrued liabilities	144	(100)
Net cash provided by operating activities	1,777	4,346
Cash flows from investing activities:		
Purchase of property and equipment	(171)	(719)
Cash paid to BAE Systems for business acquisition	-	(13,933)
Net cash used in investing activities	(171)	(14,652)
Cash flows from financing activities:		
Net proceeds from issuance of stock	-	13,934
Purchase of treasury stock	(2,250)	-
Payment of note payable to BAE Systems	(1,000)	-
Net cash (used in) provided by financing activities	(3,250)	13,934
Net (decrease) increase in cash and cash equivalents	(1,644)	3,628
Cash and cash equivalents, beginning of period	3,628	-
Cash and cash equivalents, end of period	$ 1,984	$ 3,628
Supplemental disclosure of cash flow information–		
Cash paid for income taxes	$ 1,280	$ -
Supplemental disclosure of noncash investing and financing activities:		
Note payable issued in connection with repurchase of stock	$ 1,500	$ -
Note payable issued in connection with business acquisition	$ -	$ 1,000

The accompanying notes are an integral part of these financial statements.

Gregory Mountain Products, Inc.

Notes to Financial Statements

(amounts stated in thousands)

1. **Organization and Presentation**

Organization

On March 3, 2008, Gregory Mountain Products, Inc. (the Company or "GMP") was formed in the state of Delaware. On March 14, 2008, GMP acquired the Gregory Mountain Products business unit from Bianchi International (Bianchi), a subsidiary of BAE Systems. GMP's business is to design, manufacture and market outdoor equipment and lifestyle products to customers globally. GMP is a wholly-owned subsidiary of KSS Outdoor Holdings LLC.

Gregory Mountain Products, headquartered in Sacramento, California, serves the backpacking, mountaineering, hiking, climbing, travel and lifestyle markets. In North America and Europe, Gregory is a technical brand distributed through leading outdoor specialty retail chains, including REI and EMS, and other specialty outdoor retailers. In Japan and other Asian markets, in addition to being a leading provider of technical backpacking products, the brand also serves a premium lifestyle market, specializing in high-end daypacks, briefcases and satchels. The Company also supplies two Gregory-only retail stores in Tokyo, Japan and Seoul, Korea.

Basis of Presentation

The Company was formed on March 3, 2008 and did not have significant operations until the Company acquired the Gregory Mountain Products business unit from Bianchi International (Bianchi) on March 14, 2008. The 2008 statements of operations, changes in stockholder's equity, and cash flows cover the period from the date that GMP was acquired and commenced operations as a subsidiary of KSS Outdoor Holdings, LLC on March 15, 2008 (referred to as "inception date") through December 31, 2008.

2. **Summary of Significant Accounting Policies**

Accounting Principles

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and judgments relied upon by management in preparing these financial statements include collectibility of accounts receivable, inventory obsolescence, depreciable lives for fixed assets, life and impairment adjustment of intangible assets, revenue recognition, and valuation of deferred income taxes. Actual results could differ from those estimates.

2. **Summary of Significant Accounting Policies**, continued

Cash and Cash Equivalents

We consider all highly liquid investments with maturities of three months or less, at date of purchase, to be cash equivalents.

Concentration Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. We maintain our cash and cash equivalents with what we believe to be high quality banks. Amounts held in individual banks may exceed federally insured amounts. Our accounts receivable consist of amounts due from customers located throughout the world. We maintain reserves for potential credit losses. One customer accounted for 43% of accounts receivable at December 31, 2009. Two customers accounted for 42% of accounts receivable at December 31, 2008. Two customers accounted for 60% of net sales for the year ended December 31, 2009 and 62% for the period from March 15, 2008 to December 31, 2008, respectively.

The Company purchases finished goods backpacks and related lifestyle products from two outsourced manufacturers overseas. The revenues related to purchased inventory is approximately 85% of total company revenues for the year ended December 31, 2009 and 63% of total company revenues for the period from March 15, 2008 to December 31, 2008. Although there are a limited number of suppliers who can perform the outsourced manufacturing process, management believes that other vendors could provide similar products on comparable terms. A change in suppliers would be time consuming, and could cause delays in delivery of product to customers and possible losses in revenue, which could adversely affect operating results.

Accounts Receivable

Accounts receivable consists of amounts billed currently due from customers. The allowance for doubtful accounts represents the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company's allowance is determined based on historical write-off experience and on specific customer accounts believed to be a collection risk. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, and notes payable approximates fair value.

Inventory

Inventory is valued at the lower of cost or market, with cost computed on a first-in, first-out basis (FIFO). Adjustments to reduce the cost of inventory to its net realizable value, if required, are made for estimated excess or obsolete inventory.

2. **Summary of Significant Accounting Policies**, continued

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization is provided using the straight-line method over the estimated useful life of the assets ranging from 3 to 5 years. Additions and improvements that increase the value or extend the life of an asset are capitalized.

Goodwill and Purchased Intangible Assets

Goodwill is reviewed annually (or more frequently if impairment indicators arise) for impairment. Impairment indicators include the significant decrease in the fair value of an asset, significant adverse changes in the extent or use or physical condition of an asset, significant adverse change in legal or regulatory factors affecting an asset, operating or cash flow losses (or a projection of losses) that demonstrates continuing losses associated with the use of an asset, or a current expectation that, more likely than not, an asset will be sold or disposed of significantly before the end of its previously estimated useful life. Purchased intangible assets that have definite lives are carried at cost less accumulated amortization. Amortization of definite-lived intangibles is computed using the straight-line method over the economic lives of the respective assets, generally 4 to 12 years. Purchased intangible assets that have indefinite lives are not subject to amortization, but are reviewed annually for impairment.

Impairment of Long-Lived Assets

The Company assesses long-lived assets, such as property, plant and equipment, and purchased intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The purchase method of accounting for business combinations requires us to make use of estimates and judgments to allocate the purchase price paid for acquisitions to the fair value of the net tangible and identifiable intangible assets acquired and liabilities assumed. The recoverability of an asset is measured by a comparison of the carrying amount of an asset to its estimated undiscounted future cash flows expected to be generated. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. The Company performs impairment tests annually. There were no impairment charges recorded for any periods presented.

Foreign Currency Translation

The functional currency for all of the Company's operations presented in the accompanying financial statements is in U.S. dollars. The Company transacts in U.S. dollars except for sales made to Canadian customers, which are billed and collected in Canadian dollars at the exchange rate existing at the time of sale. All receivables from Canadian dollars are translated into U.S. dollars at the rates of exchange at the balance sheet date. Foreign currency translation gains and losses are included in other expense, net.

2. **Summary of Significant Accounting Policies**, continued

Revenue Recognition

Revenue is recognized when (i) there is a contract or other arrangement of sale, (ii) the sales price is fixed or determinable, (iii) title and the risks of ownership have been transferred to the customer and (iv) collection of the receivable is reasonably assured. Net Sales to wholesale customers and sales directly to the end user customer are generally recognized when the product has been shipped and risk of loss has passed to the customer. Net sales are recorded after reduction of allowances for trade terms, volume and other discounts, customer markdowns and charge-backs, and sales incentive programs. The Company does not offer customers the right of return and has not historically experienced any significant or material returns. Sales taxes and any value added taxes collected from customers that are remitted directly to governmental authorities are excluded from Net Sales.

Warranty Reserve

The Company product has a lifetime warranty. A provision for estimated future repair or replacement costs, based on historical and anticipated trends, is recorded when these products are sold. The warranty reserve is based upon a historical product return rate, adjusted for any specific known conditions or circumstances. Adjustments to the warranty reserve are recorded in cost of goods sold.

Research and Product Development Costs

The Company's policy is to expense all research and product development costs as incurred. Any research and product development costs are included in selling, general and administrative expenses. The types of costs classified as research and development expense include salaries of technical design staff, supplies costs, facilities rental, and utilities costs related to product design and development. Research and product development costs amounted to approximately $998 and $807 for the year ended December 31, 2009 and for the period from March 15, 2008 to December 31, 2008, respectively.

Advertising

Advertising costs are expensed as incurred and amounted to approximately $597 and $619 for the year ended December 31, 2009 and for the period from March 15, 2008 to December 31, 2008, respectively.

Shipping and Handling

The Company records shipping and handling costs in cost of sales. Freight costs billed to customers is recorded in revenues. These costs were not material during the periods reported.

2. **Summary of Significant Accounting Policies**, continued

Income Taxes

GMP accounts for income taxes following the asset and liability method, whereby deferred taxes are determined based on the difference between the financial reporting and tax bases of assets and liabilities. Deferred tax liabilities are offset by deferred tax assets relating to temporary differences. Recognition of deferred tax assets is based on management's belief that it is more likely than not that the tax benefit associated with temporary differences will be utilized. A valuation allowance is recorded for those deferred tax assets for which it is more likely than not that the realization will not occur.

Effective January 1, 2009, the Company adopted the provisions of Accounting Standards Codification Topic (ASC) 740-10, "Income Taxes." This standard clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. It prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. In addition, it provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized. The cumulative effect of adopting ASC 740-10 resulted in no uncertain tax liability on the balance sheets. The implementation of the accounting standard at the adoption date of January 1, 2009 did not have any impact on the liability of unrecognized tax benefits or the beginning balance of retained earnings. For the years ended December 31, 2009 and 2008, no penalties or interest expense related to income tax positions were recognized. As of December 31, 2009 and 2008, no penalties or interest related to income tax positions were accrued. The Company does not anticipate that any of the unrecognized tax benefits will increase or decrease significantly in the next twelve months.

Treasury Stock

Treasury stock transactions are recorded using the cost method.

Subsequent Events

The Company has evaluated all events occurring subsequent to December 31, 2009 through May 13, 2010, and nothing has occurred outside the normal course of our business operations.

Recent Accounting Pronouncement

In June 2009, the Financial Accounting Standards Board (FASB) issued Statement No. 168, *The FASB Accounting Standards Codification and Hierarchy of Generally Accepted Accounting Principles – A replacement of FASB Statement No. 162* (the Codification). The Codification supersedes all existing accounting and reporting standards other than the rules of the Securities and Exchange Commission (the SEC). Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative guidance for SEC registrants. Updates to the Codification are being issued as Accounting Standards Updates, which will also provide background information about the guidance, and provide the basis for conclusions on changes in the Codification. The Codification became effective for the Company on July 1, 2009 and did not have a material impact on the Company's financial statements.

(amounts stated in thousands)

3. **Acquisitions**

On March 14, 2008, BAE and the Company reached a definitive agreement whereby the Company purchased the assets and liabilities of GMP's business from Bianchi for $13,933 in cash and $1,000 seller financing from BAE. The stockholder of the Company contributed $13,950 at the purchase date, and paid BAE $13,933 in March 2008. The note payable to BAE was paid in March 2009 and did not bear any interest. See Note 8. The costs associated to the purchase totaling approximately $336 consisted mainly of legal and other fees. The cash paid, note payable, and costs incurred totaling $15,269 were allocated to the assets acquired and liabilities assumed.

The acquisition was accounted for as a purchase business combination, and accordingly, the results of operations were included in the Company's financial statements after the acquisition date. Fair values were estimated by management based on estimated replacement costs, third-party valuation, and estimates of future operating results.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition:

Assets acquired:	
Accounts receivable	$ 3,886
Inventories	5,124
Current assets	182
Property and equipment	196
Other assets	33
Deferred income tax assets	17
Trademark and patent-related intangibles	4,477
Customer-related intangibles	2,399
Technology-related intangibles	680
Goodwill	304
Total assets acquired	17,298
Liabilities assumed:	
Accounts payable and accrued liabilities	(1,752)
Deferred income tax liabilities	(277)
Net assets acquired	$ 15,269

The customer-related intangible assets relate to acquired customer relationships and are being amortized over a fourteen-year life straight-line basis. The technology-related intangible assets relate to certain acquired patents and are being amortized over a four to twelve-year life on a straight-line basis. The trademark and patent-related intangible assets relate to acquired trade names and trademarks have an indefinite useful life. Goodwill, trademark, and patent-related intangibles are being evaluated on an annual basis for impairment.

(amounts stated in thousands)

4. **Inventories, Net**

Inventories consist of the following:

	December 31,	
	2009	2008
Raw materials	$ 530	$ 674
Work-in-process	51	147
Finished goods	5,002	3,852
Total	5,583	4,673
Less allowance for inventory obsolescence	(442)	(359)
	$ 5,141	$ 4,314

5. **Property and Equipment, Net**

Property and equipment consist of the following:

	December 31,	
	2009	2008
Machinery and equipment	$ 126	$ 116
Furniture and fixtures	346	330
Computer equipment and software	547	447
Leasehold improvements	57	22
Subtotal	1,076	915
Less accumulated depreciation and amortization	(517)	(194)
	$ 559	$ 721

Depreciation and amortization expense charged to operating expenses was $272 and $148 and depreciation and amortization expense charged to cost of sales was $56 and $46 for the year ended December 31, 2009 and for the period from March 15, 2008 to December 31, 2008, respectively.

(amounts stated in thousands)

6. **Goodwill and Intangibles, Net**

Goodwill and intangible assets consist of the following:

	December 31, 2009	December 31, 2008
Goodwill and unamortized intangible assets:		
Goodwill	$ 309	$ 304
Trademark and trade names	4,477	4,477
Subtotal	4,786	4,781
Amortized intangible assets:		
Customer relationships	2,399	2,399
Product technology	680	680
Less accumulated amortization	(436)	(193)
Subtotal	2,643	2,886
Total	$ 7,429	$ 7,667

Amortization expense for intangible assets was $243 and $193 for the year ended December 31, 2009 and for the period from March 15, 2008 to December 31, 2008, respectively. Future amortization expense for intangible assets at December 31, 2009 is as follows:

	Amount
Year ending December 31:	
2010	$ 243
2011	243
2012	243
2013	226
2014	220
Thereafter	1,468
Total	$ 2,643

(amounts stated in thousands)

7. **Accrued Liabilities**

Accrued liabilities consist of the following:

	December 31,	
	2009	2008
Accrued compensation and payroll-related	$ 708	$ 456
Accrued acquisition costs	-	-
Accrued warranty	204	187
Accrued marketing co-op	67	136
Deferred rent	69	76
Accrued customer deposits	12	61
Other	93	93
	$ 1,153	$ 1,009

8. **Notes Payable**

The Company has a note payable to a former employee and stockholder in the amount of $1,500 at December 31, 2009 (see Note 12). The note is payable in installments through October 2010 and does not bear interest. The note matures within one year from the date of issuance; therefore, the Company considers the principal amount of $1,500 to approximate its net present value.

At December 31, 2008, the Company had a note payable to BAE for $1,000 in connection with the acquisition of GMP in March 2008 (see Note 3). The note did not bear interest and was paid on March 26, 2009. Since the note matured within one year from the date of issuance, the Company considered the principal amount of $1,000 to approximate its net present value.

9. **Revolving Credit Agreement**

On October 1, 2009, the Company renewed its $2,500 revolving credit agreement with Wells Fargo Bank N.A. (Wells Fargo) which now matures on December 31, 2010. The credit facility is secured by a first priority, perfected security interest in all assets of the Company. There are no amounts outstanding under the credit agreement as of December 31, 2009. At the Company's election, any future amounts borrowed under the revolving line, if any, will bear interest at 2.25% above the Daily One Month LIBOR Rate or at a fixed rate per annum determined by Wells Fargo to be 2% above LIBOR in effect on the first day of the applicable Fixed Rate Term. The credit agreement also provides for the issuance of letters of credit under a letter of credit sub-feature up to $1,000. The Company's vendors historically have not requested payment guaranteed by a letter of credit.

(amounts stated in thousands)

10. **Commitments and Contingencies**

Operating Leases

The Company leases facilities and some office equipment under noncancelable operating leases, which mature through 2013. The facility leases include rent escalation and renewal options. Future minimum payments for the next five years under the noncancelable operating leases consist of the following at December 31, 2009:

	Amount
Year ending December 31:	
2010	$ 369
2011	327
2012	277
2013	164
Total	$ 1,137

Rent expense under all operating leases was $517 and $333 for the year ended December 31, 2009 and for the period from March 15, 2008 to December 31, 2008, respectively. The Company also sub-leases a production facility from Bianchi with a 90-day notice to terminate.

Purchase Commitments

The Company has entered into purchase obligations, which include non-cancelable purchase commitments with suppliers. Total short-term purchase commitments to suppliers at December 31, 2009 was $4,492. The accounts payable under these commitment, which represent inventories received and in-transit, was $2,129 as of December 31, 2009. The Company reviews purchase agreements, assesses the likelihood of a shortfall in purchases, and determines if it is necessary to record a liability. The Company has no long-term purchase commitments.

11. **Employee Benefit Plans**

Defined Contribution Plan

The Company provides a defined contribution plan, in which the Company's employees are eligible to participate and the Company provides a matching contribution. Total defined contribution expense for the Company's employees participating in domestic defined contributions plans was $114 and $70 for the year ended 2009 and for the period from March 15, 2008 to December 31, 2008, respectively.

(amounts stated in thousands)

12. **Related Party Transactions**

The Company is a wholly-owned subsidiary of KSS Outdoor Holdings, LLC (KSS). From time to time, the Company has transactions with KSS. As of December 31, 2009 and 2008, the Company has a payable to KSS amounting to $17, which is included in other accrued liabilities.

In June 2009, the Company repurchased the shares of stock owned by the former president for a total consideration of $3,750. The Company paid the former president $1,750 in cash and issued a non-interest bearing promissory note for the balance of $2,000 payable in installments through October 2010. The balance of the note payable was $1,500 as of December 31, 2009.

13. **Geographic Information**

The Company operates in one business segment, the design and manufacturing of backpacks and related lifestyle products. The following is a summary of revenues by geographic region:

	December 31, 2009	Period from March 15, 2008 to December 31, 2008
Asia	54%	51%
North America	41%	42%
Europe	5%	6%
Rest of world	<1%	1%
Total	100%	100%

All of the Company's assets are primarily located in the United States.

(amounts stated in thousands)

14. **Income Taxes**

The Company's provision for (benefit from) income taxes consist of the following:

	December 31, 2009	Period from March 15, 2008 to December 31, 2008
Current:		
Federal	$ 800	$ -
State	250	-
Total current	1,050	-
Deferred:		
Federal	(195)	(18)
State	(43)	(3)
Total deferred	(238)	(21)
Total provision for (benefit from) income taxes	$ 812	$ (21)

The Company's effective income tax rate is lower than what would be expected if the federal statutory rate were applied to income (loss) before income taxes primarily because of operating loss carryforwards in prior period and certain expenses deductible for financial reporting purposes that are not deductible for tax purposes.

Deferred taxes reflect the impact of "temporary differences" between the amount of assets and liabilities for financial reporting purposes and tax reporting purposes.

(amounts stated in thousands)

14. **Income Taxes**, continued

Below is a summary of deferred tax assets and deferred tax liabilities:

	December 31,	
	2009	2008
Deferred tax assets–current:		
Federal	$ 436	$ 287
State	114	51
Total	550	338
Less valuation allowance	-	(133)
Net deferred tax assets	550	205
Deferred tax liabilities–noncurrent:		
Federal	(441)	(377)
State	(110)	(67)
Total	(551)	(444)
Net deferred income taxes	$ (1)	$ (239)

The Company's deferred tax assets consist primarily of accrued liabilities, allowance for bad debts, and inventory adjustments. The deferred tax liabilities relate mainly to the difference between the tax and book amounts of depreciation and amortization of goodwill, intangible assets and property and equipment. The Company had net operating losses in 2008 that were used in 2009.

Recognition of deferred tax assets is based on management's belief that it is more likely than not that the tax benefit associated with temporary differences will be utilized. A valuation allowance is recorded for those deferred tax assets for which it is more likely than not that the realization will not occur. The valuation allowance was $0 and $133 as of December 31, 2009 and 2008, respectively.

15. **Subsequent Events**

On May 7, 2010, the Company (or GMP) entered into a definitive agreement with Clarus Corporation (Clarus), a publicly held company. Under the terms of the agreement, Clarus acquired GMP for $45 million subject to certain adjustments.

On May 7, GMP assumed the liability of KSS (parent company) under the Equity Incentive Plan. Upon the closing of the merger agreement with Clarus, GMP will pay Eligible Employees $370 to be paid 50% in cash and 50% in Clarus' shares of stock.

On May 7, the two members of KSS dissolved the KSS partnership.

15. **Subsequent Events**, continued

Upon the closing of the agreement with Clarus, GMP will terminate its credit agreement with Wells Fargo. Wells Fargo will release its security interest in the assets of GMP.

Gregory Mountain Products, Inc.

Report on Audit of
Financial Statements

as of December 31, 2008 and for the period from March 15, 2008 to December 31, 2008,
as of March 15, 2008 and for the period from January 1, 2008 to March 14, 2008, and
as of December 31, 2007 and for the year ended December 31, 2007

Report of Independent Auditors

To the Stockholder of Gregory Mountain Products, Inc.

We have audited the accompanying balance sheets of Gregory Mountain Products, Inc. (the Company) as of December 31, 2008 (Successor), March 15, 2008 (Successor), and December 31, 2007 (Predecessor), and the related statements of operations, changes in stockholder's equity, and cash flows for the period from March 15, 2008 to December 31, 2008 (Successor), the period from January 1, 2008 to March 14, 2008 (Predecessor), and the year ended December 31, 2007 (Predecessor). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor have we been engaged to perform, an audit of the Company's internal control over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gregory Mountain Products, Inc. as of December 31, 2008 (Successor), March 15, 2008 (Successor), and December 31, 2007 (Predecessor), and the results of its operations and its cash flows for the period from March 15, 2008 to December 31, 2008 (Successor), for the period from January 1, 2008 to March 14, 2008 (Predecessor), and for the year ended December 31, 2007 (Predecessor) in conformity with accounting principles generally accepted in the United States of America.

/s/ Burr Pilger Mayer, Inc.

San Francisco, California
May 14, 2009 (except for Note 14 as to which the date is May 13, 2010)

GREGORY MOUNTAIN PRODUCTS, INC.
BALANCE SHEETS
December 31, 2008, March 15, 2008, and December 31, 2007
(in thousands, except for share and per share amount)

ASSETS	December 31, 2008 **(Successor)**	March 15, 2008 **(Successor)**	December 31, 2007 **(Predecessor)**
Current assets:			
Cash and cash equivalents	$ 3,628	$ -	$ -
Accounts receivable, net of allowance for doubtful accounts of $42, 49, and 46, respectively	1,637	3,886	2,199
Inventories, net	4,314	5,124	3,386
Deferred income tax assets	205	17	-
Other current assets	91	182	2
Total current assets	9,875	9,209	5,587
Property and equipment, net	721	196	211
Goodwill and intangible assets, net	7,667	7,860	9,041
Other assets	64	33	33
Total assets	$ 18,327	$ 17,298	$ 14,872
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current liabilities:			
Accounts payable	$ 2,000	$ 979	$ 1,863
Accrued liabilities	1,009	1,109	905
Due to BAE Systems	-	13,933	-
Note payable to BAE Systems	1,000	1,000	-
Income tax payable	-	-	458
Total current liabilities	4,009	17,021	3,226
Deferred income tax liabilities	444	277	-
Total liabilities	4,453	17,298	3,226
Commitments and contingencies.			
Stockholder's equity:			
Preferred stock, par value $0.01; 5,000 shares authorized; no shares issued and outstanding	-	-	-
Common stock, par value $0.01; 10,000 shares authorized; 100 shares issued and outstanding, respectively	-	-	-
Additional paid-in capital	13,934	-	-
Retained earnings (accumulated deficit)	(60)	-	11,646
Total stockholder's equity	13,874	-	11,646
Total liabilities and stockholder's equity	$ 18,327	$ 17,298	$ 14,872

The accompanying notes are an integral part of these financial statements.

GREGORY MOUNTAIN PRODUCTS, INC.
STATEMENTS OF OPERATIONS
for the period from March 15, 2008 to December 31, 2008
(in thousands, except for share and per share amount)
(in thousands)

	March 15, 2008 to December 31, 2008 **(Successor)**	January 1, 2008 to March 14, 2008 **(Predecessor)**	Year Ended December 31, 2007 **(Predecessor)**
Net sales	$ 19,140	$ 6,307	$ 21,097
Cost of sales	13,172	3,669	13,527
Gross profit	5,968	2,638	7,570
Operating expenses:			
Selling, general, and administrative	5,704	1,587	5,951
Depreciation and amortization	341	115	551
Impairment of intangible assets	-	1,377	-
Total operating expenses	6,045	3,079	6,502
(Loss) income from operations	(77)	(441)	1,068
Other expense, net	4	-	-
(Loss) income before income taxes	(81)	(441)	1,068
(Benefit from) provision for income taxes	(21)	-	458
Net (loss) income	$ (60)	$ (441)	$ 610

The accompanying notes are an integral part of these financial statements.

GREGORY MOUNTAIN PRODUCTS, INC.
STATEMENTS OF STOCKHOLDER'S EQUITY
for the period from March 15, 2008 to December 31, 2008,
(in thousands, except for share and per share amount)
(in thousands, except for share)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total Stockholder's Equity
	Shares	Amount			
Predecessor					
Balance, January 1, 2007	-	$ -	$ -	$ 13,895	$ 13,895
Net income	-	-	-	610	610
Net change in predecessor's equity (predecessor)	-	-	-	(2,859)	(2,859)
Balance, December 31, 2007	-	-	-	11,646	11,646
Net loss	-	-	-	(441)	(441)
Net change in predecessor's equity (predecessor)	-	-	-	2,157	2,157
Balance, March 14, 2008	-	$ -	$ -	$ 13,362	$ 13,362
Successor					
Balance, March 15, 2008	-	$ -	$ -	$ -	$ -
Issuance of common stock	100	-	13,934	-	13,934
Net loss	-	-	-	(60)	(60)
Balance, December 31, 2008	100	$ -	$ 13,934	$ (60)	$ 13,874

The accompanying notes are an integral part of these financial statements.

GREGORY MOUNTAIN PRODUCTS, INC.
STATEMENTS OF CASH FLOWS
for the period from March 15, 2008 to December 31, 2008
(in thousands, except for share and per share amount)
(in thousands)

	March 15, 2008 to Deceember 31, 2008 **(Successor)**	January 1, 2008 to March 14, 2008 **(Predecessor)**	Year Ended December 31, 2007 **(Predecessor)**
Cash flows from operating activities:			
Net (loss) income	$ (60)	$ (441)	$ 610
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation and amortization	387	123	578
Impairment of intangible assets	-	1,377	-
Disposal of property and equipment	-	-	182
Changes in operating assets and liabilities:			
Accounts receivable	2,249	(1,688)	97
Inventories	810	(332)	(452)
Other current assets	91	(180)	
Other assets	(31)	-	35
Deferred income taxes	(21)	-	-
Accounts payable	1,021	(884)	1,302
Accrued liabilities	(100)	(132)	635
Net cash provided by (used in) operating activities	4,346	(2,157)	2,987
Cash flows from investing activities:			
Cash paid to BAE Systems for business acquisition	(13,933)	-	
Purchase of property and equipment	(719)	-	(128)
Net cash used in financing activities	(14,652)	-	(128)
Cash flows from financing activities:			
Net proceeds from issuance of stock	13,934	-	-
Net change in predecessor's equity	-	2,157	(2,859)
Net cash provided by (used in) financing activities	13,934	2,157	(2,859)
Net increase in cash and cash equivalents	3,628	-	-
Cash and cash equivalents, beginning of period	-	-	-
Cash and cash equivalents, end of period	$ 3,628	-	$ -
Supplemental disclosure of noncash investing and financing activities– note payable issued in connection with business acquisition	$ 1,000	$ -	$ -

The accompanying notes are an integral part of these financial statements.

1. Organization and Basis of Presentation

Organization

On March 3, 2008, Gregory Mountain Products, Inc. (the Company or "GMP") was formed in the state of Delaware. On March 14, 2008, GMP acquired the Gregory Mountain Products business unit from Bianchi International (Bianchi), a subsidiary of BAE Systems. GMP's business is to design, manufacture and market outdoor equipment and lifestyle products to customers globally. GMP is a wholly-owned subsidiary of KSS Outdoor Holdings LLC.

Gregory Mountain Products, headquartered in Sacramento, California, serves the backpacking, mountaineering, hiking, climbing, travel and lifestyle markets. In North America and Europe, Gregory is a technical brand distributed through leading outdoor specialty retail chains, including REI and EMS, and other specialty outdoor retailers. In Japan and other Asian markets, in addition to being a leading provider of technical backpacking products, the brand also serves a premium lifestyle market, specializing in high-end daypacks, briefcases and satchels. The Company also supplies two Gregory-only retail stores in Tokyo, Japan and Seoul, Korea.

Basis of Presentation

The financial statements have been presented on a comparative basis. For periods prior to the acquisition (Note 3), GMP is referred to as the predecessor. For periods after the acquisition, it is referred to as the successor. Due to the acquisition and the application of push-down accounting, different basis of accounting have been used to prepare the predecessor and successor financial statements. A black line separates the predecessor and successor financial statements to highlight the lack of comparability between these two periods.

The accompanying financial statements prior to March 14, 2008 (predecessor) are intended to reflect the results of the predecessor's operations, financial position, and cash flows as if it was a separate entity for all periods presented and are in conformity with generally accepted accounting principles. The accompanying predecessor carve-out financial statements have been prepared from historical accounting records of Bianchi and have been presented to reflect the portion of the liabilities, income, assets and expenses that were directly attributable to and allocated to the business unit acquired.

The financial statements in the predecessor periods March 14, 2008 and prior are derived from the books and records of Bianchi. The predecessor's financial statements have been presented to reflect the portion of Bianchi's historical assets and expenses that are directly attributable to and, as discussed below, allocated to GMP. Bianchi also had one other business and Bianchi's expenses during that time consisted of expenses directly attributable to GMP, expenses directly attributable to the other business, and other expenses (which are referred to as "allocated" or "allocable" expenses) that were not directly attributable to GMP or the other business.

The predecessor statements of operations include allocations of certain corporate expenses, including, accounting, financial reporting, insurance, legal, human resources, and payroll. These allocations totaled $575 and $95 for the year end December 31, 2007 and for the period from January 1, 2008 to March 14, 2008, respectively.

1. **Organization and Basis of Presentation**, continued

Basis of Presentation, continued

The allocations are based primarily on the predecessor's payroll costs as a percentage of total Bianchi payroll costs, and the predecessor's headcount as a percentage of total Bianchi headcount. Facilities expense was allocated based on square footage of the Business facility space as a percentage of the total Bianchi facility space.

The predecessor balance sheet includes assets and liabilities directly attributable to the predecessor. There is no allocation associated with these amounts. However, the predecessor equity accounts include both direct expenses attributable to the predecessor's as well as indirect expenses of Bianchi.

Management believes the assumptions and allocations underlying the predecessor balance sheets and the related statements of operations are reasonable and appropriate under the circumstances. The expense allocations have been determined on a basis that is considered to be a reasonable reflection of the utilization of services provided or the benefit received by the predecessor during the periods presented. However, the amounts recorded for these transactions and allocations are not necessarily representative of the amounts that would have been reflected in the financial statements had the predecessor been an entity that operated independently of Bianchi.

2. **Summary of Significant Accounting Policies**

Accounting Principles

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and judgments relied upon by management in preparing these financial statements include collectibility of accounts receivable, inventory obsolescence, depreciable lives for fixed assets, life and impairment adjustment of intangible assets, revenue recognition, and valuation of deferred income taxes. Actual results could differ from those estimates.

Cash and Cash Equivalents

During the predecessor period, the parent manages cash on a centralized basis. Cash receipts associated with the predecessor's business are received directly by the parent, and the parent directly funds the predecessor's disbursements. All cash activity in the predecessor period is recorded as a component of stockholder's equity.

2. **Summary of Significant Accounting Policies**, continued

Cash and Cash Equivalents, continued

We consider all highly liquid investments with maturities of three months or less, at date of purchase, to be cash equivalents.

Concentration Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. We maintain our cash and cash equivalents with what we believe to be high quality banks. Amounts held in individual banks may exceed federally insured amounts. Our accounts receivable consist of amounts due from customers located throughout the world. We maintain reserves for potential credit losses. Two customers each accounted for 19%, 35%, and 61%, and 23%, 26%, and 10% of accounts receivable at December 31, 2008, March 15, 2008 and December 31, 2007, respectively. Two customers accounted for 42%, 41%, and 47%, and 20%, 22% and 17% in net sales for the period from March 15, 2008 to December 31, 2008, the period from January 1, 2008 to March 14, 2008, and the year ended December 31, 2007, respectively.

The Company purchases finished goods backpacks and related lifestyle products from two outsourced manufacturers overseas. The revenues related to purchased inventory is approximately 63% of total company revenues. Although there are a limited number of suppliers who can perform the outsourced manufacturing process, management believes that other vendors could provide similar products on comparable terms. However, a change in suppliers would be time consuming and could cause delays in delivery of product to customers and possible losses in revenue, which could adversely affect operating results.

Accounts Receivable

Accounts receivable consists of amounts billed currently due from customers. The allowance for doubtful accounts represents the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company's allowance is determined based on historical write-off experience and on specific customer accounts believed to be a collection risk. Account balances are written off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates fair value.

Inventory

Inventory is valued at the lower of cost or market, with cost computed on a first-in, first-out basis (FIFO). Adjustments to reduce the cost of inventory to its net realizable value, if required, are made for estimated excess or obsolete inventory.

2. **Summary of Significant Accounting Policies**, continued

Property and Equipment

Property and equipment are recorded at cost. Depreciation and amortization is provided using the straight-line method over the estimated useful life of the assets ranging from 3 to 5 years. Additions and improvements that increase the value or extend the life of an asset are capitalized.

Goodwill and Purchased Intangible Assets

Goodwill is accounted for in accordance with the Statement of Financial Accounting Standards (SFAS) 142, *Goodwill and Other Intangible Assets* (SFAS No. 142). Goodwill is not amortized but is reviewed annually (or more frequently if impairment indicators arise) for impairment. Impairment indicators include the significant decrease in the fair value of an asset, significant adverse changes in the extent or use or physical condition of an asset, significant adverse change in legal or regulatory factors affecting an asset, operating or cash flow losses (or a projection of losses) that demonstrates continuing losses associated with the use of an asset, or a current expectation that, more likely than not, an asset will be sold or disposed of significantly before the end of its previously estimated useful life. Purchased intangible assets that have definite lives are carried at cost less accumulated amortization. Amortization of definite-lived intangibles is computed using the straight-line method over the economic lives of the respective assets, generally 4 to 12 years. Purchased intangible assets that have indefinite lives are not subject to amortization, but are reviewed annually for impairment in accordance with SFAS No. 142.

Impairment of Long-Lived Assets

The Company accounts for the impairment and disposal of long-lived assets in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144). SFAS No.144 requires that long-lived assets, such as property, plant and equipment, and purchased intangible assets subject to amortization, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The purchase method of accounting for business combinations requires us to make use of estimates and judgments to allocate the purchase price paid for acquisitions to the fair value of the net tangible and identifiable intangible assets acquired and liabilities assumed. The recoverability of an asset is measured by a comparison of the carrying amount of an asset to its estimated undiscounted future cash flows expected to be generated. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. The Company performs impairment tests annually. The Company recorded an impairment charge of $1,377 for the period from January 1, 2008 to March 14, 2008 to adjust the cost basis of the Company's intangible assets valued by the predecessor to be in line with the valuation of those same intangible assets by a third party and supported by the purchase price of the Company. There were no further impairment charges recorded for any periods presented.

2. **Summary of Significant Accounting Policies**, continued

Foreign Currency Translation

The functional currency for all of the Company's operations presented in the accompanying financial statements is in U.S. dollars. The Company transacts in U.S. dollars except for sales made to Canadian customers, which are billed and collected in Canadian dollars at the exchange rate existing at the time of sale. All receivables from Canadian dollars are translated into U.S. dollars at the rates of exchange at the balance sheet date. Foreign currency translation gains and losses are included in other expense, net.

Revenue Recognition

Revenue is recognized when (i) there is a contract or other arrangement of sale, (ii) the sales price is fixed or determinable, (iii) title and the risks of ownership have been transferred to the customer and (iv) collection of the receivable is reasonably assured. Net Sales to wholesale customers and sales directly to the end user customer are generally recognized when the product has been shipped and risk of loss has passed to the customer. Net sales are recorded after reduction of allowances for trade terms, volume and other discounts, customer markdowns and charge-backs, and sales incentive programs. The Company does not offer customers the right of return and has not historically experienced any significant or material returns. Sales taxes and any value added taxes collected from customers that are remitted directly to governmental authorities are excluded from Net Sales.

Warranty Reserve

The Company product has a lifetime warranty. A provision for estimated future repair or replacement costs, based on historical and anticipated trends, is recorded when these products are sold. The warranty reserve is based upon a historical product return rate, adjusted for any specific known conditions or circumstances. Adjustments to the warranty reserve are recorded in cost of goods sold.

Research and Product Development Costs

The Company's policy is to expense all research and product development costs as incurred. Any research and product development costs are included in selling, general and administrative expenses. The types of costs classified as research and development expense include salaries of technical design staff, supplies costs, facilities rental, and utilities costs related to product design and development.

Advertising

Advertising costs are expensed as incurred and amounted to approximately $619, $172, and $779 for the period from March 15, 2008 to December 31, 2008, the period from January 1, 2008 to March 14, 2008, and the year ended December 31, 2007, respectively.

Shipping and Handling

The Company records shipping and handling costs in cost of sales. Freight costs billed to customers is recorded in revenues. These costs were not material during the periods reported.

2. **Summary of Significant Accounting Policies**, continued

Income Taxes

GMP accounts for income taxes pursuant to SFAS No. 109, *Accounting for Income Taxes* (SFAS No. 109). Under the asset and liability method specified thereunder, deferred taxes are determined based on the difference between the financial reporting and tax bases of assets and liabilities. Deferred tax liabilities are offset by deferred tax assets relating to net operating loss carryforwards, tax credit carryforwards and deductible temporary differences. Recognition of deferred tax assets is based on management's belief that it is more likely than not that the tax benefit associated with temporary differences and operating and capital loss carryforwards will be utilized. A valuation allowance is recorded for those deferred tax assets for which it is more likely than not that the realization will not occur.

The provision for income taxes in the periods prior to March 15, 2008 were determined using the statutory rate of 43% under the carve-out financial statement guidance.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board issued SFAS No. 141(R), *Business Combinations* (SFAS No. 141(R)), and SFAS No. 160, *Accounting and Reporting of Non-controlling Interests in Consolidated Financial Statements, an amendment of ARB No. 51* (SFAS No. 160). These new standards will significantly change the financial accounting and reporting of business combination transactions and noncontrolling (or minority) interests in consolidated financial statements. SFAS No. 141(R) is required to be adopted concurrently with SFAS No. 160 and is effective for business combination transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early adoption is prohibited. The Company does not expect the adoption of SFAS No. 141(R) to have a material on its results of operations and financial position.

3. **Acquisitions**

On March 14, 2008, BAE and the Company reached a definitive agreement whereby the Company purchased the assets and liabilities of GMP's business from Bianchi for $13,933 in cash and $1,000 seller financing from BAE. The stockholders of the Company contributed $13,950, and paid BAE $13,933 in March 2008. The note payable to BAE is due in March 2009 and does not bear any interest. See Note 8. The costs associated to the purchase totaling about $336 consist mainly of legal and other fees, and are included in accrued liabilities as of March 15, 2008 (successor). The cash paid, note payable, and costs incurred totaling $15,269 were allocated to the assets acquired and liabilities assumed.

The acquisition was accounted for as a purchase business combination, and accordingly, the results of operations were included in the Company's financial statements after the acquisition date. Fair values were estimated by management based on estimated replacement costs, third-party valuation, and estimates of future operating results.

(amounts stated in thousands)

3. **Acquisitions**, continued

The following table summarizes the fair value of the assets acquired and liabilities assumed at the date of acquisition:

Assets acquired:		
Accounts receivable	$	3,886
Inventories		5,124
Current assets		182
Property and equipment		196
Other assets		33
Deferred income tax assets		17
Trademark and patent-related intangibles		4,477
Customer-related intangibles		2,399
Technology-related intangibles		680
Goodwill		304
Total assets acquired		17,298
Liabilities assumed:		
Accounts payable and accrued liabilities		(1,752)
Deferred income tax liabilities		(277)
Net assets acquired	$	15,269

The customer-related intangible assets relate to acquired customer relationships and are being amortized over a fourteen-year life straight-line basis. The technology-related intangible assets relate to certain acquired patents and are being amortized over a four- to twelve-year life on a straight-line basis. The trademark and patent-related intangible assets relate to acquired trade names and trademarks have an indefinite useful life. Goodwill, trademark, and patent-related intangibles are being evaluated on an annual basis for impairment.

(amounts stated in thousands)

4. **Inventories, Net**

Inventories consist of the following:

	December 31, 2008 (Successor)	March 15, 2008 (Successor)	December 31, 2007 (Predecessor)
Raw materials	$ 674	$ 658	$ 861
Work-in-process	147	542	115
Finished goods	3,852	3,924	2,563
Total	4,673	5,124	3,539
Less allowance for inventory obsolescence	(359)	-	(153)
	$ 4,314	$ 5,124	$ 3,386

5. **Property and Equipment, Net**

Property and equipment consist of the following:

	December 31, 2008 (Successor)	March 15, 2008 (Successor)	December 31, 2007 (Predecessor)
Machinery and equipment	$ 116	$ 102	$ 129
Furniture and fixtures	330	71	81
Computer equipment and software	447	11	15
Leasehold improvements	22	12	13
Subtotal	915	196	238
Less accumulated depreciation and amortization	(194)	-	(27)
	$ 721	$ 196	$ 211

Depreciation and amortization expense charged to operating expenses was $148, $7, and $32, and depreciation and amortization expense charged to cost of sales was $46, $8, and $27, for the period from March 15, 2008 to December 31, 2008, the period from January 1, 2008 to March 14, 2008, and the year ended December 31, 2007, respectively.

(amounts stated in thousands)

6. **Goodwill and Intangibles, Net**

Goodwill and intangible assets consist of the following:

	December 31, 2008 (Successor)	March 15, 2008 (Successor)	December 31, 2007 (Predecessor)
Goodwill and unamortized intangible assets:			
Goodwill	$ 304	$ 304	-
Trademark and trade names	4,477	4,477	$ 5,664
Subtotal	4,781	4,781	5,664
Amortized intangible assets:			
Customer relationships	2,399	2,399	3,036
Product technology	680	680	860
Less accumulated amortization	(193)	-	(519)
Subtotal	2,886	3,079	3,377
Total	$ 7,667	$ 7,860	$ 9,041

Amortization expense for intangible assets was $193, $108 and $519 for the period from March 15, 2008 to December 31, 2008, the period from January 1, 2008 to March 14, 2008, and the year ended December 31, 2007, respectively. The impairment loss on intangible assets was $1,377 for the period from January 1, 2008 to March 14, 2008. Future amortization expense for intangible assets at December 31, 2008 is as follows:

	Amount
Year ending December 31:	
2009	$ 243
2010	243
2011	243
2012	225
2013	220
Thereafter	1,712
Total	$ 2,886

(amounts stated in thousands)

7. **Accrued Liabilities**

Accrued liabilities consist of the following:

	December 31, 2008 (Successor)	March 15, 2008 (Successor)	December 31, 2007 (Predecessor)
Accrued compensation and payroll-related	$ 456	$ 343	$ 606
Accrued acquisition costs	-	336	-
Accrued warranty	187	106	120
Accrued marketing co-op	136	104	60
Deferred rent	76	-	-
Accrued customer deposits	61	209	87
Other	93	11	32
	$ 1,009	$ 1,109	$ 905

8. **Note Payable**

The Company has a note payable to BAE amounting to $1,000 in connection with the acquisition of GMP in March 2008 (see Note 3). The note does not bear interest and matures on March 26, 2009. Since the note matures within one year from the date of issuance, the Company considers the principal amount of $1,000 to approximate its net present value.

9. **Commitments and Contingencies**

Operating Leases

The Company leases facilities and some office equipment under noncancelable operating leases which mature through 2013. The facility leases include rent escalation and renewal options. Future minimum payments for the next five years under the noncancelable operating leases consist of the following at December 31, 2008:

Year ending December 31:	Amount
2009	$ 326
2001	278
2011	272
2012	277
2013	164
	$ 1,317

Rent expense under all operating leases was $333, $75, and $461 for the period from March 15, 2008 to December 31, 2008, the period from January 1, 2008 to March 14, 2008, and the year ended December 31, 2007, respectively. The Company also leases a production facility from Bianchi with a 90-day notice to terminate. Rent expense related to the Bianchi leased facility was $129 for the period from March 15, 2008 to December 31, 2008, respectively.

(amounts stated in thousands)

9. **Commitments and Contingencies**, continued

Purchase Commitments

The Company has entered into purchase obligations, which include non-cancelable purchase commitments with suppliers. Total short-term purchase commitments to suppliers at December 31, 2008 was $5,220. The accounts payable under these commitment, which represent inventories received and in-transit, was $1,281 as of December 31, 2008. The Company reviews purchase agreements and make an assessment of the likelihood of a shortfall in purchases and determine if it is necessary to record a liability. The Company has no long-term purchase commitments.

10. **Employee Benefit Plans**

Defined Contribution Plan

The Company provides a defined contribution plan, in which the Company's employees are eligible to participate and the Company provides a matching contribution. The former parent provided a similar plan in the predecessor period. Total defined contribution expense for the Company's employees participating in domestic defined contributions plans was $70, $18, and $122 for the period from March 15, 2008 to December 31, 2008, the period from January 1, 2008 to March 14, 2008, and the year ended December 31, 2007, respectively.

11. **Geographic Information**

The Company operates in one business segment, the design and manufacturing of backpacks and related lifestyle products. The following is a summary of revenues by geographic region:

	Period from March 15, 2008 to December 31, 2008 (Successor)	Period from January 1, 2008 to March 14, 2008 (Predecessor)	Year Ended December 31, 2007 (Predecessor)
Asia	51%	48%	57%
North America	42%	42%	41%
Europe	6%	3%	2%
Rest of world	1%	7%	-
Total	100%	100%	100%

All of the Company's assets are located in the United States.

(amounts stated in thousands)

12. **Related Party Transactions**

The Company is a wholly-owned subsidiary of KSS Outdoor Holdings, LLC (KSS). From time to time, the Company has transactions with KSS. As of December 31, 2008 and March 15, 2008, the Company has a payable to KSS amounting to $17, which is included in other accrued liabilities.

13. **Income Taxes**

The Company operated as a business unit of Bianchi International and as such its operating results prior to March 15, 2008 have been included in Bianchi's income tax returns. The provision for income taxes in these financial statements has been determined using a federal and state statutory rate of 43% for the predecessor periods prior to March 15, 2008.

The Company's (benefit from) provision for income taxes consist of the following:

	Period from March 15, 2008 to December 31, 2008 (Successor)	Period from January 1, 2008 to March 14, 2008 (Predecessor)	Year Ended December 31, 2007 (Predecessor)
Current:			
Federal	-	-	$ 374
State	-	-	84
Total current	-	-	458
Deferred:			
Federal	$ (18)	-	-
State	(3)	-	-
Total deferred	(21)	-	-
Total (benefit from) provision for incometaxes	$ (21)	-	$ 458

Deferred taxes reflect the impact of "temporary differences" between the amount of assets and liabilities for financial reporting purposes and tax reporting purposes.

(amounts stated in thousands)

13. **Income Taxes**, continued

Below is a summary of deferred tax assets and deferred tax liabilities:

	December 31, 2008 (Successor)	March 15, 2008 (Successor)	December 31, 2007 (Predecessor)
Deferred tax assets-current:			
Federal	$ 287	$ 14	-
State	51	3	-
Total	338	17	-
Less-valuation allowance	(133)	-	-
Net deferred tax assets	205	17	-
Deferred tax liabilities-noncurrent:			
Federal	(377)	(235)	-
State	(67)	(42)	-
Total	(444)	(277)	-
Net deferred income taxes	$ (239)	$ (260)	-

The Company's deferred tax assets consist primarily of net operating loss carryforwards, accrued liabilities, allowance for bad debts, and inventory adjustments. The deferred tax liabilities relate to the difference between the tax and book amounts of depreciation and amortization of goodwill, intangible assets and property and equipment. The net operating loss carryforwards begin expiring in 2028 for both federal and state income tax purposes.

Recognition of deferred tax assets is based on management's belief that it is more likely than not that the tax benefit associated with temporary differences and net operating loss carryforwards will be utilized. A valuation allowance is recorded for those deferred tax assets for which it is more likely than not that the realization will not occur. The valuation allowance for the period from March 15, 2008 to December 31, 2008 was $133.

14. **Subsequent Events**

On May 7, 2010, the Company (or GMP) entered into a definitive agreement with Clarus Corporation (Clarus), a publicly held company. Under the terms of the agreement, Clarus agreed to acquire GMP for $45 million subject to certain adjustments.

On May 7, the two members of KSS dissolved the KSS partnership.

On May 7, GMP assumed the liability of KSS (parent company) under the Equity Incentive Plan. Upon the closing of the merger agreement with Clarus, GMP will pay Eligible Employees $370 to be paid 50% in cash and 50% in Clarus' shares of stock.

Upon the closing of the agreement with Clarus, GMP will terminate its credit agreement with Wells Fargo. Wells Fargo will release its security interest in the assets of GMP.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The unaudited pro forma condensed combined financial information for the periods indicated below show the effect of Clarus Corporation's ("Clarus", the "Company", "we", or "our") acquisition on May 28, 2010, of each of Black Diamond Equipment, Ltd. ("BDE") and Gregory Mountain Products, Inc. ("GMP") in two separate merger transactions (the "Mergers") pursuant to agreements and plans of merger dated May 7, 2010. For a description of the Mergers please see Note 1 of the unaudited pro forma condensed combined financial statements. The unaudited pro forma condensed combined balance sheet presents the financial position of Clarus as of March 31, 2010, giving effect to the Mergers as if they had occurred on such date. The unaudited pro forma condensed combined statements of income for the three months ended March 31, 2010 and for the year ended December 31, 2009, give effect to the Mergers as if they had occurred on January 1, 2009.

The unaudited pro forma condensed combined balance sheet of March 31, 2010 has been prepared by combining the unaudited historical condensed consolidated balance sheet of Clarus as of March 31, 2010, with the unaudited historical condensed consolidated balance sheets of BDE and GMP as of March 31, 2010. The unaudited pro forma condensed combined statement of income for the year ended December 31, 2009 has been prepared by combining Clarus' historical condensed consolidated statement of income for the year ended December 31, 2009, with the unaudited historical condensed consolidated statement of income of BDE for the twelve months ended December 31, 2009 and of GMP for the year ended December 31, 2009. The interim unaudited pro forma condensed combined statement of income for the three months ended March 31, 2010, has been prepared by combining Clarus' unaudited historical condensed consolidated statement of income for the three months ended March 31, 2010, with the unaudited historical condensed consolidated statements of income of each of BDE and GMP for the three months ended of March 31, 2010. Pro forma adjustments have been applied to the historical accounts.

The unaudited pro forma condensed combined financial information is presented for informational purposes only and it is not necessarily indicative of the financial position and results of operations that would have been achieved had the acquisition been completed as of the dates indicated and is not necessarily indicative of our future financial position or results of operations.

The unaudited pro forma condensed combined financial information should be read in conjunction with the historical consolidated financial statements of Clarus, BDE and GMP, including related notes thereto. The historical audited consolidated financial statements of Clarus are included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and its Quarterly Report on Form 10-Q for the three months ended March 31, 2010. The historical audited financial statements of BDE for the fiscal years ended June 30, 2009, 2008 and 2007, including related notes thereto, and the unaudited nine months ended March 31, 2010 and 2009, are included in this Form 8-K filing as Exhibit 99.2. The historical audited financial statements of GMP for the fiscal years ended December 31, 2009, 2008 and 2007, including related notes thereto, and the unaudited three months ended March 31, 2010, and 2009, are included in this Form 8-K filing as Exhibit 99.3.

The unaudited pro forma condensed combined financial information has been adjusted with respect to certain aspects of the Mergers to reflect:

- the consummation of the Mergers;
- changes in assets and liabilities (as disclosed in more detail below) to record their preliminary estimated fair values at the date of the closing of the Mergers and changes in certain expenses resulting therefrom;
- additional indebtedness, debt issuance costs and interest expense, incurred in connection with the Mergers; and
- additional shares of Clarus common stock and restricted stock units issued in conjunction with the Mergers.

The unaudited pro forma condensed combined financial information was prepared in accordance with the acquisition method of accounting under existing United States generally accepted accounting principles, or GAAP standards, and the regulations of the Securities and Exchange Commission ("SEC"), and is not necessarily indicative of the financial position or results of operations that would have occurred if the Mergers had been completed on the dates indicated, nor is it indicative of the future operating results or financial position of Clarus, BDE and GMP. Assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes, which should be read in connection with the unaudited pro forma condensed combined financial information. The accounting for the Mergers is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. Due to the fact that the unaudited pro forma condensed combined financial information has been prepared based upon preliminary estimates, and account balances other than those on the actual acquisition date, the final amounts recorded for the Mergers may differ materially from the information presented. These estimates are subject to change pending further review of the assets acquired and liabilities assumed.

The unaudited pro forma condensed combined statements of income do not reflect future events that may occur after the Mergers, including, but not limited to, the anticipated realization of ongoing savings from operational synergies. It also does not give effect to certain one-time charges Clarus, BDE and GMP expect to incur in connection with the Mergers, including, but not limited to, charges that are expected to affect the acquisition and to achieve ongoing cost savings and synergies, as well as the tax benefit from the reversal of a significant portion of the valuation allowance on the deferred tax asset.

CLARUS CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Clarus	Black Diamond Equipment	Gregory Mountain Products	BDE Pro Forma Adjustments	#	GMP Pro Forma Adjustments	#	Pro Forma Combined Clarus, BDE and GMP
Revenue								
Domestic sales	$ -	$ 40,627	$ 10,535	$		$		$ 51,162
International sales	-	47,518	14,820					62,338
Total Revenue	-	88,145	25,355					113,500
Cost of goods sold								
Cost of goods sold	-	55,127	15,115	(181)	7	(27)	7	70,034
Gross Margin	-	33,018	10,240	181		27		43,466
Operating expenses:								
Selling, general and administrative	3,597	25,376	6,616	48	10			35,476
				(161)	11			
Amortization of definite-lived intangibles	-	4	243	845	5	225	5	1,317
Depreciation	342	1,144	272	(187)	7	(132)	7	1,439
Merger and integration	-	-	739					739
Transaction costs	1,613	-	-					1,613
Total operating expenses	5,552	26,524	7,870	545		93		40,584
Operating income (loss)	(5,552)	6,494	2,370	(364)		(66)		2,882
Other income (expense):								
Interest expense	-	(970)	-	913	8	(2,527)	8	(3,293)
				(709)	8			
Interest income	701	-	-	(701)	11			-
Other, net	-	346	76					422
Total other income (expense), net	701	(624)	76	(497)		(2,527)		(2,871)
Income (loss) before income tax	(4,851)	5,870	2,446	(861)		(2,593)		11
Income tax (benefit) provision	(6)	1,820	812	(1,753)	9	(868)	9	5
Net (loss) income	$ (4,845)	$ 4,050	$ 1,634	$ 892		$ (1,725)		$ 6
Earnings per share attributable to stockholders:								
Basic earnings								

per share	~~$ (0.29)~~					~~$ 0.00~~
Diluted earnings per share	$ (0.29)					$ 0.00
Weighted average common shares outstanding for earnings per share:						
Basic	16,867	484	**4**	3,707	**4**	21,058
Diluted	16,867	484	**4**	3,707	**4**	21,124
		66	**11**			

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements

CLARUS CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2010
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Clarus	Black Diamond Equipment	Gregory Mountain Products	BDE Pro Forma Adjustments	#	GMP Pro Forma Adjustments	#	Pro Forma Combined Clarus, BDE and GMP
Revenue								
Domestic sales	$ -	$ 9,821	$ 4,544	$		$		$ 14,365
International sales	-	13,836	4,911					18,747
Total Revenue	-	23,657	9,455					33,112
Cost of goods sold								
Cost of goods sold	-	14,537	5,465	(10)	**7**	(8)	**7**	19,984
Gross Margin	$ -	$ 9,120	$ 3,990	$ 10		$ 8		$ 13,128
Operating expenses:								
Selling, general and administrative	789	7,015	1,945	12	**10**			9,721
				(40)	**11**			
Amortization of definite-lived intangibles	-	1	61	212	**5**	57	**5**	331
Depreciation	79	299	73	(14)	**7**	(43)	**7**	394
Merger and integration	-	-	64					64
Transaction costs	1,509	-	-	(1,486)	**2**			23
Total operating expenses	2,377	7,315	2,143	(1,316)		14		10,533
Operating income (loss)	(2,377)	1,805	1,847	1,326		(6)		2,595
Other income (expense):								
Interest expense	-	(105)	-	86	**8**	(632)	**8**	(805)
				(154)	**8**			
Interest income	22	-	-	(22)	**11**			-
Other, net	-	(252)	6					(246)
Total other expense, net	22	(357)	6	(90)		(632)		(1,051)
Income (loss) before income tax	(2,355)	1,448	1,853	1,236		(638)		1,544
Income tax provision (benefit)	-	331	757	(205)	**9**	(292)	**9**	591
Net (loss) income	$ (2,355)	$ 1,117	$ 1,096	$ 1,441		$ (346)		$ 953
Earnings per share attributable to stockholders:								
Basic earnings per share	$ (0.14)							$ 0.05
Diluted earnings per								

share	$ (0.14)					$ 0.04
Weighted average common shares outstanding for earnings per share:						
Basic	16,867	484	**4**	3,707	**4**	21,058
Diluted	16,867	484	**4**	3,707	**4**	21,182
		124	**11**			

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements

CLARUS CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF MARCH 31, 2010
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Clarus	Black Diamond Equipment	Gregory Mountain Products	BDE Pro Forma Adjustments	#	GMP Pro Forma Adjustments	#	Pro Forma Combined Clarus, BDE and GMP
Assets								
Current Assets								
Cash and cash equivalents	$56,938	$ 1,246	$ 1,847	$ (85,665)	**4**	$ (1,685)	**4**	$ 8,311
				23,691	**11**	(50)	**8**	
				2,904	**1**	(695)	**2**	
				13,936	**8**	(375)	**2**	
				(3,636)	**2**			
				(145)	**8**			
Marketable securities	23,691	-	-	(23,691)	**11**			-
Accounts receivable	-	14,693	3,940					18,633
Inventories	-	19,543	3,916	3,750	**6**	1,357	**6**	28,566
Interest receivable	3	-	-					3
Prepaid and other current assets	80	1,263	69					1,412
Deferred income taxes	-	2,224	465					2,689
Total Current Assets	80,712	38,969	10,237	(68,856)		(1,448)		59,614
Non-Current Assets								
Property and equipment, net	637	9,508	527	5,033	**7**	150	**7**	15,855
Amortizable definite lived intangible assets, net	-	936	7,059	(936)	**5**	(7,059)	**5**	17,999
				12,539	**5**	5,460	**5**	
Identifiable indefinite lived intangible assets	-	-	-	19,497	**5**	13,001	**5**	32,498
Goodwill	-	1,160	309	(1,160)	**4**	(309)	**4**	49,292
				25,013	**4**	24,279	**4**	
Debt issuance costs	-	-	-	145	**8**	50	**8**	195
Deferred income taxes - LT	-	-	-	50,000	**9**	212	**9**	50,212
Other long term assets	-	-	133					133
Total Non Current Assets	637	11,604	8,028	110,131		35,784		166,184
TOTAL ASSETS	$81,349	$ 50,573	$ 18,265	$ 41,275		$ 34,336		$ 225,798

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements

CLARUS CORPORATION
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
AS OF MARCH 31, 2010
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Clarus	Black Diamond Equipment	Gregory Mountain Products	BDE Pro Forma Adjustments	#	GMP Pro Forma Adjustments	#	Pro Forma Combined Clarus, BDI and GMP
Liabilities and Shareholders' Equity								
Current Liabilities								
Accounts payable	$ 509	$ 2,683	$ 1,801	$ (144)	**2**	$ (49)	**2**	$ 4,80
Accrued liabilities	991	7,153	1,116	(628)	**2**	(210)	**2**	8,34
				(75)	**8**			
Income tax payable	-	1,054	446					1,50
Deferred taxes				1,434	**9**	519	9	1,95
Current portion debt obligations	-	3,176	1,500	(2,644)	**8**	(1,500)	**8**	53
Total Current Liabilities	1,500	14,066	4,863	(2,057)		(1,240)		17,13
Non-Current Liabilities								
Long term debt obligations	-	5,132	-	(4,760)	**8**	12,571	**4**	26,87
				13,936	**8**			
Other long term liabilities	-	678	-			316	**4**	99
Deferred income taxes	-	634	547	14,179	**9**	10,746	**9**	26,10
Deferred rent	458	-	-					45
TOTAL LIABILITIES	1,958	20,510	5,410	21,298		22,393		71,56
Shareholders' Equity								
Preferred stock, $.0001 par value; 5,000,000 shares authorized; none issued	-	-	-					
Common stock, $.0001 par value; 100,000,000 shares authorized; 17,441,747 shares issued and 17,366,747 outstanding in 2010	2	1	-	(1)	**11**			
Additional paid in capital	371,112	3,275	13,934	(3,275)	**11**	(13,934)	**11**	399,87
				2,904	**1**	25,234	**4**	
						626	**10**	
Accumulated deficit	(291,723)	-	-	(2,864)	**2**	(436)	**2**	(245,64
				50,000	**9**	(626)	**10**	
Treasury stock, at cost	(2)	(2,021)	(3,750)	2,021	**11**	3,750	**11**	(
Accumulated other comprehensive income	2	(62)	-	62	**11**			
Deferred compensation	-	(12)	-	12	**11**			
Foreign currency adjustment	-	1,262	-	(1,262)	**11**			
Retained earnings	-	27,620	2,671	(27,620)	**11**	(2,671)	**11**	
TOTAL STOCKHOLDERS' EQUITY	79,391	30,063	12,855	19,977		11,943		154,22
TOTAL LIABILITIES AND EQUITY	$ 81,349	$ 50,573	$ 18,265	$ 41,275		$ 34,336		$ 225,79

See Notes to Unaudited Pro Forma Condensed Combined Financial Statements

Notes to Unaudited Pro Forma Condensed Combined Financial Statements
(In thousands, except share and per share amounts)

1) Description of Mergers

Black Diamond Equipment, Ltd.

On May 28, 2010, Clarus acquired Black Diamond Equipment, Ltd., a Delaware corporation ("BDE") pursuant to the Agreement and Plan of Merger dated May 7, 2010, (the "Black Diamond Merger Agreement") by and among Clarus, BDE, Everest/Sapphire Acquisition, LLC ("Purchaser"), a Delaware limited liability company and wholly-owned direct subsidiary of Clarus, Sapphire Merger Corp. ("Merger Sub"), a Delaware corporation and a wholly-owned direct subsidiary of Purchaser, and Ed McCall, as Stockholders' Representative. Under the Black Diamond Merger Agreement, Purchaser acquired BDE and its three subsidiaries through the merger of Merger Sub with and into BDE, with BDE as the surviving corporation of the merger (the "Black Diamond Merger").

In the Black Diamond Merger Agreement, Clarus acquired all of the outstanding common stock of BDE for an aggregate amount of approximately $85,665 (after closing adjustments of $4,335 relating to working capital), $4,500 of which is being held in escrow for a one year period (the "Escrow Fund") as security for any working capital adjustments to the purchase price or indemnification claims under the Black Diamond Merger Agreement. Certain BDE shareholders used their cash received from the sale of BDE common stock to purchase 483,767 shares of Clarus stock from the Company, for a total value of $2,904.

The Black Diamond Merger was unanimously approved by the Company's Board of Directors. On May 7, 2010, Rothschild Inc. delivered its opinion to the Company's Board of Directors that the consideration to be paid by the Company pursuant to the Black Diamond Merger Agreement was fair, from a financial point of view, to the Company. The Black Diamond Merger Agreement was approved by the Board of Directors and stockholders of Black Diamond.

Gregory Mountain Products, Inc.

On May 28, 2010, Clarus acquired Gregory Mountain Products, Inc., a Delaware corporation ("GMP") pursuant to the Agreement and Plan of Merger (the "Gregory Merger Agreement") by and among GMP, Clarus, Purchaser, Everest Merger I Corp., a Delaware corporation and a Purchaser wholly-owned direct subsidiary of Purchaser ("Merger Sub One"), Everest Merger II, LLC, a Delaware limited liability company and a wholly-owned direct subsidiary of Purchaser ("Merger Sub Two"), and each of Kanders GMP Holdings, LLC and Schiller Gregory Investment Company, LLC, as the stockholders of Gregory (the "Gregory Stockholders"). Under the terms of the Gregory Merger Agreement, (i) Merger Sub One merged with and into GMP (the "First Step Merger"), with GMP as the surviving corporation of the First Step Merger, and (ii) immediately following the effective time of the First Step Merger, as part of the same overall transaction, GMP merged with and into Merger Sub Two, (the "Second Step Merger" and together with the First Step Merger, the "Gregory Merger"), with Merger Sub Two as the surviving corporation of the Second Step Merger.

In the Gregory Merger, the Company acquired all of the outstanding common stock of Gregory for an aggregate amount of approximately $44,111 (after closing adjustments of $889 relating to debt repayments, working capital and equity plan allocation), payable to the Gregory Stockholders in proportion to their respective ownership interests of Gregory as follows: (i) the issuance of 2,419,490 shares to Kanders GMP Holdings, LLC and 1,256,429 shares to Schiller Gregory Investment Company, LLC of unregistered Clarus' common stock, and (ii) the issuance by Clarus of the Merger Consideration Subordinated Notes in the aggregate principal amount of $14,517 to Kanders GMP Holdings, LLC and in the aggregate principal amount of $7,539 to Schiller Gregory Investment Company, LLC. The merger consideration payable to the Gregory Stockholders was approved by a special committee comprised of independent directors of Clarus' Board of Directors and confirmed to be fair to Clarus' stockholders from a financial point of view by a fairness opinion received from Ladenburg Thalmann & Co., Inc.

Following the closing of the Mergers, Clarus relocated its headquarters from Stamford, Connecticut, to the current headquarters of BDE in Salt Lake City, Utah. We expect to benefit from reduced costs in combining GMP and BDE, as well as the movement of the headquarters to Salt Lake City, Utah. We expect our public company expenses to be less than the approximately $5,552 in total operating expenses Clarus incurred in the fiscal year ended December 31, 2009, and $2,377 Clarus incurred in the three months ending March 31, 2010. The Company expects to incur merger and integration expenses during the balance of 2010 with respect to the Mergers.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements
(In thousands, except share and per share amounts)

2) Basis of Presentation

The Mergers are reflected in the unaudited pro forma condensed combined financial information as being accounted for under the acquisition method in accordance with the Accounting Standards Codification™ No. 805, *Business Combinations* (ASC 805). Under the acquisition method, the total estimated purchase price is calculated as described in Note 4 is allocated to the assets acquired and the liabilities assumed measured at fair value based on various preliminary estimates. These estimates are based on key assumptions of the Mergers, including prior acquisition experience, benchmarking of similar acquisitions and historical data. Due to the fact that the unaudited pro forma condensed combined financial information has been prepared based on preliminary estimates and account balances other than the actual pending acquisition date, the final amounts recorded for the Mergers may differ materially from the information presented. These estimates are subject to change pending further review of the fair value of assets acquired and liabilities assumed. In addition, the final determination of the recognition and measurement of the identified assets acquired and liabilities assumed will be based on an estimate of the fair market value of actual net tangible and intangible assets and liabilities of BDE and GMP at the closing date of the Mergers, as applicable.

Under ASC 805, acquisition-related transaction costs and acquisition-related restructuring charges are not included as components of consideration transferred but are accounted for as expenses in the period in which the costs are incurred. Total merger-related transaction costs expected to be incurred by Clarus are approximately $4,786. Of the $4,786 of total Clarus' costs, $1,486 has been expensed through March 31, 2010 and has been removed from the unaudited pro forma condensed combined statement of income as they reflect non-recurring charges directly related to the Mergers. Of the $1,486 expense, $838 and $193, was removed from accrued expenses and accounts payable respectively, as well as cash. Of the remaining $3,300, $2,652 related to BDE, $436 related to GMP and $212 related to Clarus of anticipated costs are reflected in the unaudited pro forma condensed combined balance sheet as an increase in accumulated deficit. Total cash reductions of $4,331 include estimated expenses paid on or subsequent to the acquisition date. Furthermore, GMP incurred $375 in transaction costs paid at closing separate from the $4,786 Clarus incurred.

During fiscal year 2009, we incurred $1,613 in transaction expenses arising out of a significant negotiation and due diligence review of a proposed transaction related to a terminated acquisition unrelated to the Mergers.

The unaudited pro forma condensed combined financial information does not reflect ongoing cost savings that Clarus expects to achieve as a result of the Mergers or the costs necessary to achieve these costs savings or synergies.

For purposes of measuring the estimated fair value, where applicable, of the assets acquired and the liabilities assumed as reflected in the unaudited pro forma condensed combined financial information, Clarus has applied the guidance in ASC 820, *Fair Value Measurements and Disclosures* which establishes a framework for measuring fair value. In accordance with ASC 820, fair value is an exit price and is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

The historical balance sheets of Clarus, BDE, and GMP were used to create the unaudited pro forma condensed combined balance sheet is as of March 31, 2010, the last day of Clarus and GMP's first fiscal quarter. The historical statements of income of Clarus and GMP were used to create the unaudited pro forma condensed combined statements of income are for the fiscal year ended December 31, 2009 and for the three months ended March 31, 2010. The fiscal year of BDE ends on June 30, 2010, however, the twelve month period ending December 31, 2009 has been used to create the unaudited pro forma condensed combined statements of income for the year ended December 31, 2009. The BDE twelve month income statement includes the last six months of calendar year in 2009 added to the first six months of fiscal year 2010.

Certain reclassifications have been made to the historical presentation of BDE and GMP to conform to the presentation used in the unaudited pro forma condensed combined statements of income, which may be subject to adjustment.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements
(In thousands, except share and per share amounts)

3) Significant Accounting Policies

Based upon Clarus' review of BDE's and GMP's summaries of significant accounting policies disclosed in BDE's and GMP's financial statements and preliminary discussions with BDE and GMP's management, the nature and amount of any adjustments to the historical financial statements of BDE and GMP to conform their accounting policies to those of Clarus are not expected to be material. Upon consummation of the Mergers, further review of BDE's and GMP's accounting policies and financial statements may result in required revisions to BDE's and GMP's policies and classifications to conform to Clarus'.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements
(In thousands, except share and per share amounts)

4) Estimated Purchase Price and Resulting Adjustment to Goodwill

The computation of the preliminary estimated purchase price was calculated using our best estimate of purchase consideration and working capital adjustments as of April 30, 2010 merger consideration adjustment information. Below is a reconciliation to the estimated purchase consideration and how the estimated purchase consideration is allocated to the assets acquired and liabilities assumed which have been estimated at their fair values. The excess of the estimated purchase consideration above the assets acquired and liabilities assumed is recorded as goodwill.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements
(In thousands, except share and per share amounts)

	BDE	GMP		BDE + GMP
	Total Estimated Fair Value	Number of Shares	Total Estimated Fair Value	Total Estimated Fair Value
Merger consideration	$ 90,000		$ 45,000	$ 135,000
Less working capital and other adjustments	(4,335)		2,090	(2,245)
Less repayment of debt and accrued liabilities	(7,479)		(1,500)	(8,979)
Less fair market value discount on subordinated notes			(9,484)	(9,484)
Fair value paid for equity	$ 78,186		$ 36,106	$ 114,292
Cash paid to BD and GMP for equity	78,186		185	78,371
Repayment of debt and accrued liabilities	7,479		1,500	8,979
Issuance to GMP of shares of Clarus		3,676	25,181	25,181
Issuance to GMP of 5% subordinated notes			12,571	12,571
Issuance of additional shares of Clarus		31	53	53
Payment of deferred compensation (5% notes)			316	316
Total estimated purchase price	$ 85,665	3,707	$ 39,806	$ 125,471
Assets Acquired and Liabilities Assumed				
Total Assets				
Cash and cash equivalents	$ 1,246		$ 1,472	$ 2,718
Accounts receivable	14,693		3,940	18,633
Inventory	23,293		5,273	28,566
Prepaid and other current				

assets	3,487	534	4,021
Plant Property and equipment, net	14,541	677	15,218
Amortizable definite lived intangible assets, net	12,539	5,460	17,999
Identifiable indefinite lived intangible assets	19,497	13,001	32,498
Goodwill	25,013	24,279	49,292
Other long-term assets	-	345	345
Total Assets	114,309	54,981	169,290
Total Liabilities			
Accounts payable	2,683	1,801	4,484
Accrued liabilities	7,078	1,116	8,194
Income tax payable	1,054	446	1,500
Deferred income taxes - current	1,434	519	1,953
Current portion debt obligation	532	-	532
Long term debt obligations	372	-	372
Other long term liabilities	678	-	678
Deferred income taxes	14,813	11,293	26,106
Total Liabilities	28,644	15,175	43,819
Net assets acquired	$ 85,665	$ 39,806	$ 125,471

Clarus' actual closing stock price was $6.85 on May 28, 2010, the date that each of the Mergers was completed and such date has been used to determine the value of stock and restricted stock units to be issued as consideration in connection with the Mergers, as applicable, and thus to calculate the actual purchase price.

ASC 805 requires that the fair value of replacement awards and cash payments made to settle vested awards attributed to precombination service be included in the consideration transferred. The fair value of GMP share awards, not including stock units, which will immediately vest at the effective date of the Mergers, as applicable, has been attributed to precombination service and included in the consideration transferred in the amounts of $554, consisting of $185 in cash, $316 in notes, and $53 in stock. The amount attributable to post combination service expensed on the date of acquisition is $626.

For the purpose of preparing the unaudited pro forma condensed combined financial information, the assets acquired and liabilities to be assumed in the Mergers have been measured at their estimated fair values as of March 31, 2010 for BDE and GMP. A final determination of the fair values of the assets acquired and liabilities to be assumed in the Mergers will be made based on facts and circumstances on the closing date. Accordingly, the fair value of the assets and liabilities included in the table above are preliminary and subject to change. An increase (or decrease) in the fair value of the assets acquired or liabilities assumed will reduce (or increase) the amount of goodwill in the unaudited pro forma condensed combined financial information and may result in increased (or decreased) future expenses.

5) Intangible Assets

For purposes of estimating the fair value of the assets to be acquired in the Mergers, it is assumed that all assets will be used in a manner that represents their highest and best use. The estimated fair values of the most significant acquired intangible assets are based on the amount and timing of projected future cash flows associated with the assets.

The preliminary estimates of fair values and useful lives of the intangible assets will likely differ from the final estimates of fair value to be reflected in accounting for the Mergers, and the difference could have a material impact on the accompanying unaudited pro forma condensed combined financial information. The estimates of fair value and useful lives could be impacted by a variety of factors including legal, regulatory, contractual, competitive, economic or other factors. Increased knowledge about these factors upon consummation of the Mergers could result in a change to the estimated fair value of BDE's and GMP's intangible assets and/or to the estimated useful lives from what is assumed in the unaudited pro forma condensed combined financial information. In addition, the combined effect of any such changes could result in a significant increase or decrease to the related amortization expense estimates.

Identifiable indefinite lived intangible assets

In connection with the Mergers, Clarus will acquire certain tradenames and trademarks which provide BDE and GMP with the exclusive and perpetual rights to manufacture and sell their respective products. A preliminary fair value estimate pertaining to tradenames and trademarks is noted in the table below. Tradenames and trademarks will not be amortized, but reviewed annually for impairment or upon the existence of a triggering event.

Consistent with the guidance in ASC 805, the fair value of BD's and GMP's assembled workforce and buyer-specific synergies has been included in goodwill.

(In thousands, except share and per share amounts)

Amortizable definite lived intangible assets, net

Certain customer relationships, core and product technology intangible assets are amortizable over the estimated useful lives. Preliminary fair value estimates for amortizable intangible assets acquired, primarily consisting of customer relationships, core and product technology**,** are noted in the table below. Amortization related to the fair value of amortizable intangible assets is reflected as an adjustment to the unaudited pro forma condensed combined statements of income.

	BDE			
	Estimated Fair Value	Estimated Useful Life	Amortization Expense Annual	Amortization Expense Quarterly
Tradenames and trademarks	$ 19,497	Indefinite		
Core technologies	951	10	$ 95	$ 24
Product technologies	216	5	43	11
Customer relationships	11,372	16	711	178
Total intangible assets acquired	$ 32,036		849	213
Less BDE's historical amortization			(4)	(1)
			$ 845	$ 212

	GMP			
	Estimated Fair Value	Estimated Useful Life	Amortization Expense Annual	Amortization Expense Quarterly
Tradenames and trademarks	$ 13,001	Indefinite		
Core technologies	563	8	$ 70	$ 18
Product technologies	125	4	31	8
Customer relationships	4,772	13	367	92
Total intangible assets acquired	$ 18,461		468	118
Less GMP's historical amortization			(243)	(61)
			$ 225	$ 57

Notes to Unaudited Pro Forma Condensed Combined Financial Statements
(In thousands, except share and per share amounts)

6) Inventories

Inventories, reflect an increase of approximately $3,750 and $1,357 to record BDE's and GMP's inventory, respectively, at its estimated fair value. Inventory fair value is recorded at expected sales price less cost to sell plus a reasonable profit margin for selling efforts. As Clarus sells the acquired inventory, its cost of sales will reflect the non-cash increased valuation of BDE's and GMP's inventory, which will temporarily reduce Clarus' gross margin through the end of fiscal year 2010. This adjustment to gross margin is considered a non-recurring adjustment and as such is not included in the unaudited pro forma condensed combined statements of income.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements
(In thousands, except share and per share amounts)

7) Property, Plant and Equipment

Property, plant and equipment reflects an increase of approximately $5,033 and $150 to record BDE's and GMP's property, plant and equipment, respectively, at their respective estimated fair values. Clarus believes these amounts represent the best current estimates of fair value. The fair value of BDE's and GMP's property, plant, and equipment was estimated using the replacement cost method. Under the replacement cost method, fair value is estimated to be the amount a market participant would pay to replace the asset. The estimate is preliminary, subject to change and could vary materially from the actual adjustment at the time of consummation of the Mergers. For each $1,000 increase in fair value adjustment to property, plant and equipment, Clarus would expect an annual increase in depreciation expense approximating $165, assuming a weighted-average life of approximately 6.1 years.

Property, plant and equipment reflects a decrease in depreciation expense of $368 and $159 for BDE and GMP, respectively, for the fiscal year ended December 31, 2009 based on the fair value adjustments to the book values of BDE's and GMP's property, plant and equipment, offset by a reevaluation of their respective remaining useful lives. In addition, the unaudited pro forma condensed combined statement of income for the three months ended March 31, 2010 reflects a decrease in depreciation expense of $24 and $51 for BDE and GMP, respectively. These adjustments are allocated between cost of goods sold and depreciation expense categories in the unaudited proforma condensed combined statements of operations.

BDE	Gross Book Value	Accumulated Depreciation	Net Book Value	Fair Market value adjustment	Fair Market Value	Depreciable Lives	Depreciation Annual	Depreciation Quarterly
Progress payments	$ 1,054	$ -	$1,054	$	$ 1,054			
Land	336	-	336	2,514	2,850			
Building	4,306	2,296	2,010	540	2,550	16	$ 134	$ 34
Machinery & Equipment	15,518	9,410	6,108	1,979	8,087	5	1,748	437
Total	$ 21,214	$ 11,706	$9,508	$ 5,033	$14,541		1,882	471
Less existing depreciation in COGS and SG&A							(2,250)	(495)
Depreciation adjustment							$ (368)	$ (24)

Progress payments are payments on fixed assets that have yet to be put into use.

GMP	Gross Book Value	Accumulated Depreciation	Net Book Value	Fair Market value adjustment	Fair Market Value	Depreciable Lives	Depreciation Annual	Depreciation Quarterly
Progress payments	$ 41	$ -	$ 41	$	$ 41			
Leasehold improvements	57	23	34		34	2	$ 23	$ -
Machinery & Equipment	1,036	584	452	150	602	4	146	36
Total	$ 1,134	$ 607	$ 527	$ 150	$ 677		169	36
Less existing depreciation in COGS and SG&A							(328)	(87)
Depreciation adjustment							$ (159)	$ (51)

Notes to Unaudited Pro Forma Condensed Combined Financial Statements
(In thousands, except share and per share amounts)

8) Debt-Obligations and Commitments

In connection with the closing of the acquisition of BDE, Clarus entered into a Loan Agreement effective May 28, 2010 among Zions First National Bank, a national banking association ("Lender") and the Company and its direct and indirect subsidiaries, BDE, Black Diamond Retail, Inc. ("BD-Retail"), and Purchaser, as co-borrowers (the "Borrowers") (the "Loan Agreement"). Concurrently with the closing of the acquisition of BDE, Gregory Mountain Products, LLC, the surviving company, entered into an Assumption Agreement and became an additional Borrower under the Loan Agreement.

Pursuant to the terms of the Loan Agreement, the Lender has made available to the Borrowers a thirty-five million dollar ($35,000,000) unsecured revolving credit facility (the "Loan"), of which $25 million was made available at the time of the closing of the acquisition of BDE and an additional $10 million was made available to the Company upon the closing of the acquisition of GMP. The Loan expires on July 2, 2013. The Loan may be prepaid or terminated at the Company's option at anytime without penalty. No amortization is required. Any outstanding principal balance together with any accrued but unpaid interest or fees will be due in full at maturity. The Loan bears interest at the Ninety Day LIBOR rate plus an applicable margin as determined by the ratio of Senior Net Debt (as calculated in the Loan Agreement) to Trailing Twelve Month EBITDA (as calculated in the Loan Agreement) as follows: (i) Ninety Day LIBOR Rate plus 3.5% per annum at all times that Senior Net Debt to Trailing Twelve Month EBITDA ratio is greater than or equal to 2.5; (B) Ninety Day LIBOR Rate plus 2.75% per annum at all times that Senior Net Debt to Trailing Twelve Month EBITDA ratio is less than 2.5. The Loan requires the payment of an unused commitment fee of (i) 0.6% per annum at all times that the ratio of Senior Net Debt to Trailing Twelve Month EBITDA is greater than or equal to 2.5, and (ii) 0.45% per annum at all times that the ratio of Senior Net Debt to Trailing Twelve Month EBITDA is less than 2.5.

The Loan Agreement contains certain restrictive debt covenants that require the Company and its subsidiaries to maintain an EBITDA based minimum Trailing Twelve Month, a minimum tangible net worth, and a positive amount of asset coverage, all as calculated in the Loan Agreement. In addition, the Loan Agreement contains covenants restricting the Company and its subsidiaries from pledging or encumbering their assets, with certain exceptions, and from engaging in acquisitions other than acquisitions permitted by the Loan Agreement. The Loan Agreement contains customary events of default (with grace periods where customary), including, among other things, failure to pay any principal or interest when due; any materially false or misleading representation, warranty, or financial statement; failure to comply with or to perform any provision of the Loan Agreement; and default on any debt or agreement in excess of certain amounts.

In connection with the GMP merger agreements, $22,056 in subordinated notes were issued. The notes have a seven year term, 5% stated interest rate payable quarterly, and are prepayable at any time. Given the below market interest rate for comparably secured notes and the relative illiquidity of the notes, we have estimated the fair market value at $12,571. The difference between the face value of $22,056 and $12,571, $9,485, will be a non-cash interest expense amortized over the seven year term using the effective interest method.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements
(In thousands, except share and per share amounts)

The following table depicts the effect of the debt incurred in connection with the Mergers, and considers the $13,936 draw on the date of the consummation of the Mergers, of which $7,404 was used to pay BDE existing debt and assumes $13,936 remains outstanding on the line of credit for the annual and three months presented in the unaudited pro forma condensed combined financial statements of operations.

BDE	Principal	Annual Weighted-Average Interest Rate	Quarterly Weighted-Average Interest Rate	Interest Expense Annual	Interest Expense Quarterly
Senior unsecured debt	$ 13,936	3.84%	3.16%	$ 535	$ 110
Repayment of existing debt	(7,404)				
Amortization of debt issue costs				48	12
Unused commitment fee		0.60%		126	32
Less existing interest expense				(913)	(86)
				$ (204)	$ 68
GMP					
Subordinate notes **(A)**	$ 12,571	5.00%	5.00%	$ 1,103	$ 276
Deferred compensation (notes)	316	5.00%	5.00%	28	7
Repayment of existing debt	(1,500)				
Amortization of debt issue costs				7	2
Non-cash accretion of note discount				1,389	347
				$ 2,527	$ 632
BDE and GMP					
Senior unsecured debt	$ 13,936			$ 535	$ 110
Subordinate notes (A)	12,571			1,103	276
Deferred compensation (notes)	316			28	7
Repayment of existing debt	(8,904)				
Amortization of debt issue costs				55	14
Unused commitment fee				126	32
Accretion of note discount				1,389	347
Less existing interest expense				(913)	(86)
Total				$ 2,323	$ 700

A. Interest expense of subordinated debt is based on the face value of the note of $ 22,055

Term of notes is seven years, with interest payable quarterly.

An increase in 1/8th of a percent in the interest rate on the Company's variable rate debt will increase interest expense by $8, before taxes.

Estimated debt issuance costs of $145 and $50 for the BDE and GMP, respectively, and the associated amortization have been included in the unaudited pro forma condensed combined financial statements.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements
(In thousands, except share and per share amounts)

9) Income Taxes

For purposes of this unaudited pro forma condensed combined financial information, the United States federal statutory tax rate of 35% and blended state tax rate of 5%, (3.25% net of federal tax benefit) for an overall blended rate of 38.25%, and have been used for all periods presented. This rate does not reflect Clarus effective tax rate, which includes other tax items, such as foreign taxes, as well as other tax charges or benefits, and does not take into account any historical or possible future tax events that may impact the combined company. Income taxes reflects an adjustment to tax benefit of $1,753 and $868 for BDE and GMP, respectively, for the fiscal year ended December 31, 2009 and $205 and $292 for the three months ended March 31, 2010.

The tables below represent the estimated deferred income tax liability and asset to be recorded by Clarus as part of the accounting for the Mergers based on an overall 38.25% rate multiplied by the fair value adjustments made to certain assets acquired and liabilities assumed, primarily as indicated below. The pro forma adjustment to record deferred taxes as part of the accounting for the Mergers was computed as follows:

Deferred Tax Liability

	Clarus	BDE	GMP	Total
Estimated fair value of identifiable intangible assets acquired	$ -	$ 32,036	$ 18,461	$ 50,497
Estimated fair value adjustment of inventory acquired	-	3,750	1,357	5,107
Estimated fair value adjustment of property, plant and equipment acquired	-	5,033	150	5,183
Estimated discount amount on 5% subordinated note	-	-	9,484	9,484
Total estimated fair value adjustments of net assets acquired	$ -	$ 40,819	$ 29,452	$ 70,271
Net deferred tax liabilities associated with the estimated fair value adjustments of net assets acquired, at 38.25%	$ -	$ 15,613	$ 11,265	$ 26,878
Less current DTL related to inventory adjustment		(1,434)	(519)	(1,953)
Long-term DTL related to other long-term adjustments	$ -	$ 14,179	$ 10,746	$ 24,925

Deferred Tax Asset

	Clarus	BDE	GMP	Total
Partial reversal of valuation allowance on deferred tax assets that are now more likely than not to be realized	$ 50,000	$ -	$ -	$ 50,000
Portion of replacement award included as purchase consideration, at 38.25%			212	212
	$ 50,000	$ -	$ 212	$ 50,212

The Company has projected its estimated future pre-tax income including expected synergies and internal growth initiatives on a consolidated basis considering the acquisition of BDE and GMP. Based on these projections, the Company believes that it is more likely than not it will realize a significant amount of the Clarus preacquisition deferred tax asset and estimates it will release $50 million of the related valuation allowance. The final number may differ materially from this. However, the Company expects the range of the realization of the deferred tax asset to be between $45 million and $55 million. This adjustment will be recorded as reduction in the deferred tax asset valuation allowance and a reduction to tax expense. Under the acquisition method of accounting, the reduction of valuation allowances of the acquirer as a result of the acquisition, if any, is recorded to the statement of operations. Due to the one time nature, the credit to net income has not been recorded in these pro formas, but it has been recorded as an adjustment to retained earnings. The recognition of a valuation allowance for deferred taxes requires management to make estimates and judgments about the Company's future profitability which are inherently uncertain. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The estimates and judgments associated with the Company's valuation of deferred taxes are considered critical due to the amount of deferred taxes recorded by the Company on its consolidated balance sheet and the judgment required in determining the Company's future profitability. If, in the opinion of management, it becomes more likely than not that some portion or all of the deferred tax assets will not be realized, deferred tax assets would be reduced by a valuation allowance and any such reduction could have a material adverse effect on the financial condition of the Company.

As of March 31, 2010, Clarus' net operating loss carryforwards were approximately $231 million.

Notes to Unaudited Pro Forma Condensed Combined Financial Statements
(In thousands, except share and per share amounts)

10) Equity compensation

Awards directly attributable to the Mergers

As required by the GMP Merger agreement, Clarus issued vested replacement awards payable in cash, stock, restricted share units, and subordinated notes for phantom share awards terminated due to the acquisition of GMP. As the recipients of these awards had performed a portion of the service required under the terms of the phantom share award, a portion of the preliminary fair value of the replacement awards has been recognized as purchase consideration in the amount of $554. Included in the unaudited pro forma condensed combined balance sheet is the cash portion of the replacement awards of $185 that was paid on the date of acquisition and is reflected as a reduction of cash, an increase to other long term liabilities for the preliminary estimate of the note portion of the replacement award in the amount of $316, and additional paid in capital and accumulated deficit have been increased to reflect the preliminary estimates of the fair value of the vested award to be expensed and recorded on the date of acquisition in the amount of $626.

Prior to the Mergers, Clarus entered into an employment agreement with Mr. Peter Metcalf to be the Chief Executive Officer of the combined company effective upon closing of the Mergers, pursuant to which 75,000 options were granted to Mr. Metcalf, with vesting of 30,000 options on December 31, 2012 and 22,500 options vesting on each of December 31, 2013 and 2014. These options have strike price of $6.85 per share and a preliminary estimated fair market value of $194 and be amortized over the four year requisite life. The preliminary estimated annual charge for these options will be $48 and the quarterly charge is $12 and is reflected in the pro forma financials.

Awards not directly attributable to the Mergers

In addition, upon closing of the Mergers on May 28, 2010, the following additional discretionary equity grants, extensions and accelerations were made. These equity awards and modifications have been excluded from the pro forma financial statements as they are not directly part of the Mergers.

The Company granted to BDE employees ten-year options to purchase an aggregate of 402,500 shares of the Company's common stock, having an exercise price equal to $6.85 per share (the fair market value of the Company's common stock on the date of grant), and vesting in three installments 40% on December 31, 2012 and 30% on each of December 31, 2013 and 2014. The fair value of these awards is approximately $1,042, to be amortized over the four year service life.

The unvested award of 500,000 shares of restricted stock previously granted pursuant to the restricted stock agreement, dated April 11, 2003, between the Company and Mr. Kanders, was accelerated and deemed fully vested. Such shares of restricted stock, which had voting and distribution rights, will increase the share count outstanding by 500,000 shares at closing utilized for earnings per share purposes. The Company will incur a non-cash expense of approximately $826 in the three months ended June 30, 2010.

The expiration date of an aggregate of 800,000 vested non-plan stock options previously granted to Mr. Kanders pursuant to a stock option agreement, dated December 23, 2002, between the Company and Mr. Kanders were extended from December 20, 2012 to May 31, 2020. The Company will incur a non-cash expense of approximately $850 in the three months ended June 30, 2010 upon the modification of this award.

The following non-employee directors: Mr. Donald House, Mr. Nicholas Sokolow, Mr. Phil Duff, and Mr. Michael Henning and Mr. Burtt Erhlich, each were awarded ten-year options to purchase 20,000 shares of the Company's common stock at an exercise price equal to $6.85 per share (the fair market value of the Company's common stock on the date of grant) and vesting immediately on May 28, 2010. The Company will incur a non-cash expense of approximately $186 in the three months ended June 30, 2010.

The Company accelerated the vesting of 90,000 previously unvested employee options granted under the 2005 Stock Incentive Plan with a strike price of $5.98. The Company will incur a non-cash expense of approximately $60 in the three months ended June 30, 2010.

Company granted to Mr. Kanders a seven year restricted stock award of 250,000 shares of common stock pursuant to the Company's 2005 Stock Incentive Plan, which award shall vest on the date the Fair Market Value (as defined in the 2005 Stock Incentive Plan) of the Company's common stock shall have equaled or exceeded $10.00 per share, for 20 consecutive trading days.

Company shall grant to Mr. Kanders a seven year restricted stock award of 250,000 shares of common stock pursuant to the Company's 2005 Stock Incentive Plan, which award shall vest on the date the Fair Market Value (as defined in the 2005 Stock Incentive Plan) of the Company's common stock shall have equaled or exceeded $12.00 per share, for 20 consecutive trading days.

The Company has determined that on January 2, 2011, the Company shall grant to Mr. Kanders a seven year restricted stock award of 250,000 shares of common stock pursuant to the Company's 2005 Stock Incentive Plan, which award shall vest on the date the Fair Market Value (as defined in the 2005 Stock Incentive Plan) of the Company's common stock shall have equaled or exceeded the lesser of three times the Fair Market Value of the Company's Common Stock on January 2, 2011 or $14.00 per share, in each case for 20 consecutive trading days, provided that Mr. Kanders is employee and/or a director of the Company or any Subsidiary (as defined in the 2005 Stock Incentive Plan) on January 2, 2011.

11) Other Pro Forma Adjustments

In connection with the consummation of the Mergers, the historical common shareholders' equity balances as of March 31, 2010 for BDE and GMP, respectively, are eliminated in the unaudited pro forma condensed combined balance sheet as of March 31, 2010.

This adjustment reflects the conversion of $23,691 from marketable securities to cash.

This adjustment reflects the elimination of Clarus interest income earned on cash and marketable securities of $701 and $22 for the fiscal year ended December 31, 2009 and three months ended March 31, 2010, respectively.

This adjustment reflects a reduction in capital based state tax of $161 and $40 for the fiscal year ended December 31, 2009 and three months ended March 31, 2010, respectively.

This adjustment reflects the dilutive effect of outstanding option and share awards of 66 and 124 for the fiscal year ended December 31, 2009 and three months ended March 31, 2010, respectively.