UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended: **June 30, 2014**

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from _________ to _________

Commission File Number: **001-34767**

BLACK DIAMOND, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**58-1972600** (I.R.S. Employer Identification Number)
2084 East 3900 South **Salt Lake City, Utah** (Address of principal executive offices)	**84124** (Zip code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Non-accelerated filer	☐
Accelerated filer	☒	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of August 5, 2014, there were 32,549,247 shares of common stock, par value $0.0001, outstanding.

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BLACK DIAMOND, INC.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BLACK DIAMOND, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except per share amounts)

	June 30, 2014	December 31, 2013
Assets		
Current assets		
Cash	$ 4,605	$ 4,478
Accounts receivable, less allowance for doubtful accounts of $608 and $641, respectively	28,709	40,316
Inventories	57,090	54,054
Prepaid and other current assets	5,519	4,797
Income tax receivable	84	49
Deferred income taxes	2,741	2,687
Assets held for sale	44,298	-
Total current assets	143,046	106,381
Property and equipment, net	16,590	17,401
Definite lived intangible assets, net	28,844	35,530
Indefinite lived intangible assets	38,014	51,679
Goodwill	45,119	57,703
Deferred income taxes	51,016	50,666
Other long-term assets	1,882	2,063
Total assets	$ 324,511	$ 321,423
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 27,675	$ 27,349
Current portion of long-term debt	29,437	1,910
Liabilities held for sale	3,373	-
Total current liabilities	60,485	29,259
Long-term debt	17,896	36,131
Deferred income taxes	4,442	6,786
Other long-term liabilities	1,619	1,997
Total liabilities	84,442	74,173
Stockholders' Equity		
Preferred stock, $.0001 par value; 5,000 shares authorized; none issued	-	-
Common stock, $.0001 par value; 100,000 shares authorized; 32,618 and 32,526 issued and 32,543 and 32,451 outstanding	3	3
Additional paid in capital	479,070	477,890
Accumulated deficit	(243,514)	(237,204)
Treasury stock, at cost	(2)	(2)
Accumulated other comprehensive income	4,512	6,563
Total stockholders' equity	240,069	247,250
Total liabilities and stockholders' equity	$ 324,511	$ 321,423

See accompanying notes to condensed consolidated financial statements.

BLACK DIAMOND, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended	
	June 30, 2014	**June 30, 2013**
Sales		
Domestic sales	$ 14,430	$ 12,579
International sales	19,992	16,583
Total sales	34,422	29,162
Cost of goods sold	22,078	18,613
Gross profit	12,344	10,549
Operating expenses		
Selling, general and administrative	17,984	16,057
Restructuring charge	410	-
Merger and integration	-	83
Total operating expenses	18,394	16,140
Operating loss	(6,050)	(5,591)
Other (expense) income		
Interest expense, net	(623)	(634)
Other, net	319	316
Total other expense, net	(304)	(318)
Loss before income tax	(6,354)	(5,909)
Income tax benefit	(1,911)	(1,728)
Loss from continuing operations	(4,443)	(4,181)
Discontinued operations, net of tax	(540)	1,913
Net loss	(4,983)	(2,268)
Other comprehensive loss, net of tax:		
Foreign currency translation adjustment	(1,838)	(1,061)
Unrealized income (loss) on hedging activities	74	(91)
Other comprehensive loss	(1,764)	(1,152)
Comprehensive loss	$ (6,747)	$ (3,420)
Loss from continuing operations per share:		
Basic	$ (0.14)	$ (0.13)
Diluted	(0.14)	(0.13)
Net loss per share:		
Basic	$ (0.15)	$ (0.07)
Diluted	(0.15)	(0.07)
Weighted average shares outstanding:		
Basic	32,515	31,836
Diluted	32,515	31,836

See accompanying notes to condensed consolidated financial statements.

BLACK DIAMOND, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)
(In thousands, except per share amounts)

	Six Months Ended	
	June 30, 2014	June 30, 2013
Sales		
Domestic sales	$ 31,559	$ 28,418
International sales	47,295	41,361
Total sales	78,854	69,779
Cost of goods sold	49,868	44,444
Gross profit	28,986	25,335
Operating expenses		
Selling, general and administrative	38,797	35,085
Restructuring charge	410	175
Merger and integration	-	226
Transaction costs	-	54
Total operating expenses	39,207	35,540
Operating loss	(10,221)	(10,205)
Other (expense) income		
Interest expense, net	(1,249)	(1,265)
Other, net	192	(55)
Total other expense, net	(1,057)	(1,320)
Loss before income tax	(11,278)	(11,525)
Income tax benefit	(3,433)	(3,493)
Loss from continuing operations	(7,845)	(8,032)
Discontinued operations, net of tax	1,535	2,732
Net loss	(6,310)	(5,300)
Other comprehensive loss, net of tax:		
Foreign currency translation adjustment	(2,183)	(1,991)
Unrealized income on hedging activities	132	690
Other comprehensive loss	(2,051)	(1,301)
Comprehensive loss	$ (8,361)	$ (6,601)
Loss from continuing operations per share:		
Basic	$ (0.24)	$ (0.25)
Diluted	(0.24)	(0.25)
Net loss per share:		
Basic	$ (0.19)	$ (0.17)
Diluted	(0.19)	(0.17)
Weighted average shares outstanding:		
Basic	32,495	31,800
Diluted	32,495	31,800

See accompanying notes to condensed consolidated financial statements.

BLACK DIAMOND, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended	
	June 30, 2014	**June 30, 2013**
Cash Flows From Operating Activities:		
Net loss	$ (6,310)	$ (5,300)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation of property and equipment	2,107	2,036
Amortization of intangible assets	1,755	1,791
Accretion of notes payable	645	561
Loss on disposition of assets	16	48
Stock-based compensation	537	642
Deferred income taxes	(2,676)	(1,089)
Changes in operating assets and liabilities:		
Accounts receivable	4,093	(330)
Inventories	(10,732)	3,615
Prepaid and other current assets	(542)	1,182
Accounts payable and accrued liabilities	3,438	473
Net cash (used in) provided by operating activities	(7,669)	3,629
Cash Flows From Investing Activities:		
Purchase of intangible assets	-	(750)
Proceeds from disposition of property and equipment	4	18
Purchase of property and equipment	(1,382)	(2,544)
Net cash used in investing activities	(1,378)	(3,276)
Cash Flows From Financing Activities:		
Net proceeds from (repayments of) revolving credit facilities	9,200	(13,979)
Repayments of long-term debt	(483)	(383)
Proceeds from issuance of long-term debt	-	10,053
Proceeds from exercise of stock options	643	843
Net cash provided by (used in) financing activities	9,360	(3,466)
Effect of foreign exchange rates on cash	(186)	56
Change in cash	127	(3,057)
Cash, beginning of period	4,478	5,111
Cash, end of period	$ 4,605	$ 2,054
Supplemental Disclosure of Cash Flow Information:		
Cash paid (received) for income taxes	$ 346	$ (288)
Cash paid for interest	$ 1,229	$ 1,102
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Property and equipment purchased with accounts payable	$ 184	$ -

See accompanying notes to condensed consolidated financial statements.

BLACK DIAMOND, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except per share amounts)

NOTE 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited condensed consolidated financial statements of Black Diamond, Inc. and subsidiaries ("Black Diamond" or the "Company," which may be referred to as "we," "us" or "our") as of and for the three and six months ended June 30, 2014 and 2013, have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), instructions to Quarterly Report on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the unaudited condensed consolidated financial statements have been included. The results of the three and six months ended June 30, 2014 are not necessarily indicative of the results to be obtained for the year ending December 31, 2014. These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, filed with the Securities and Exchange Commission (the "Commission").

On June 18, 2014, the Company and Gregory Mountain Products, LLC ("Gregory" or "GMP"), its wholly-owned subsidiary, entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") with Samsonite LLC ("Samsonite"), pursuant to which Gregory agreed to sell certain assets to Samsonite comprising Gregory's business of designing, manufacturing, marketing, distributing and selling technical, alpine, backpacking, hiking, mountaineering and active trail products and accessories as well as outdoor-inspired lifestyle bags (the "Business"). Under the terms of the Asset Purchase Agreement, Samsonite agreed to pay $85,000 in cash (before closing adjustments of $865 relating to non-cash working capital) for Gregory's assets comprising the Business and the assumption of specified liabilities (the "Purchase Price"). The Gregory transaction closed on July 23, 2014. The assets and liabilities of Gregory have been segregated and reported as held for sale as of June 30, 2014. Furthermore, the activities of Gregory have been segregated and reported as discontinued operations for all periods presented. See Note 2. Discontinued Operations.

Nature of Business

Black Diamond is a global leader in designing, manufacturing and marketing innovative active outdoor performance equipment and apparel for climbing, mountaineering, backpacking, skiing, cycling and a wide range of other year-round outdoor recreation activities. Our principal brands include Black Diamond®, POC™ and PIEPS™ and are targeted not only to the demanding requirements of core climbers, skiers and cyclists, but also to the more general outdoor performance enthusiasts and consumers interested in outdoor-inspired gear for their backcountry and urban activities. Our Black Diamond®, POC™ and PIEPS™ brands are iconic in the active outdoor, ski and cycling industries and linked intrinsically with the modern history of the sports we serve. We believe our brands are synonymous with the performance, innovation, durability and safety that the outdoor and action sports communities rely on and embrace in their active lifestyle.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Some of the more significant estimates relate to derivatives, revenue recognition, income taxes, and valuation of long-lived assets, goodwill, and other intangible assets. Certain costs are estimated for the full year and allocated to interim periods based on estimates of time expired, benefit received, or activity associated with the interim period. We base our estimates on historical experience and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Significant Accounting Policies

There have been no significant changes to the Company's significant accounting policies as described in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (the "FASB"), issued Accounting Standards Updated ("ASU") No. 2013-04, Liabilities (Topic 405): *Obligations Resulting from Joint and Several Liability Arrangements for which the Total Amount of the Obligation Is Fixed at the Reporting Date*. This ASU addresses the recognition, measurement, and disclosure of certain obligations resulting from joint and several arrangements including debt arrangements, other contractual obligations, and settled litigation and judicial rulings. This standard is effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2013 (for us this was our 2014 first quarter). The Company adopted the provisions of this update during the three months ended March 31, 2014, but it did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In March 2013, the FASB issued ASU No. 2013-05, *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*. This standard defines the treatment of the release of cumulative translation adjustments upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. This standard is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013 (for us this was our 2014 first quarter). The Company adopted the provisions of this update during the three months ended March 31, 2014, but it did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In July 2013, the FASB issued ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*, which states that entities should present the unrecognized tax benefit as a reduction of the deferred tax asset for a net operating loss ("NOL") or similar tax loss or tax credit carryforward rather than as a liability when the uncertain tax position would reduce the NOL or other carryforward under the tax law. This standard is effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2013 (for us this was our 2014 first quarter). The Company adopted the provisions of this update during the three months ended March 31, 2014, but it did not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

In April 2014, the FASB issued ASU No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. Under ASU 2014-08, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Additionally, ASU 2014-08 requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income and expenses of discontinued operations. ASU 2014-08 is effective for fiscal and interim periods beginning on or after December 15, 2014. The Company is currently evaluating the impact the adoption of this ASU will have on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2017. Early adoption is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

NOTE 2. DISCONTINUED OPERATIONS

As discussed above, on June 18, 2014, the Company entered into a definitive agreement with Samsonite to sell certain assets, which closed on July 23, 2014, and the assets and liabilities of Gregory are classified as held for sale at June 30, 2014. The sale transaction was completed during our third fiscal quarter ending September 30, 2014 and we expect to recognize a gain on the sale of the Gregory assets.

(in thousands, except per share amounts)

The carrying amounts of the assets and liabilities of Gregory, which were classified as held for sale in our June 30, 2014 condensed consolidated balance sheet were as follows:

	June 30, 2014
Accounts receivable	$ 7,340
Inventories	7,324
Prepaid and other current assets	167
Property and equipment, net	179
Definite lived intangible assets, net	4,283
Indefinite lived intangible assets	13,050
Goodwill	11,955
Assets held for sale	$ 44,298
Accounts payable and accrued liabilities	$ 3,373
Liabilities held for sale	$ 3,373

Summarized results of discontinued operations are as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Sales	$ 8,502	9,693	18,609	20,076
Income before income tax	622	2,896	2,442	5,257
Income tax expense	1,162	983	907	2,525
(Loss) income from discontinued operations, net of tax	$ (540)	$ 1,913	$ 1,535	$ 2,732

Interest related to debt that is required to be repaid as a result of a disposition is allocated to discontinued operations. All interest from the revolving credit facility and term note with Zions First National Bank is allocated to discontinued operations. Total interest expense allocated to discontinued operations for the three months ended June 30, 2014 and 2013 was $332 and $200, respectively, and for the six months ended June 30, 2014 and 2013 was $601 and $395, respectively.

NOTE 3. INVENTORIES

Inventories, as of June 30, 2014 and December 31, 2013, were as follows:

	June 30, 2014	December 31, 2013
Finished goods	$ 46,362	$ 45,734
Work-in-process	872	891
Raw materials and supplies	9,856	7,429
	$ 57,090	$ 54,054

(in thousands, except per share amounts)

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment, net as of June 30, 2014 and December 31, 2013, were as follows:

	June 30, 2014	December 31, 2013
Land	$ 2,850	$ 2,850
Building and improvements	5,055	4,999
Furniture and fixtures	5,332	4,680
Computer hardware and software	6,260	6,773
Machinery and equipment	14,272	13,868
Construction in progress	551	1,218
	34,320	34,388
Less accumulated depreciation	(17,730)	(16,987)
	$ 16,590	$ 17,401

NOTE 5. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

There was a decrease in goodwill during the six months ended June 30, 2014, from $57,703 to $45,119, due to the classification of assets held for sale and the impact of foreign currency exchange rates. The following table summarizes the changes in goodwill:

Balance at December 31, 2013	$ 57,703
Decrease due to inclusion of goodwill associated with GMP's assets held for sale	(11,955)
Impact of foreign currency exchange rates	(629)
Balance at June 30, 2014	$ 45,119

Indefinite Lived Intangible Assets

The Company owns certain tradenames and trademarks which provide Black Diamond Equipment, Ltd. ("Black Diamond Equipment" or "BDEL"), Gregory, POC Sweden AB and its subsidiaries (collectively, "POC") and PIEPS Holding GmbH and its subsidiaries (collectively, "PIEPS") with the exclusive and perpetual rights to manufacture and sell their respective products. There was a decrease in tradenames and trademarks during the six months ended June 30, 2014, due to the classification of assets held for sale and the impact of foreign currency exchange rates. The following table summarizes the changes in indefinite lived intangible assets:

Balance at December 31, 2013	$ 51,679
Decrease due to inclusion of intangible assets associated with GMP's assets held for sale	(13,050)
Impact of foreign currency exchange rates	(615)
Balance at June 30, 2014	$ 38,014

(in thousands, except per share amounts)

Definite Lived Intangible Assets, net

Intangible assets such as certain customer relationships, core technologies and product technologies are amortizable over their estimated useful lives. There was a decrease in gross definite lived intangible assets during the six months ended June 30, 2014 due to the classifications of assets held for sale and the impact of foreign currency exchange rates. The following table summarizes the changes in gross definite lived intangible assets:

Gross balance at December 31, 2013	$	43,552
Decrease due to inclusion of intangible assets associated with GMP's assets held for sale		(6,233)
Impact of foreign currency exchange rates		(777)
Gross balance at June 30, 2014	$	36,542

Intangible assets, net of amortization as of June 30, 2014 and December 31, 2013, were as follows:

	June 30, 2014		December 31, 2013	
Customer lists and relationships	$	24,824	$	30,809
Product technologies		8,611		8,992
Trade name		2,160		2,246
Core technologies		947		1,505
		36,542		43,552
Less accumulated amortization		(7,698)		(8,022)
	$	28,844	$	35,530

NOTE 6. LONG-TERM DEBT

Long-term debt, net as of June 30, 2014 and December 31, 2013, was as follows:

	June 30, 2014		December 31, 2013	
Revolving credit facilities (a)	$	17,907	$	10,320
Foreign credit facilities (b)		2,542		997
5% Senior Subordinated Notes due 2017 (refer to Note 15)		17,799		17,154
Capital leases		-		47
Term notes (c)		9,085		9,523
		47,333		38,041
Less current portion		(29,437)		(1,910)
	$	17,896	$	36,131

(a) As of June 30, 2014, the Company had drawn $17,907 on a $30,000 revolving credit facility with Zions First National Bank (the "Lender") with a maturity date of March 8, 2016. On February 28, 2014, the Company, together with its direct and indirect domestic subsidiaries, entered into a first amendment (the "Amendment") to the amended and restated loan agreement dated March 8, 2013 (the "Loan Agreement"), with the Lender to reduce its existing Term Facility from $15,000 to $10,000 pursuant to an amended and restated term loan promissory note (the "Amended and Restated Term Loan Promissory Note"). Also pursuant to the Amendment, the Company terminated its outstanding Acquisition Facility which previously allowed the Company to borrow up to $10,000 to fund permitted acquisitions and amended certain covenants. At June 30, 2014, the Company was in compliance with all associated covenants. On July 23, 2014, upon the closing of the Gregory transaction, the Company paid off amounts outstanding under the revolving credit facility with the Lender in full.

(b) The Company's foreign subsidiaries have a revolving credit facility with a financial institution which matures on January 31, 2015. The Company had $0 and $340 in letters of credit as of June 30, 2014 and December 31, 2013, respectively.

(c) The Loan Agreement also provides for a Term Facility pursuant to which the Lender has made available $15,000 for funding permanent working capital, of which $10,000 was used upon the close of the Loan Agreement to reduce amounts owed on the already existing revolving credit facility. On February 28, 2014, the Loan Agreement was amended to eliminate the remaining $5,000 of unused term debt. The Term Facility was due and payable in monthly payments of principal and interest with all principal and interest due on March 8, 2023. On July 23, 2014, upon the closing of the Gregory transaction, the Company paid off amounts outstanding under the Term Facility, which was $8,954 as of June 30, 2014. Other various term loans are payable to financial institutions and a government entity with interest rates ranging from 0.75% to 5.50% and monthly installments ranging from $0 to $3. The notes mature between January 2016 and March 2017, and are secured by certain equipment.

(in thousands, except per share amounts)

NOTE 7. OTHER LONG-TERM LIABILITIES

Other long-term liabilities were $1,619 and $1,997 as of June 30, 2014 and December 31, 2013, respectively, with $1,619 and $1,621 of the balance as of June 30, 2014 and December 31, 2013, respectively, relating to a pension liability with respect to the benefit plan maintained for the benefit of the Company's employees in Switzerland that, under U.S. GAAP, is considered to be a defined benefit plan. The Company also has an insurance policy whereby any underfunded amounts related to the pension liability are expected to be recoverable. The Company has recorded a receivable of $1,619 and $1,621 as other long-term assets for the underfunded amount as of June 30, 2014 and December 31, 2013, respectively.

NOTE 8. DERIVATIVE FINANCIAL INSTRUMENTS

The Company's primary exchange rate risk management objective is to mitigate the uncertainty of anticipated cash flows attributable to changes in exchange rates. The Company primarily focuses on mitigating changes in cash flows resulting from sales denominated in currencies other than the U.S. dollar. The Company manages this risk primarily by using currency forward and option contracts. If the anticipated transactions are deemed probable, the resulting relationships are formally designated as cash flow hedges.

At June 30, 2014, the Company's derivative contracts had a remaining maturity of less than one year. The counterparty to these transactions had both long-term and short-term investment grade credit ratings. The maximum net exposure to the counterparty, which is generally limited to the aggregate unrealized loss of all contracts with that counterparty, was $950 at June 30, 2014. The Company's derivative counterparty has strong credit ratings and as a result, the Company does not require collateral to facilitate transactions.

The Company held the following contracts designated as hedged instruments as of June 30, 2014 and December 31, 2013:

	June 30, 2014	
	Notional Amount	Latest Maturity
Foreign exchange contracts - Norwegian Kroner	1,878	August-14
Foreign exchange contracts - Canadian Dollars	5,871	February-15
Foreign exchange contracts - British Pounds	1,456	February-15
Foreign exchange contracts - Euros	16,797	February-15
Foreign exchange contracts - Swiss Francs	18,123	February-15
Foreign exchange contracts - Japanese Yen	472,110	February-15

	December 31, 2013	
	Notional Amount	Latest Maturity
Foreign exchange contracts - Canadian Dollars	1,062	February-14
Foreign exchange contracts - Norwegian Kroner	9,253	August-14
Foreign exchange contracts - British Pounds	2,626	February-15
Foreign exchange contracts - Euros	26,806	February-15
Foreign exchange contracts - Swiss Francs	30,698	February-15
Foreign exchange contracts - Japanese Yen	792,696	February-15

(in thousands, except per share amounts)

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. For contracts that qualify as effective 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 sales in the period the underlying hedge item is recognized in earnings. Gains (losses) of $(287) and $324 were reclassified to sales during the three months ended June 30, 2014 and 2013, respectively, and $(621) and $495 were reclassified to sales during the six months ended June 30, 2014 and 2013, respectively.

As of December 31, 2013, the Company reported an accumulated derivative instrument loss of $611. During the six months ended June 30, 2014, the Company reported an adjustment to accumulated other comprehensive income of $132, as a result of the change in fair value of these contracts and reclassifications to sales, resulting in an accumulated derivative instrument loss of $479 reported as of June 30, 2014.

The following table presents the balance sheet classification and fair value of derivative instruments as of June 30, 2014 and December 31, 2013:

	Classification	June 30, 2014	December 31, 2013
Derivative instruments in asset positions:			
Forward exchange contracts	Prepaid and other current assets	$ 340	$ 682
Forward exchange contracts	Other long-term assets	$ -	$ 76
Derivative instruments in liability positions:			
Forward exchange contracts	Accounts payable and accrued liabilities	$ 1,290	$ 1,492
Forward exchange contracts	Other long-term liabilities	$ -	$ 230

NOTE 9. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income ("AOCI") primarily consists of foreign currency translation adjustments and changes in our forward foreign exchange contracts. The components of AOCI, net of tax, were as follows:

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Cash Flow Hedges	Total
Balance as of December 31, 2013	$ 7,174	$ (611)	$ 6,563
Other comprehensive loss before reclassifications	(2,183)	(265)	(2,448)
Amounts reclassified from other comprehensive loss	-	397	397
Net current period other comprehensive (loss) income	(2,183)	132	(2,051)
Balance as of June 30, 2014	$ 4,991	$ (479)	$ 4,512

(in thousands, except per share amounts)

The effects on net income of amounts reclassified from unrealized losses on cash flow hedges for foreign exchange contracts for the three and six months ended June 30, 2014, were as follows:

Affected line item in the Condensed Consolidated Statement of Comprehensive Loss	Losses reclassified from AOCI to the Condensed Consolidated Statement of Comprehensive Loss: For the Three Months Ended June 30, 2014	For the Six Months Ended June 30, 2014
Sales	$ (287)	$ (621)
Income tax benefit	(103)	(224)
Amount reclassified net of tax	$ (184)	$ (397)

NOTE 10. FAIR VALUE OF MEASUREMENTS

We measure certain financial assets and liabilities at fair value on a recurring basis. Fair value is defined as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, under a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value 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.

Assets and liabilities measured at fair value on a recurring basis at June 30, 2014 and December 31, 2013 were as follows:

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Forward exchange contracts	$ -	$ 340	$ -	$ 340
	$ -	$ 340	$ -	$ 340
Liabilities				
Forward exchange contracts	$ -	$ 1,290	$ -	$ 1,290
	$ -	$ 1,290	$ -	$ 1,290

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Forward exchange contracts	$ -	$ 758	$ -	$ 758
	$ -	$ 758	$ -	$ 758
Liabilities				
Forward exchange contracts	$ -	$ 1,722	$ -	$ 1,722
	$ -	$ 1,722	$ -	$ 1,722

(in thousands, except per share amounts)

NOTE 11. EARNINGS PER SHARE

Basic earnings per share is computed by dividing earnings by the weighted average number of common shares outstanding during each period. Diluted earnings per share is computed by dividing earnings by the total of the weighted average number of shares of common stock outstanding during each period, plus the effect of outstanding stock options and unvested restricted stock grants. Potentially dilutive securities are excluded from the computation of diluted earnings per share if their effect is anti-dilutive.

The following table is a reconciliation of basic and diluted shares of common stock outstanding used in the calculation of earnings per share:

	Three Months Ended		Six Months Ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Weighted average shares outstanding - basic	32,515	31,836	32,495	31,800
Effect of dilutive stock awards	-	-	-	-
Weighted average shares outstanding - diluted	32,515	31,836	32,495	31,800
Loss from continuing operations per share:				
Basic	$ (0.14)	$ (0.13)	$ (0.24)	$ (0.25)
Diluted	(0.14)	(0.13)	(0.24)	(0.25)
Income (loss) from discontinued operations per share:				
Basic	$ (0.01)	$ 0.06	$ 0.05	$ 0.09
Diluted	(0.01)	0.06	0.05	0.09
Net loss per share:				
Basic	$ (0.15)	$ (0.07)	$ (0.19)	$ (0.17)
Diluted	(0.15)	(0.07)	(0.19)	(0.17)

For the three and six months ended June 30, 2014, basic loss from continuing operations per share, income (loss) from discontinued operations per share, and net loss per share were the same as diluted loss from continuing operations per share, income (loss) from discontinued operations per share, and net loss per share, respectively, because all potentially dilutive securities were anti-dilutive due to the loss from continuing operations for the period. For the three and six months ended June 30, 2014, options to purchase 2,466 and 2,464 shares of common stock, respectively, and 12 and 15 shares of restricted stock, respectively, were outstanding and anti-dilutive due to the loss from continuing operations for the three and six months ended June 30, 2014. Additionally, options to purchase 519 and 516 shares of common stock were outstanding and anti-dilutive because the exercise prices were higher than the average market price of the Company's common stock for the three and six months ended June 30, 2014, respectively, and 298 shares of unvested restricted stock were outstanding and excluded as their required performance or market conditions were not met.

For the three and six months ended June 30, 2013, basic loss from continuing operations per share, income (loss) from discontinued operations per share, and net loss per share were the same as diluted loss from continuing operations per share, income (loss) from discontinued operations per share, and net loss per share, respectively, because all potentially dilutive securities were anti-dilutive due to the loss from continuing operations for the period. For the three and six months ended June 30, 2013, options to purchase 1,659 and 1,620 shares of common stock, respectively, were outstanding and anti-dilutive due to the loss from continuing operations for the period. Additionally, options to purchase 894 and 1,027 shares of common stock were outstanding and anti-dilutive because the exercise prices were higher than the average market price of the Company's common stock for the three and six months ended June 30, 2013, respectively, and 750 shares of unvested restricted stock were outstanding and excluded as their required performance or market conditions were not met.

(in thousands, except per share amounts)

NOTE 12. STOCK-BASED COMPENSATION PLAN

Under the Company's 2005 Stock Incentive Plan (the "2005 Plan"), the Company's Board of Directors (the "Board of Directors") has flexibility to determine the type and amount of awards to be granted to eligible participants, who must be employees, directors, officers or consultants of the Company or its subsidiaries. The 2005 Plan allows for grants of incentive stock options, nonqualified stock options, restricted stock awards, stock appreciation rights, and restricted units. The aggregate number of shares of common stock that may be granted through awards under the 2005 Plan to any employee in any calendar year may not exceed 500 shares. The 2005 Plan will continue in effect until June 2015 unless terminated sooner.

During the six months ended June 30, 2014, the Company issued 181 stock options under the 2005 Plan to employees of the Company. Of the 181 options issued, 30 will vest in four equal consecutive quarterly tranches from the date of grant. The remaining 151 options will vest in three installments as follows: 60 shall vest on December 31, 2016, and the remaining shares shall vest equally on December 31, 2017 and December 31, 2018.

For computing the fair value of the stock-based awards, the fair value of each option grant has been estimated as of the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Options Granted During the Six Months Ended June 30, 2014

Number of options	181
Option vesting period	1-5 Years
Grant price	\$10.95 - \$14.02
Dividend yield	0.00%
Expected volatility (a)	45.7% - 55.1%
Risk-free interest rate	1.63% - 2.31%
Expected life (years) (b)	5.31 - 6.95
Weighted average fair value	\$4.68 - \$7.82

(a) Since the Company's historical volatility was not representative of the ongoing future business, the Company's historical volatility was based on a combination of the Company's volatility and the historical volatility of a peer group of companies within similar industries and similar size as the Company.

(b) Because the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term for these grants, the Company utilized the simplified method in developing an estimate of the expected term of these options.

Using these assumptions, the fair value of all stock options granted during the six months ended June 30, 2014 was \$1,116, which will be recognized over the vesting period of the options.

The total non-cash stock compensation expense related to restricted stock, stock options and stock awards recorded by the Company for the three months ended June 30, 2014 and 2013 was \$318 and \$272, respectively, and for the six months ended June 30, 2014 and 2013 was \$537 and \$642, respectively. The fair value of unvested restricted stock awards is determined based on the market price of our shares of common stock on the grant date. As of June 30, 2014, there were 1,024 unvested stock options and unrecognized compensation cost of \$2,901 related to unvested stock options, as well as 310 unvested restricted stock awards and unrecognized compensation cost of \$98 related to unvested restricted stock awards.

NOTE 13. COMMITMENTS AND CONTINGENCIES

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 it is reasonably possible 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 could have a different effect.

The Company leases office, warehouse and distribution space under non-cancelable operating leases. As leases expire, it can be expected that, in the normal course of business, certain leases will be renewed or replaced. Certain lease agreements include escalating rents over the lease terms. The Company expenses rent on a straight-line basis over the lease term which commences on the date the Company has the right to control the property. The cumulative expense recognized on a straight-line basis in excess of the cumulative payments is included in accounts payable and accrued liabilities and other long-term liabilities in the accompanying consolidated balance sheets.

Total rent expense of the Company for the three months ended June 30, 2014 and 2013 was $600 and $557, respectively, and for the six months ended June 30, 2014 and 2013 was $1,191 and $1,136, respectively.

NOTE 14. INCOME TAXES

The Company's foreign operations that are considered to be permanently reinvested have statutory tax rates ranging from 19% - 39%.

As of December 31, 2013, the Company's gross deferred tax asset was $92,598. The Company has recorded a valuation allowance of $17,120, resulting in a net deferred tax asset of $75,478, before deferred tax liabilities of $28,911. The Company has provided a valuation allowance against a portion of the net deferred tax assets as of December 31, 2013, because the ultimate realization of those assets does not meet the more likely than not criteria.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and net operating loss and credit carryforwards expire. In order to utilize the recorded U.S. deferred tax assets the Company will need to generate approximately $187,000 of future U.S. taxable income, of which approximately $163,000 will need to be generated by 2022 to utilize the net operating losses that management considers realizable. The estimates and judgments associated with the Company's valuation allowance on deferred tax assets are considered critical due to the amount of deferred tax assets recorded by the Company on its consolidated balance sheet and the judgment required in determining the Company's future taxable income. The Company's conclusion that the deferred tax assets are more likely than not to be realized reflects, among other things, its ability to generate taxable income to utilize the available net operating loss and credit carryforwards. The ability of the Company to generate taxable income and meet management's projections of future taxable income are dependent upon the growth of U.S. based sales, including apparel sales; the maintaining of gross margins and the controlling of other operating expenses in order to increase the U.S. based taxable income; and/or the execution of certain tax planning strategies available to the Company in the future, including the potential sale of brand related assets. While the Company believes that its estimate of future taxable income is reasonable, it is inherently uncertain. If the Company's taxable income does not grow as management currently projects over an extended time period, or if the Company realizes unforeseen significant losses in the future, additions to the valuation allowance which reduce the deferred tax assets could be recorded.

As of December 31, 2013, the Company had net operating loss, research and experimentation credit and alternative minimum tax credit carryforwards for U.S. federal income tax purposes of $215,562 ($5,154, relates to stock compensation deductions for tax in excess of financial reporting expense, which will not be recorded until they result in cash tax savings), $2,270 and $315, respectively. The Company believes its U.S. Federal net operating loss ("NOL") will substantially offset its future U.S. Federal income taxes, excluding the amount subject to U.S. Federal Alternative Minimum Tax ("AMT"). AMT is calculated as 20% of AMT income. For purposes of AMT, a maximum of 90% of income is offset by available NOLs.

(in thousands, except per share amounts)

$210,408 of NOLs available to offset taxable income do not expire until 2020 or later, subject to compliance with Section 382 of the Internal Revenue Code, as amended (the "Code") as indicated by the following schedule:

Net Operating Loss Carryforward Expiration Dates
December 31, 2013

Expiration Dates December 31,	Net Operating Loss Amount
2020	$ 26,231
2021	50,430
2022	115,000
2023	5,712
2024	3,566
2025	1,707
2026	584
2027	586
2028	1,646
2029	4,074
2030 and beyond	6,026
Total	215,562
Tax windfall	(5,154)
After limitations	$ 210,408

NOTE 15. RELATED PARTY TRANSACTIONS

5% Unsecured Subordinated Notes due May 28, 2017

As part of the consideration payable to the stockholders of Gregory when the Company acquired Gregory, the Company issued $14,517, $7,539, and $554 in 5% Unsecured Subordinated Notes due May 28, 2017 (the "Merger Consideration Subordinated Notes") to Kanders GMP Holdings, LLC, Schiller Gregory Investment Company, LLC, and five former employees of Gregory, respectively. Mr. Warren B. Kanders, the Company's Executive Chairman and a member of its Board of Directors, is a majority member and a trustee of the manager of Kanders GMP Holdings, LLC. The sole manager of Schiller Gregory Investment Company, LLC is Mr. Robert R. Schiller, the Company's Executive Vice Chairman and a member of its Board of Directors. The principal 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 the Company at any time; (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 the Company on any payment due under a Merger Consideration Subordinated Note; (b) the Company's failure to perform or observe any other material covenant or agreement contained in the Merger Consideration Subordinated Notes; or (c) the Company's instituting or becoming subject to a proceeding under the Bankruptcy Code (as defined in the Merger Consideration Subordinated Notes). The Merger Consideration Subordinated Notes are junior to all senior indebtedness of the Company, 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.

Given the below market interest rate for comparably secured notes and the relative illiquidity of the Merger Consideration Subordinated Notes, we have discounted the notes to $8,640, $4,487 and $316, respectively, at the date of acquisition. We are accreting the discount on the Merger Consideration Subordinated Notes to interest expense using the effective interest method over the term of the Merger Consideration Subordinated Notes.

On April 7, 2011, Schiller Gregory Investment Company, LLC transferred its Merger Consideration Subordinated Note in equal amounts to the Robert R. Schiller Cornerstone Trust and the Deborah Schiller 2005 Revocable Trust. On June 24, 2013, the Robert R. Schiller Cornerstone Trust dated September 9, 2010 transferred its Merger Consideration Subordinated Note in the amount of $3,769 to the Robert R. Schiller 2013 Cornerstone Trust dated June 24, 2013. During the three and six months ended June 30, 2014, $182 and $363 in interest was paid to Kanders GMP Holdings, LLC, respectively, and $94 and $188 in interest, respectively, was paid to the Robert R. Schiller 2013 Cornerstone Trust and the Deborah Schiller 2005 Revocable Trust pursuant to the outstanding Merger Consideration Subordinated Notes.

On May 29, 2012 and August 13, 2012, five former employees of Gregory exercised certain sales rights and sold Merger Consideration Subordinated Notes in the aggregate principal amount of approximately \$365 to Kanders GMP Holdings, LLC and in the aggregate principal amount of approximately \$189 to Schiller Gregory Investment Company, LLC. During the three and six months ended June 30, 2014, \$4 and \$9 in interest was paid to Kanders GMP Holdings, LLC, respectively, and \$3 and \$5 in interest, respectively, was paid to Schiller Gregory Investment Company, LLC, pursuant to these outstanding Merger Consideration Subordinated Notes.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Please note that in this Quarterly Report on Form 10-Q we may use words such as “appears,” “anticipates,” “believes,” “plans,” “expects,” “intends,” “future” and similar expressions which constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are made based on our expectations and beliefs concerning future events impacting the Company and therefore involve a number of risks and uncertainties. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements. Potential risks and uncertainties that could cause the actual results of operations or financial condition of the Company to differ materially from those expressed or implied by forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, the overall level of consumer spending on our products; general economic conditions and other factors affecting consumer confidence; disruption and volatility in the global capital and credit markets; the financial strength of the Company's customers; the Company's ability to implement its growth strategy, including its ability to organically grow each of its historical product lines, its new apparel line and its recently acquired businesses; the Company's ability to successfully integrate and grow acquisitions; the Company's exposure to product liability of product warranty claims and other loss contingencies; stability of the Company's manufacturing facilities and foreign suppliers; the Company's ability to protect trademarks and other intellectual property rights; fluctuations in the price, availability and quality of raw materials and contracted products; foreign currency fluctuations; our ability to utilize our net operating loss carryforwards; and legal, regulatory, political and economic risks in international markets. More information on potential factors that could affect the Company’s financial results is included from time to time in the Company’s public reports filed with the Securities and Exchange Commission, including the Company’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. All forward-looking statements included in this Quarterly Report on Form 10-Q are based upon information available to the Company as of the date of this Quarterly Report on Form 10-Q, 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 Quarterly Report on Form 10-Q.

Overview

Black Diamond, Inc. (which may be referred to as “Black Diamond,” “Company,” “we,” “our” or “us”) is a global leader in designing, manufacturing, and marketing innovative active outdoor performance equipment and apparel for climbing, mountaineering, backpacking, skiing, cycling, and a wide range of other year-round outdoor recreation activities. Our principal brands include Black Diamond®, POC™ and PIEPS™ and are targeted not only to the demanding requirements of core climbers, skiers and cyclists, but also to the more general outdoor performance enthusiasts and consumers interested in outdoor-inspired gear for their backcountry and urban activities. Our Black Diamond®, POC™ and PIEPS™ brands are iconic in the active outdoor, ski and cycling industries and linked intrinsically with the modern history of the sports we serve. We believe our brands are synonymous with the performance, innovation, durability and safety that the outdoor and action sports communities rely on and embrace in their active lifestyle.

We offer a broad range of products including: high performance apparel (such as jackets, shells, pants and bibs) rock-climbing equipment (such as carabiners, protection devices, harnesses, belay devices, helmets, and ice-climbing gear); technical backpacks and high-end day packs; tents; trekking poles; headlamps and lanterns; and gloves and mittens. We also offer advanced design helmets, body armor, and goggles for skiing, mountain and road cycling, eyewear, skis, ski poles, ski bindings, ski boots, ski skins, and ski safety products, including avalanche transceivers, shovels, and probes.

On June 18, 2014, the Company and Gregory Mountain Products, LLC (“Gregory” or “GMP”), its wholly-owned subsidiary, entered into an Asset Purchase Agreement (the “Asset Purchase Agreement”) with Samsonite LLC (“Samsonite”), pursuant to which Gregory agreed to sell certain assets to Samsonite comprising Gregory’s business of designing, manufacturing, marketing, distributing and selling technical, alpine, backpacking, hiking, mountaineering and active trail products and accessories as well as outdoor-inspired lifestyle bags (the “Business”). Under the terms of the Asset Purchase Agreement, Samsonite agreed to pay $85,000 in cash (before closing adjustments of $865 relating to non-cash working capital) for Gregory’s assets comprising the Business and the assumption of specified liabilities (the “Purchase Price”). The Gregory transaction closed on July 23, 2014. The assets and liabilities of Gregory have been segregated and reported as held for sale as of June 30, 2014. Furthermore, the activities of Gregory have been segregated and reported as discontinued operations for all periods presented. See Note 2. Discontinued Operations to the notes to the unaudited condensed consolidated financial statements.

Critical Accounting Policies and Use of Estimates

Management's discussion of our financial condition and results of operations is based on the consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of the consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting periods. We continually evaluate our estimates and assumptions including those related to derivatives, revenue recognition, income taxes and valuation of long-lived assets, goodwill and other intangible assets. We base our estimates on historical experience and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

There have been no significant changes to our critical accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2013.

Recent Accounting Pronouncements

See "Recent Accounting Pronouncements" in Note 1 to the notes to the unaudited condensed consolidated financial statements.

BLACK DIAMOND, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
(in thousands, except per share amounts)

Results of Operations

Consolidated Three Months Ended June 30, 2014 Compared to Consolidated Three Months Ended June 30, 2013

The following presents a discussion of consolidated operations for the three months ended June 30, 2014, compared with the consolidated three months ended June 30, 2013.

	Three Months Ended	
	June 30, 2014	June 30, 2013
Sales		
Domestic sales	$ 14,430	$ 12,579
International sales	19,992	16,583
Total sales	34,422	29,162
Cost of goods sold	22,078	18,613
Gross profit	12,344	10,549
Operating expenses		
Selling, general and administrative	17,984	16,057
Restructuring charge	410	-
Merger and integration	-	83
Total operating expenses	18,394	16,140
Operating loss	(6,050)	(5,591)
Other (expense) income		
Interest expense, net	(623)	(634)
Other, net	319	316
Total other expense, net	(304)	(318)
Loss before income tax	(6,354)	(5,909)
Income tax benefit	(1,911)	(1,728)
Loss from continuing operations	(4,443)	(4,181)
Discontinued operations, net of tax	(540)	1,913
Net loss	$ (4,983)	$ (2,268)

Sales

Consolidated sales increased $5,260, or 18.0%, to $34,422 during the three months ended June 30, 2014, compared to consolidated sales of $29,162 during the three months ended June 30, 2013. The increase in sales was primarily attributable to an increase in the quantity of new and existing mountain, climb, and wheels products sold during the period, which included the addition of apparel sold by Black Diamond Equipment and the launch of POC’s road cycling collection. We also experienced an increase in sales of $193 due to the strengthening of foreign currencies against the U.S. dollar.

Consolidated domestic sales increased $1,851, or 14.7%, to $14,430 during the three months ended June 30, 2014, compared to consolidated domestic sales of $12,579 during the three months ended June 30, 2013. The increase in domestic sales was primarily attributable to an increase in the quantity of new and existing mountain, climb, and wheels products sold during the period, which included the addition of apparel sold by Black Diamond Equipment and the launch of POC’s road cycling collection.

Consolidated international sales increased $3,409, or 20.6%, to $19,992 during the three months ended June 30, 2014, compared to consolidated international sales of $16,583 during the three months ended June 30, 2013. The increase in international sales was primarily attributable to an increase in the quantity of new and existing mountain, climb, and wheels products sold during the period, which included the addition of apparel sold by Black Diamond Equipment. We also experienced an increase in sales of $193 due to the strengthening of foreign currencies against the U.S. dollar.

Cost of Goods Sold

Consolidated cost of goods sold increased $3,465, or 18.6%, to $22,078 during the three months ended June 30, 2014, compared to consolidated cost of goods sold of $18,613 during the three months ended June 30, 2013. The increase in cost of goods sold was primarily attributable to an increase in sales.

Gross Profit

Consolidated gross profit increased $1,795, or 17.0%, to $12,344 during the three months ended June 30, 2014, compared to consolidated gross profit of $10,549 during the three months ended June 30, 2013. Consolidated gross margin was 35.9% during the three months ended June 30, 2014, compared to a consolidated gross margin of 36.2% during the three months ended June 30, 2013. Consolidated gross margin during the three months ended June 30, 2014, decreased compared to the prior year due to an unfavorable mix in product and channel distribution.

Selling, General and Administrative

Consolidated selling, general and administrative expenses increased $1,927, or 12.0%, to $17,984 during the three months ended June 30, 2014, compared to consolidated selling, general and administrative expenses of $16,057 during the three months ended June 30, 2013. The increase in selling, general and administrative expenses was attributable to the Company's investments in its strategic initiatives, such as Black Diamond Equipment apparel, the transition of certain distributors into our in-house operations for POC, and the launch of POC's road cycling collection.

Restructuring Charges

Consolidated restructuring expense increased to $410 during the three months ended June 30, 2014, compared to consolidated restructuring expense of $0 during the three months ended June 30, 2013. The restructuring expenses incurred during the three months ended June 30, 2014, relate to benefits provided to employees who were terminated due to the Company's reduction-in-force as part of its realignment of resources within the organization.

Merger and Integration Costs

Consolidated merger and integration expense decreased to $0 during the three months ended June 30, 2014, compared to consolidated merger and integration expense of $83 during the three months ended June 30, 2013, which consisted of expenses related to the integration of POC Sweden AB and its subsidiaries (collectively, "POC Group") and PIEPS Holding GmbH and its subsidiaries (collectively, "PIEPS").

Interest Expense, net

Consolidated interest expense, net, decreased $11, or 1.7%, to $623 during the three months ended June 30, 2014, compared to consolidated interest expense, net, of $634 during the three months ended June 30, 2013. The decrease in interest expense, net, was primarily attributable to lower average outstanding debt amounts during the three months ended June 30, 2014, compared to the same period in 2013.

Other, net

Consolidated other, net, increased $3, or 0.9%, to $319 during the three months ended June 30, 2014, compared to consolidated other, net of $316 during the three months ended June 30, 2013. The increase in other, net, was primarily attributable to the remeasurement gains recognized on the Company's foreign denominated accounts receivable and accounts payable partially off-set by losses on mark-to-market adjustments on non-hedged foreign currency contracts.

Income Taxes

Consolidated income tax benefit increased $183, or 10.6%, to a benefit of $1,911 during the three months ended June 30, 2014, compared to a consolidated income tax benefit of $1,728 during the same period in 2013. The increase in tax benefit is due to the increase in the effective tax rate and loss before income tax recorded during the three months ended June 30, 2014, compared to the same period in 2013. The Company has recognized a benefit as it is more likely than not that this benefit will be realized during the year ended December 31, 2014.

Our effective income tax rate was 30.1% for the three months ended June 30, 2014, compared to 29.2% for the same period in 2013. Factors that could cause our annual effective tax rate to differ materially from our quarterly effective tax rates include changes in the geographic mix of taxable income and discrete events that may occur in various quarters. There were no meaningful discrete events recorded in the Company's effective income tax rate calculation for the three months ended June 30, 2014.

Discontinued Operations

Discontinued operations decreased $2,453, or 128.2%, to a loss of $540 during the three months ended June 30, 2014, compared to discontinued operations income of $1,913 during the three months ended June 30, 2013. The decrease in discontinued operations was primarily attributable to the recording of transaction costs of $960 related to the sale of GMP, a decrease in GMP's sales and gross profit of $544 due to the weakening of foreign currencies against the U.S. dollar, and an increase in interest expense of $132 due to higher average outstanding debt amounts related to the revolving credit facility and term note with Zions First National Bank during the three months ended June 30, 2014, compared to the same period in 2013. The remaining decrease in discontinued operations of $817 is due to the net decrease in the direct results of the GMP business.

BLACK DIAMOND, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
(in thousands, except per share amounts)

Consolidated Six Months Ended June 30, 2014 Compared to Consolidated Six Months Ended June 30, 2013

The following presents a discussion of consolidated operations for the six months ended June 30, 2014, compared with the consolidated six months ended June 30, 2013.

	Six Months Ended	
	June 30, 2014	**June 30, 2013**
Sales		
Domestic sales	$ 31,559	$ 28,418
International sales	47,295	41,361
Total sales	78,854	69,779
Cost of goods sold	49,868	44,444
Gross profit	28,986	25,335
Operating expenses		
Selling, general and administrative	38,797	35,085
Restructuring charge	410	175
Merger and integration	-	226
Transaction costs	-	54
Total operating expenses	39,207	35,540
Operating loss	(10,221)	(10,205)
Other (expense) income		
Interest expense, net	(1,249)	(1,265)
Other, net	192	(55)
Total other expense, net	(1,057)	(1,320)
Loss before income tax	(11,278)	(11,525)
Income tax benefit	(3,433)	(3,493)
Loss from continuing operations	(7,845)	(8,032)
Discontinued operations, net of tax	1,535	2,732
Net loss	$ (6,310)	$ (5,300)

Sales

Consolidated sales increased $9,075, or 13.0%, to $78,854 during the six months ended June 30, 2014 compared to consolidated sales of $69,779 during the six months ended June 30, 2013. The increase in sales was primarily attributable to an increase in the quantity of new and existing mountain, climb, ski, and wheels products sold during the period, which included the addition of apparel sold by Black Diamond Equipment and the launch of POC's road cycling collection. We also experienced an increase in sales of $407 due to the strengthening of foreign currencies against the U.S. dollar during the six months ended June 30, 2014.

Consolidated domestic sales increased $3,141, or 11.1%, to $31,559 during the six months ended June 30, 2014 compared to consolidated domestic sales of $28,418 during the six months ended June 30, 2013. The increase in domestic sales was primarily attributable to an increase in the quantity of new and existing mountain, climb, ski, and wheels products sold during the period, which included the addition of apparel sold by Black Diamond Equipment and the launch of POC's road cycling collection.

Consolidated international sales increased $5,934, or 14.3%, to $47,295 during the six months ended June 30, 2014 compared to consolidated international sales of $41,361 during the six months ended June 30, 2013. The increase in international sales was primarily attributable to an increase in the quantity of new and existing mountain, climb, ski, and wheels products sold during the period, which included the addition of apparel sold by Black Diamond Equipment. We also experienced an increase in sales of $407 due to the strengthening of foreign currencies against the U.S. dollar during the six months ended June 30, 2014.

Cost of Goods Sold

Consolidated cost of goods sold increased $5,424, or 12.2%, to $49,868 during the six months ended June 30, 2014 compared to consolidated cost of goods sold of $44,444 during the six months ended June 30, 2013. The increase in cost of goods sold was primarily attributable to an increase in sales.

Gross Profit

Consolidated gross profit increased $3,651 or 14.4%, to $28,986 during the six months ended June 30, 2014 compared to consolidated gross profit of $25,335 during the six months ended June 30, 2013. Consolidated gross margin was 36.8% during the six months ended June 30, 2014 compared to a consolidated gross margin of 36.3% during the six months ended June 30, 2013. Consolidated gross margin during the six months ended June 30, 2014 increased compared to the prior year due to a favorable product mix in higher margin products and channel distribution.

Selling, General and Administrative

Consolidated selling, general, and administrative expenses increased $3,712, or 10.6%, to $38,797 during the six months ended June 30, 2014 compared to consolidated selling, general, and administrative expenses of $35,085 during the six months ended June 30, 2013. The increase in selling, general and administrative expenses was primarily attributable to the Company’s investments in its strategic initiatives, such as Black Diamond Equipment apparel, the transition of certain distributors into our in-house operations for POC, and the launch of POC’s road cycling collection.

Restructuring Charges

Consolidated restructuring expense increased $235, or 134.3%, to $410 during the six months ended June 30, 2014 compared to consolidated restructuring expense of $175 during the six months ended June 30, 2013. The restructuring expenses incurred during the six months ended June 30, 2014, relate to benefits provided to employees who were terminated due to the Company’s reduction-in-force as part of its realignment of resources within the organization. The restructuring expenses incurred during the six months ended June 30, 2013, related to the relocation of POC’s Portsmouth, NH facility to the Company’s U.S. distribution facilities in Salt Lake City, UT.

Merger and Integration Costs

Consolidated merger and integration expense decreased to $0 during the six months ended June 30, 2014 compared to consolidated merger and integration expense of $226 during the six months ended June 30, 2013, which consisted of expenses related to the integration of POC Group and PIEPS.

Transaction Costs

Consolidated transaction expense decreased to $0 during the six months ended June 30, 2014 compared to consolidated transaction expense of $54 during the six months ended June 30, 2013. The transaction expense incurred during the six months ended June 30, 2013, related to professional accounting fees related to the Company’s acquisitions of POC Group and PIEPS.

Interest Expense, net

Consolidated interest expense, net, decreased $16, or 1.3%, to $1,249 during the six months ended June 30, 2014 compared to consolidated interest expense, net, of $1,265 during the six months ended June 30, 2013. The decrease in interest expense, net, was primarily attributable to lower average outstanding debt amounts during the six months ended June 30, 2014, compared to the same period in 2013.

(in thousands, except per share amounts)

Other, net

Consolidated other, net, increased to income of $192 during the six months ended June 30, 2014 compared to a consolidated other, net expense of $55 during the six months ended June 30, 2013. The increase in other, net, was primarily attributable to the remeasurement gains recognized on the Company's foreign denominated accounts receivable and accounts payable partially off-set by losses on mark-to-market adjustments on non-hedged foreign currency contracts.

Income Taxes

Consolidated income tax benefit decreased $60, or 1.7%, to a benefit of $3,433 during the six months ended June 30, 2014 compared to consolidated income tax benefit of $3,493 during the same period in 2013. The decrease in tax benefit is due to the decrease in loss before income tax recorded during the six months ended June 30, 2014, compared to the same period in 2013. The Company has recognized a benefit as it is more likely than not that this benefit will be realized during the year ended December 31, 2014.

Our effective income tax rate was 30.4% for the six months ended June 30, 2014 compared to 30.3% for the same period in 2013. Factors that could cause our annual effective tax rate to differ materially from our quarterly effective tax rates include changes in the geographic mix of taxable income and discrete events that may occur in various quarters. There were no meaningful discrete events recorded in the Company's effective income tax rate calculation for the six months ended June 30, 2014.

Discontinued Operations

Discontinued operations decreased $1,197, or 43.8%, to income of $1,535 during the six months ended June 30, 2014, compared to discontinued operations income of $2,732 during the six months ended June 30, 2013. The decrease in discontinued operations was primarily attributable to the recording of transaction costs of $1,315 related to the sale of GMP, a decrease in GMP's sales and gross profit of $1,362 due to the weakening of foreign currencies against the U.S. dollar, and an increase in interest expense of $206 due to higher average outstanding debt amounts related to the revolving credit facility and term note with Zions First National Bank during the six months ended June 30, 2014, compared to the same period in 2013. These decreases were partially offset by a net increase of $1,686 in the direct results of the GMP business.

Liquidity and Capital Resources

Consolidated Six months ended June 30, 2014 Compared to Consolidated Six months ended June 30, 2013

The following presents a discussion of cash flows for the consolidated six months ended June 30, 2014, compared with the consolidated six months ended June 30, 2013. Our primary ongoing funding requirements are for working capital, expansion of our operations and general corporate needs, as well as investing activities associated with the expansion into new product categories. We plan to fund our future expansion of operations and investing activities through a combination of our future operating cash flows, revolving credit facilities, and the net proceeds from the sale of Gregory. We believe that our liquidity requirements for at least the next 12 months will be adequately covered by existing cash, cash provided by operations and our existing revolving credit facilities. At June 30, 2014, we had total cash of $4,605, compared with a cash balance of $4,478 at December 31, 2013, which was substantially all controlled by the Company's U.S. entities. At June 30, 2014, the Company had $768 of the $4,605 in cash held by foreign entities; however, this cash is available for repatriation without significant tax consequence.

	Six Months Ended	
	June 30, 2014	June 30, 2013
Net cash (used in) provided by operating activities	$ (7,669)	$ 3,629
Net cash used in investing activities	(1,378)	(3,276)
Net cash provided by (used in) financing activities	9,360	(3,466)
Effect of foreign exchange rates on cash	(186)	56
Change in cash	127	(3,057)
Cash, beginning of period	4,478	5,111
Cash, end of period	$ 4,605	$ 2,054

(in thousands, except per share amounts)

Net Cash From Operating Activities

Consolidated net cash used in operating activities was $7,669 during the six months ended June 30, 2014, compared to consolidated net cash provided by operating activities of $3,629 during the six months ended June 30, 2013. The decrease in net cash provided by operating activities during 2014 is primarily due to an increase in net operating assets or non-cash working capital of $8,683 during the six months ended June 30, 2014, compared to the same period in 2013. The increase in the Company's non-cash working capital was primarily driven by an increase in its inventory levels in preparation of its fall 2014 selling season. The decrease in net cash provided by operating activities during 2014 was also due to decreased profitability.

Free cash flow, defined as net cash (used in) provided by operating activities less capital expenditures, was free cash flows used of $9,051 during the six months ended June 30, 2014 compared to free cash flows provided of $1,085 during the same period in 2013. The Company believes that the non-GAAP measure, free cash flow, provides an understanding of the capital required by the Company to expand its asset base. A reconciliation of free cash flows to comparable GAAP financial measures is set forth below:

	Six Months Ended	
	June 30, 2014	June 30, 2013
Net cash (used in) provided by operating activities	$ (7,669)	$ 3,629
Purchase of property and equipment	(1,382)	(2,544)
Free cash flow	$ (9,051)	$ 1,085

Net Cash From Investing Activities

Consolidated net cash used in investing activities decreased by $1,898 to $1,378 during the six months ended June 30, 2014, compared to $3,276 during the six months ended June 30, 2013. Investing activities during the six months ended June 30, 2013 included the Company's acquisition of Gregory's Japanese distribution assets from Kabushiki Kaisha A&F, the prior distributor of Gregory's products in Japan, for $750. The absence of this activity, as well as a decrease in capital expenditures generated a decrease in net cash used in investing activities compared to the six months ended June 30, 2013.

Net Cash From Financing Activities

Consolidated net cash provided by financing activities increased by $12,826 to $9,360 during the six months ended June 30, 2014, compared to consolidated cash used in financing activities of $3,466 during the six months ended June 30, 2013. The increase is primarily a result of net borrowing on the revolving line of credit of $9,200 during the six months ended June 30, 2014, compared to net payment on the revolving line of credit of $13,979 and the absence of $10,053 in proceeds on the issuance of long-term debt during the same period in 2013.

Net Operating Loss

As of December 31, 2013, the Company had net operating loss, research and experimentation credit, and alternative minimum tax credit carryforwards for U.S. federal income tax purposes of $215,562 ($5,154 relates to stock compensation deductions for tax in excess of financial reporting expense, which will not be recorded until they result in cash tax savings), $2,270 and $315, respectively. The Company believes its U.S. Federal net operating loss ("NOL") will substantially offset its future U.S. Federal income taxes, excluding the amount subject to U.S. Federal Alternative Minimum Tax ("AMT"). AMT is calculated as 20% of AMT income. For purposes of AMT, a maximum of 90% of income is offset by available NOLs. The majority of the Company's pre-tax income is currently earned and expected to be earned in the U.S., or taxed in the U.S., as Subpart F income and will be offset with the NOL. $210,408 of net operating losses available to offset taxable income does not expire until 2020 or later, subject to compliance with Section 382 of the Internal Revenue Code of 1986, as amended.

As of December 31, 2013, the Company's gross deferred tax asset was $92,598. The Company has recorded a valuation allowance of $17,120, resulting in a net deferred tax asset of $75,478, before deferred tax liabilities of $28,911. Management has provided a valuation allowance against a portion of the net deferred income tax assets as of December 31, 2013, because the ultimate realization of those assets does not meet the more likely than not criteria. The ultimate realization of recorded deferred tax assets is dependent upon the generation of approximately $187,000 of future U.S. taxable income during the periods in which those temporary differences become deductible and net operating loss and credit carryforwards expire; approximately $163,000 of future U.S. taxable income must be generated by 2022 to realize the net recorded deferred tax asset for net operating loss carryforwards.

Revolving Credit Facility

On February 28, 2014, the Company, together with its direct and indirect domestic subsidiaries, entered into a first amendment (the "Amendment") to the amended and restated loan agreement dated March 8, 2013 (the "Loan Agreement"), with Zions First National Bank (the "Lender"), to reduce its existing Term Facility from $15,000 to $10,000 pursuant to an amended and restated term loan promissory note (the "Amended and Restated Term Loan Promissory Note"). Also pursuant to the Amendment, the Company terminated its outstanding Acquisition Facility which previously allowed the Company to borrow up to $10,000 to fund permitted acquisitions.

Under the Loan Agreement as amended, the Company has an existing $30,000 Revolving Line of Credit for funding general corporate needs. In addition to the Revolving Line of Credit, the Company obtained a Term Facility from the Lender. Under the Amended and Restated Term Loan Promissory Note, the Lender has made available $10,000 for funding permanent working capital. The Term Facility is due and payable in monthly payments of principal and interest with all principal and interest due March 8, 2023. Interest on all facilities is based on the one-month LIBOR rate plus an applicable margin as determined by the ratio of Total Senior Debt (as calculated in the Loan Agreement) to Trailing Twelve Month EBITDA (as calculated in the Loan Agreement).

5% Senior Subordinated Notes due May 28, 2017

As part of the consideration payable to the stockholders of Gregory when the Company acquired Gregory, the Company issued $14,517, $7,539, and $554 in 5% Unsecured Subordinated Notes due May 28, 2017 (the "Merger Consideration Subordinated Notes") to Kanders GMP Holdings, LLC, Schiller Gregory Investment Company, LLC, and five former employees of Gregory, respectively. Mr. Warren B. Kanders, the Company's Executive Chairman and a member of its Board of Directors, is a majority member and a trustee of the manager of Kanders GMP Holdings, LLC. The sole manager of Schiller Gregory Investment Company, LLC is Mr. Robert R. Schiller, the Company's Executive Vice Chairman and a member of its Board of Directors. The principal 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 the Company at any time; (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 the Company on any payment due under a Merger Consideration Subordinated Note; (b) the Company's failure to perform or observe any other material covenant or agreement contained in the Merger Consideration Subordinated Notes; or (c) the Company's instituting or becoming subject to a proceeding under the Bankruptcy Code (as defined in the Merger Consideration Subordinated Notes). The Merger Consideration Subordinated Notes are junior to all senior indebtedness of the Company, 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.

Given the below market interest rate for comparably secured notes and the relative illiquidity of the Merger Consideration Subordinated Notes, we have discounted the notes to $8,640, $4,487 and $316, respectively, at the date of acquisition. We are accreting the discount on the Merger Consideration Subordinated Notes to interest expense using the effective interest method over the term of the Merger Consideration Subordinated Notes.

On April 7, 2011, Schiller Gregory Investment Company, LLC transferred its Merger Consideration Subordinated Note in equal amounts to the Robert R. Schiller Cornerstone Trust and the Deborah Schiller 2005 Revocable Trust. On June 24, 2013, the Robert R. Schiller Cornerstone Trust dated September 9, 2010 transferred its Merger Consideration Subordinated Note in the amount of $3,769 to the Robert R. Schiller 2013 Cornerstone Trust dated June 24, 2013. During the three and six months ended June 30, 2014, $182 and $363 in interest was paid to Kanders GMP Holdings, LLC, respectively, and $94 and $188 in interest, respectively, was paid to the Robert R. Schiller 2013 Cornerstone Trust and the Deborah Schiller 2005 Revocable Trust pursuant to the outstanding Merger Consideration Subordinated Notes.

On May 29, 2012 and August 13, 2012, five former employees of Gregory exercised certain sales rights and sold Merger Consideration Subordinated Notes in the aggregate principal amount of approximately $365 to Kanders GMP Holdings, LLC and in the aggregate principal amount of approximately $189 to Schiller Gregory Investment Company, LLC. During the three and six months ended June 30, 2014, $4 and $9 in interest was paid to Kanders GMP Holdings, LLC, respectively, and $3 and $5 in interest, respectively, was paid to Schiller Gregory Investment Company, LLC, pursuant to these outstanding Merger Consideration Subordinated Notes.

Shelf Registration Statements

On August 19, 2011, our shelf registration statement on Form S-4 (File No. 333-175695) (the "Form S-4") filed with the Securities and Exchange Commission was declared effective whereby we may issue an aggregate of 5,750 shares of common stock, which may be issued from time to time by the Company in connection with acquisitions by the Company of assets, businesses or securities.

Off-Balance Sheet Arrangements

We do not engage in any transactions or have relationships or other arrangements with unconsolidated entities. These include special purpose and similar entities or other off-balance sheet arrangements. We also do not engage in energy, weather or other commodity-based contracts.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has not been any material change in the market risk disclosure contained in our Annual Report on Form 10-K for the year ended December 31, 2013.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, its principal executive officer and principal financial officer, respectively, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")) as of June 30, 2014, pursuant to Exchange Act Rule 13a-15. Such disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the appropriate management on a basis that permits timely decisions regarding disclosure. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of June 30, 2014, were effective.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during our fiscal quarter ended June 30, 2014, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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 it is reasonably possible 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 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. Based on current information, the Company believes that the ultimate conclusion of the various pending litigations 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 vulnerable to various personal injury and property damage lawsuits relating to its products and incidental to its business.

Based on current information, there are no pending product liability claims and lawsuits of the Company, which the Company believes in the aggregate will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A. of the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

ITEM 6. EXHIBITS

Exhibit	Description
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *
*	Filed herewith

BLACK DIAMOND, INC.

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BLACK DIAMOND, INC.

Date: August 11, 2014

By: */s/ Peter R. Metcalf*
Name: Peter R. Metcalf
Title: Chief Executive Officer
(Principal Executive Officer)

By: */s/ Aaron J. Kuehne*
Name: Aaron J. Kuehne
Title: Chief Financial Officer
(Principal Financial Officer)
(Principal Accounting Officer)

BLACK DIAMOND, INC.

EXHIBIT INDEX

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BLACK DIAMOND, INC.

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Peter R. Metcalf, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Black Diamond, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2014	By:	/s/ Peter R. Metcalf
	Name:	Peter R. Metcalf
	Title:	Chief Executive Officer (Principal Executive Officer)

BLACK DIAMOND, INC.

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Aaron J. Kuehne, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Black Diamond, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2014

By: /s/ Aaron J. Kuehne
Name: Aaron J. Kuehne
Title: Chief Financial Officer
(Principal Financial Officer)

BLACK DIAMOND, INC.

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Black Diamond, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Peter R. Metcalf, Chief Executive Officer, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: August 11, 2014

By: /s/ Peter R. Metcalf
Name: Peter R. Metcalf
Title: Chief Executive Officer
(Principal Executive Officer)

BLACK DIAMOND, INC.

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Black Diamond, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Aaron Kuehne, Chief Financial Officer, certify to my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Date: August 11, 2014

By: /s/ Aaron J. Kuehne
Name: Aaron J. Kuehne
Title: Chief Financial Officer
(Principal Financial Officer)