

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

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)

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Name of each exchange on which registered
Common Stock, par value \$.0001 per share	NASDAQ Global Select Market

**Securities registered pursuant to Section 12(g) of the Act:**

None  
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES  NO

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) YES  NO

The aggregate market value of the voting stock and non-voting common equity held by non-affiliates of the Registrant at June 30, 2016 was approximately \$87.3 million based on \$4.14 per share, the closing price of the common stock as quoted on the NASDAQ Global

Select Market.

As of March 1, 2017, there were 30,015,938 shares of common stock, par value \$0.0001, outstanding.

**DOCUMENT INCORPORATED BY REFERENCE**

Portions of our Proxy Statement for the 2017 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days of the Registrant's 2016 fiscal year end are incorporated by reference into Part III of this Annual Report on Form 10-K.

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## INDEX

### BLACK DIAMOND, INC.

	<b>Page</b>
<b><u>PART I</u></b>	
Item 1. <a href="#">Business</a>	3
Item 1A. <a href="#">Risk Factors</a>	13
Item 1B. <a href="#">Unresolved Staff Comments</a>	24
Item 2. <a href="#">Properties</a>	24
Item 3. <a href="#">Legal Proceedings</a>	24
Item 4. <a href="#">Mine Safety Disclosures</a>	25
<b><u>PART II</u></b>	
Item 5. <a href="#">Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	26
Item 6. <a href="#">Selected Financial Data</a>	28
Item 7. <a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a>	29
Item 7A. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	41
Item 8. <a href="#">Financial Statements and Supplementary Data</a>	43
Item 9. <a href="#">Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</a>	76
Item 9A. <a href="#">Controls and Procedures</a>	76
Item 9B. <a href="#">Other Information</a>	78
<b><u>PART III</u></b>	
Item 10. <a href="#">Directors, Executive Officers and Corporate Governance</a>	78
Item 11. <a href="#">Executive Compensation</a>	78
Item 12. <a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	79
Item 13. <a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	79
Item 14. <a href="#">Principal Accounting Fees and Services</a>	79
<b><u>PART IV</u></b>	
Item 15. <a href="#">Exhibits and Financial Statement Schedules</a>	80
<a href="#">Signature Page</a>	84
<a href="#">Exhibit Index</a>	85

## PART I

### ITEM 1. BUSINESS

#### Overview

Black Diamond, Inc. (which may be referred to as the “Company,” “we,” “our” or “us”), through its ownership of Black Diamond Equipment, Ltd., is a global leader in designing, manufacturing, and marketing innovative outdoor engineered equipment and apparel for climbing, mountaineering, backpacking, skiing, and a wide range of other year-round outdoor recreation activities. Black Diamond Equipment and PIEPS™, are synonymous with performance, innovation, durability and safety in the outdoor consumer community. We are targeted not only to the demanding requirements of core climbers, skiers and alpinists, 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® and PIEPS™ brands are iconic in the active outdoor and ski industries, and linked intrinsically with the modern history of these sports. Headquartered in Salt Lake City at the base of the Wasatch Mountains, our products are designed and exhaustively tested by an engaged team of discerning entrepreneurs and engineers.

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 skis, ski poles, ski skins, and snow safety products, including avalanche airbag systems, avalanche transceivers, shovels, and probes. We distribute our products through a network comprised primarily of leading independent specialty retailers, specialty chains such as Recreational Equipment, Inc. (“REI”), independent global distributors selling to specialty retail, and direct-to-consumer through our website and wholly-owned retail store. Our products are sold in North America, Europe, Asia, and the rest of the world in over 50 countries, with international sales representing approximately 49% of our sales for the year ended December 31, 2016. Canada is our single largest international country in which we conduct business, representing 8% of our total sales for the year ended December 31, 2016.

Our heritage dates back to 1957 when Chouinard Equipment Ltd. pioneered the market for durable, precise, and reusable pitons — devices used to ascend or protect oneself in the event of a fall in the sport of big wall rock climbing. Over the next thirty years, Chouinard Equipment expanded to design and manufacture all kinds of equipment for rock climbing and mountain, canyon, and crag activities. In 1989 Black Diamond Equipment was founded when our predecessor company acquired the business and assets of Chouinard Equipment. In our 60 year heritage, we have developed a track record of gear innovations that has changed the nature of climbing, mountaineering, and skiing. By extension, our history and brands have become synonymous with the sports in which we participate. The genesis of the current Black Diamond, Inc. was through the May 2010 acquisition of Black Diamond Equipment, Ltd. (which may be referred to as “Black Diamond Equipment” or “BDEL”) and Gregory Mountain Products, Inc. (which may be referred to as “Gregory Mountain Products”, “Gregory” or “GMP”) by Clarus Corporation, a public company. Clarus Corporation, incorporated in Delaware in 1991, was renamed Black Diamond, Inc. in January 2011. In July 2012, we acquired POC Sweden AB and its subsidiaries (collectively, “POC”) and in October 2012, we acquired PIEPS Holding GmbH and its subsidiaries (collectively, “PIEPS”).

On July 23, 2014, the Company and Gregory Mountain Products, its wholly-owned subsidiary, completed the sale of certain assets to Samsonite LLC (“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 “Gregory Business”) pursuant to the terms of that certain Asset Purchase Agreement (the “GMP Purchase Agreement”), dated as of June 18, 2014, by and among the Company, Gregory and Samsonite. Under the terms of the GMP Purchase Agreement, Samsonite paid \$84,135,000 in cash for Gregory’s assets comprising the Gregory Business and assumed certain specified liabilities (the “GMP Sale”). The activities of Gregory have been segregated and reported as discontinued operations for all periods presented.

On March 16, 2015, the Company announced that it was exploring a full range of strategic alternatives, including a sale of the entire Company and the potential sales of the Company’s Black Diamond Equipment (including PIEPS) and POC brands in two separate transactions.

On October 7, 2015, the Company and the Company’s wholly owned subsidiary, Ember Scandinavia AB (“Ember”), sold their respective equity interests in POC comprising POC’s business of designing, manufacturing, marketing, distributing and selling advanced-design helmets, body armor, goggles, eyewear, gloves, and apparel for action or “gravity sports,” such as skiing, snowboarding, and cycling pursuant to a Purchase Agreement (the “POC Purchase Agreement”), dated as of October 7, 2015, by and among the Company and Ember, as sellers, and Dainese S.p.A. and Dainese U.S.A., Inc. (collectively “Dainese”), as purchasers. Under the terms of the POC Purchase Agreement, Dainese paid \$63,639,000 in cash for POC (the “POC Disposition”). The activities of POC have been segregated and reported as discontinued operations for all periods presented.

On October 8, 2015, the Company announced the completion of the POC Disposition resulting in the conclusion of the Company's review of strategic alternatives.

On November 9, 2015, the Company announced that it is seeking to redeploy our significant cash balances to invest in high quality, durable, cash flow-producing assets potentially unrelated to the outdoor industry in order to diversify our business and potentially monetize our substantial net operating losses as part of our asset redeployment and diversification strategy. We intend to focus our search primarily in the United States, although we will also evaluate international investment opportunities should we find such opportunities attractive.

## Market Overview

Our business and brands are focused on the convergence of function and fashion in the outdoor and athletic apparel, footwear, and equipment space. We believe consumer purchase decisions are driven by both a need for functional products with distinctive aesthetics and a desire to create a particular lifestyle perception. This confluence and consumer behavior can be seen in a number of highly successful lifestyle brands including Lululemon, Under Armour, The North Face, Patagonia and Nike. Primary growth drivers in our business include innovative products that provide a higher level of protection, performance and/or comfort, an increased awareness in health and wellness, the desire to own functional products that are aesthetically pleasing, and the continued success and exposure of our key retail partners, including REI, Mountain Equipment Co-op, Backcountry.com, Au Vieux Campeur, Globetrotter, Sport Shuster, and Bachli Bergsport. The outdoor products marketplace, both domestically and internationally, is highly fragmented. Specialty brands, particularly throughout Europe, hold respectable market share relative to larger competitors. We see this fragmentation as an opportunity for a leader to emerge, particularly in the more technical categories. We believe that our strong relationships in the specialty retail channel and our expanding online presence provide us with a competitive advantage and the opportunity for continued growth.

## Competitive Strengths

We live and breathe the adventure sports that we represent and approach business like we approach our sporting passions, where there is precious little room for error. We believe the following strengths differentiate us from our competitors, allowing us to take advantage of the large and growing market in which we participate:

**Authentic Portfolio of Iconic/Lifestyle Brands.** We believe that our brands are iconic among devoted active outdoor adventurers and skiers with a strong reputation for innovation, style, quality, design, safety and durability. Our brands also appeal to everyday customers seeking high quality, outdoor-inspired lifestyle products for outdoor or urban and suburban living. The authenticity of our brands is reinforced by our selective distribution strategy focused on specialty retail stores that we believe are the most influential stores within the outdoor recreation and active lifestyle communities. We believe our brands transcend age, culture and geography, and our paradigm-changing products define their respective product categories. Our focus on innovation, safety and style differentiates us from our competitors and positions Black Diamond Equipment to address the growing market for outdoor recreation equipment and active lifestyle products.

## Global Brands



**Black Diamond Equipment:** Black Diamond Equipment products are designed for climbers, mountaineers and skiers as well as aspirational outdoor enthusiasts. We focus on innovation and performance, and we strive to deliver products that epitomize high quality and durability. In Spring 2016, Black Diamond Equipment received two awards in the climbing equipment category for its new Camalot Ultralights and Solution climbing harness. For Fall 2016, Black Diamond Equipment's ski category was awarded over a dozen editorial awards for products including its new Helio 95, Helio 105, Helio 116 skis and Helio Fixed Length Carbon Ski Pole. Notably, Black Diamond Equipment apparel was recognized by Backpacker magazine and awarded "Editor's Choice" for its First Light Hoody. So far in 2017, Black Diamond Equipment earned five awards at the Outdoor Retailer Winter Market 2017 in Salt Lake City, Utah, and at 2017 ISPO Munich. Award winning products include its Boundary Pro 107 ski and Helio glove.



**PIEPS:** Headquartered in Lebring, Steiermark, Austria, PIEPS is widely recognized as an innovator and technology leader in beacon technology (having created the modern avalanche transceiver) and avalanche safety equipment. PIEPS offers a focused range of premium avalanche safety products, including transceivers and probes, shovels, related equipment, and packs. PIEPS is the official safety partner of the Association of Austrian Mountain and Ski Guides. PIEPS played a key partnership role with Black Diamond Equipment in development of the new JetForce avalanche airbag technology platform. In 2016, PIEPS earned several awards for its newest avalanche beacon, the Micro, including trade show awards at both Outdoor Retailer in Salt Lake City, Utah, and at ISPO Munich.

**Product Innovation and Development Capabilities.** We have a long history of technical innovation and product development, with over 100 patents and patents pending worldwide and hundreds of new product introductions since 1989. Our employees' passion and intimacy with our core outdoor activities fosters new and innovative ideas, which we believe provides a significant advantage that will drive our company and industry to new levels. Our Salt Lake City headquarters, nestled in the Wasatch Mountains, with a vibrant user community, provides the ideal backdrop for our employees, many of whom are high-level performance athletes in these sports themselves, to test and refine our new products. We endorse several top athletes who evaluate our products in the field, providing valuable feedback and suggestions to our designers. In recent years, we have developed many innovative products that have revolutionized the active outdoor space including: Revolt, our highly versatile rechargeable headlamp, featuring a waterproof design, PowerTap Technology and massive 300 lumens with the added option of charging via USB or using standard alkaline batteries; First Light Hoody, constructed with lightweight Schoeller® and packed with PrimaLoft® Silver Insulation Active; Helio Fixed Length Carbon ski pole, built with 100% inflation-molded carbon fiber for the ultimate combination of strength and lightweight performance; Camalot Ultralights, incorporating sculpted lobes and a patent-pending continuously looped Dyneema® core to replace the cable stem making them among the lightest camming units on the market; JetForce®, the first avalanche airbag that uses electronically controlled jet-fan inflation technology; trekking poles with FlickLock® technology; Z-Poles™, trekking poles that can fold to one-third their size; the Magnetron® magnetically locking carabiner; the Vapor climbing helmet, one of the lightest climbing helmets on the market; and PIEPS Micro beacon, having a patented sensor technology. We seek to design products that enhance our customers' personal performance, safety, and comfort as they participate in the activities we serve. We integrate quality assurance and quality control teams throughout the entire design process to maintain the quality, integrity, and safety that our brands are known for. We believe that our vertically integrated design, development process and enthusiastic employee base provide us with a unique competitive advantage to continue to drive future innovation for our Company and the markets we serve.

**Diversified Portfolio by Product, Geography and Channel.** Our business is highly diversified across products, geographies, and channels. We operate a multi-brand business with Black Diamond® and PIEPS™ branded products spanning 29 single product categories addressing three primary categories of climbing, mountaineering, and skiing. Our lighting product category is the only product category which accounts for more than 15% of annual sales. This provides seasonal diversification with a balance of sales across both the fall/winter and spring/summer sports seasons. Our brands are truly global with approximately 49% of our sales for the year ended December 31, 2016 generated outside the United States in over 50 countries. We have a diversified customer base and sell products in approximately 5,000 retail locations, including independent and specialty stores, our wholly-owned retail store, our website at [www.blackdiamondequipment.com](http://www.blackdiamondequipment.com), and other retail locations. We believe that our product, geographic, and distribution channel diversity allows us to maximize the reach of our brand portfolio while reducing the risk associated with any single product category or point of distribution.

**Scalable Global Operating Platform.** We have developed a highly scalable global platform of manufacturing, sourcing, quality assurance, distribution, IT, and back office capabilities. We manufacture approximately 20% to 25% of our proprietary products in-house, which we believe helps us maintain our competitive advantage over our peers. We also have a global network of high-quality strategic partners, many of whom we have had relationships with for over ten years, from which we source the remaining approximately 75% to 80% of our products. We have an in-house quality assurance team in Salt Lake City, allowing for real-time testing and development. Our back-office functions, including supply chain management, warehousing, sourcing, and finance, run on our global ERP platform.

**Core Values Deeply Rooted in Organization.** Our company was founded with the vision of being one with the sports we serve, absolutely indistinguishable from them. Our mission is to profitably design, manufacture, and bring to market innovative and technical products of high quality, high performance, and exemplary durability that are targeted toward our primary customers – climbers, mountaineers, off-piste skiers, and outdoor enthusiasts. We define ourselves on a five-pillar founding construct: passion and intimacy, innovation, efficiency, value and service, and style. Our employees have a tight bond and shared enthusiasm for the active outdoors. We take pride in our efforts to support conservation, education, and recreation groups that are on the frontlines of protecting and preserving the wild lands we love and depend on. These shared core values enable us to attract and retain like-minded, highly motivated employees with passion for the active outdoors.

**Experienced and Incentivized Senior Management Team.** Our senior management team has been involved in the operation, acquisition, and integration of several successful companies. We are also supported by the skills and collective experience of Warren B. Kanders, our Executive Chairman, and Robert R. Schiller, our Executive Vice Chairman, who have substantial experience working together in managing operations and building public companies through strategic acquisitions and organic development, notably at Armor Holdings, Inc. Mr. Kanders and Mr. Schiller have worked together for the past 20 years. We have assembled a proven and talented global management team. Our executives share a passion for outdoor recreation and an active lifestyle, and possess substantial experience in product development, marketing, and merchandising. The members of our Board of Directors and our executive officers, including Messrs. Kanders and Schiller, are substantial stockholders of the Company and beneficially own approximately 34% of our outstanding common stock as of March 1, 2017, which we believe aligns the interests of our Board of Directors and our executive officers with those of our stockholders.

## Growth Strategy

We intend to achieve sustainable, profitable growth by expanding organically in each of our historical product lines.

**Continue to service and grow existing retail accounts.** Since our inception, we have developed strong relationships with our key retail partners through a mutual respect and admiration for the sports we serve. As the outdoor retail industry expands in terms of both sales and store count, we believe that we are well-poised to capitalize on this growth opportunity. Through our various corporate initiatives, a focus on being easy to do business with, the extension of our existing product portfolios, and an emphasis on brand awareness and in-store marketing, we plan to grow our existing retail accounts as well as foster new relationships.

**Introduce New Product Technologies and Expand Existing Brands Into New Categories.** We believe our investment in research and development and new product extensions present opportunities, through both technological innovation and expansion into new categories. We have a long history of technical innovation, introducing hundreds of new products and growing sales at a 12% compound annual growth rate since 1989. We expect our continued product innovation will drive future growth.

We continue to seek to expand our business into both adjacent and complementary product categories, including outdoor technical apparel and footwear. We have expanded our product offerings and grown our sales through innovation in gloves, trekking poles, helmets, headlamps and apparel as well as introducing new technologies, such as our JetForce avalanche airbags. We believe apparel represents a logical progression for our outdoor brands while also believing that footwear is another natural extension of our product offerings.

**Broaden Distribution Footprint.** We believe there is a significant opportunity to expand our brand presence and penetration outside of the U.S. market. The European alpine market is currently significantly larger than the U.S. market and is highly fragmented by country, with no clear leader across Europe. We have been able to gain market share by emphasizing our Black Diamond® brand, positioning it as a global brand with American roots and PIEPS™ as a global brand with European roots. Furthermore, we plan to seek to increase the number of doors we sell through and drive higher sales through new and existing doors.

We believe that our presence in Asia, driven by our business in Hong Kong, China, South Korea, Japan and other key Asian markets, represents a significant growth opportunity.

**Develop Brand Profile.** We believe there is an opportunity to further enhance our brand image through enhanced marketing efforts. Our brands have a strong and iconic reputation among outdoor enthusiasts, and we expect that reinforcing our brand message with targeted marketing efforts will further develop our brand position. Our social media reach is large, and online engagement is growing. Continued focus on these channels is also expected to enhance our brand equity.

**Expand Our Operating Margins.** We believe opportunities exist to increase our margins to be more in-line with our outdoor peers. A primary driver of our expected margin expansion will include leveraging investments made into our global operating platform as our sales grow, and cost and operational improvements in our sourcing and supply chain. Additionally, we expect to see margin expansion as we shift our sales mix to higher margin products and build our direct-to-consumer business with their higher margins.

## Our Brands

Our Black Diamond® and PIEPS™ brands represent the pinnacle of innovation, quality, and performance to our customers in the active outdoor industry. Both have rich histories that we believe transcend age, ethnicity, and geography, and both have reputations as pioneers in the industry, designing and manufacturing gear that has changed the history of their collective sports.

### *Black Diamond®*

Founded in 1989, Black Diamond Equipment is devoted to fostering the enthusiasm and dreams necessary to design and manufacture what we believe to be the best climbing and skiing gear in the world. Black Diamond Equipment's roots date back to 1957, when Chouinard Equipment Ltd. first manufactured rock climbing equipment. From its inspired beginning in 1957, Black Diamond Equipment has grown into a global company with operations in the United States and Europe. Since then, Black Diamond Equipment's innovative gear designs have set the standards in numerous areas, including rock climbing, mountaineering, backcountry skiing, ice climbing, and trekking. This is the result of dedication, desire, and passion on the part of Black Diamond Equipment's team of people who are climbers, skiers and mountaineers.

Black Diamond Equipment's brand philosophy is based on building equipment to be 'one with the sports we serve'. Innovation in equipment design pares with progression in human achievement. Award winning and acclaimed carbon fiber ice tools, super-light wire gate carabiners, avalanche safety products and best-in-class trekking poles and headlamps allow climbers and skiers to go further and encounter more difficult terrain; focusing on the experience, not the gear that facilitates adventure.

Today, our commitment to the founding principles of Black Diamond Equipment remains as strong as ever. With 60 years of heritage and 27 years in business, Black Diamond Equipment continues to strive to serve the spirit for all the sports we serve, and the sports' values and goals, past, present, and future.

Black Diamond Equipment's intimacy with skiing, climbing, and mountaineering is validated by winning four awards at the Winter Outdoor Retailer Winter Market 2017 in Salt Lake City, Utah, in the backcountry skiing and equipment categories. In 2016, Black Diamond was honored by over 20 media channels and independent reviewers garnering nearly 40 awards in 2016 for equipment and apparel in climbing, mountaineering, and skiing.

### *PIEPS™*

Founded in 2006, with roots dating back to 1972, PIEPS is recognized as an innovator and technology leader in avalanche safety equipment. PIEPS offers a focused range of premium avalanche safety products, including transceivers and probes, shovels, safety equipment, and packs. PIEPS is the official safety partner of the Association of Austrian Mountain and Ski Guides. PIEPS played a key partnership role with Black Diamond Equipment in the development of the new JetForce avalanche airbag technology platform.

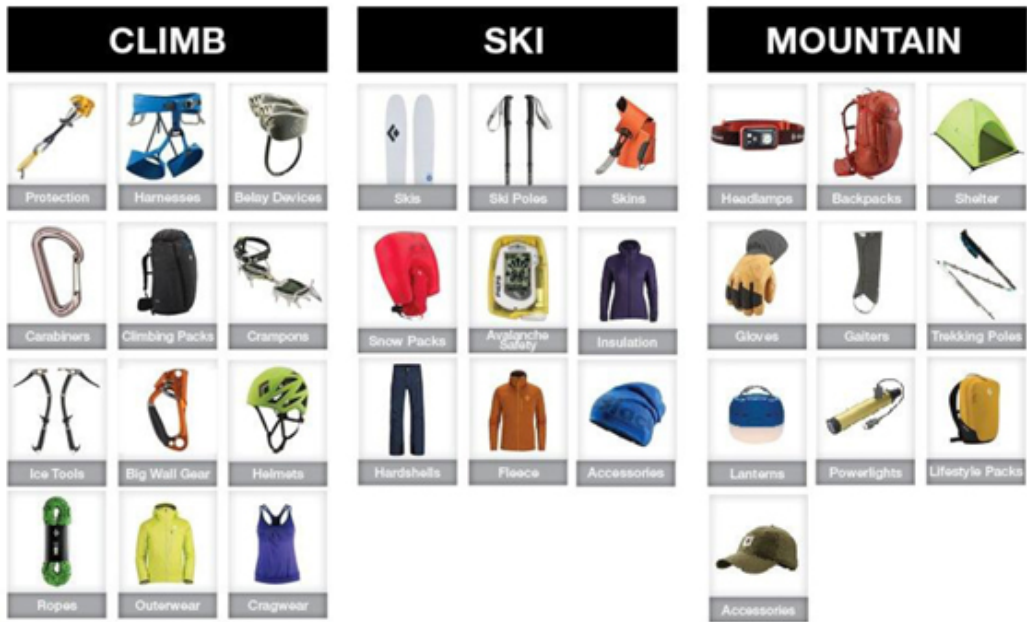
### **Our Products**

Black Diamond Equipment has grown in revenue and stature by designing, manufacturing, and distributing products that naturally anticipate the needs of our consumers. As end users, Black Diamond Equipment employees use, design, engineer, build and repeat the process ceaselessly, incrementally improving upon innovation year over year. This is manifested throughout Black Diamond Equipment's hardware line with the evolution of camming devices from the original Camalot® to the modern Camalot® Ultralight. In avalanche safety Black Diamond Equipment debuted the AvaLung in 1999, the first device to allow a buried avalanche victim to breathe while buried, and in 2014 Black Diamond Equipment again broke the mold with the first jet-fan based airbag system, the JetForce. Our products have won nearly 40 awards from within the industry groups, from design media and consumer media including Backcountry, Backpacker, Blue Ridge Outdoors, Climbing, Forbes, Freeskier, National Geographic Adventure, Men's Journal, Outside, Powder, Rock & Ice, Ski and Skiing.

Our products span 29 single product categories and include a wide variety of technical outdoor equipment and lifestyle products for rock and ice climbers, alpinists, hikers, skiers, and outdoor enthusiasts. We design many of our products for extreme applications, such as high altitude mountaineering, ice and rock climbing, as well as backcountry skiing and alpine touring. Generally, we divide our product offerings into the following three primary categories:

- **Climb:** Our climb line consists of technical apparel, sportswear, and equipment such as belay/rappel devices, bouldering products, carabiners and quickdraws, chalk, chalk bags, climbing packs, crampons, crash pads, harnesses, technical and mountaineering ice axes, ice and rock protection devices, a bouldering line of technical apparel, and various other climbing accessories. Our climb line represented approximately 34% of our sales during the year ended December 31, 2016.
- **Ski:** Our ski line consists of technical apparel, JetForce avalanche airbags, winter packs for skiing, bindings, poles, skis, skins, snow gloves, snow packs, and avalanche safety devices, including transceivers, probes, and shovels. Our ski line represented approximately 23% of our sales during the year ended December 31, 2016.
- **Mountain:** Our mountain line consists of mountaineering backpacks for backpacking, expeditions, alpinism, and an array of day uses both in the outdoor environment and urban environments. We also offer gloves, headlamps, lights, tents, trekking poles, and various other hiking and mountaineering accessories. Our mountain line represented approximately 43% of our sales during the year ended December 31, 2016.





**Product Design and Development**

We are a company founded on innovation and believe that our success is uniquely tied to our ability to consistently introduce new product innovations across all of our brands. We have a long history of technical innovation and product development, introducing hundreds of new products since 1989, with over 100 patents and patents pending worldwide. In recent years, we have developed many innovative products that we believe have revolutionized the active outdoor space including: Helio™ Fixed Length Carbon ski pole, built with 100% inflation-molded carbon fiber for the ultimate combination of strength and lightweight performance; Camelot Ultralight, incorporating sculpted lobes and a patent-pending continuously looped Dyneema® core to replace the cable stem making them among the lightest camming units on the market; and JetForce, the first avalanche airbag that uses electronically controlled jet-fan inflation technology. We have been an innovator in trekking poles, introducing the first poles with FlickLock® technology that allow a single-handed locking mechanism and Z-Poles that can fold to one-third their size. Our innovations in lighting have re-defined the headlamp niche by taking simple components and combining them in a unique manner with a focus on recharge ability and protection from water.

Each person involved in our product design and development process shares a passion for the active outdoor sports that we serve and strives to develop and iterate new ideas. We conduct our product research and design activities at our locations in Salt Lake City, Utah, and Lebring, Austria, and conduct product evaluations at our offices located in Innsbruck, Austria.

Our employees' passion and intimacy with our core outdoor activities helps foster new and innovative ideas. Our in-house research and development teams engage in all stages of planning, conceptualization, design, development, commercialization, and production. Our vertically integrated process allows our design team to conduct market research, brainstorm, plan product lines, prototype, and review designs before turning them over to our engineers to begin the development and production of the product. Quality assurance and control are a key component of our development process and products undergo rigorous in-house and field-testing at regular stages of the process. Our Salt Lake City headquarters, in the Wasatch Mountains, with a vibrant user community, provides the ideal backdrop for our employees to test our new products. Likewise, our European locations provide quick access to their products' intended environments. Additionally, the athletes who endorse our products evaluate these products in the field and provide valuable feedback and suggestions to our designers. We believe this collaborative interaction helps preserve the brand image, authenticity, quality, and performance.

We typically bring new products from concept to market in approximately 24 to 36 months depending upon the technology integration and complexity of the product. We work simultaneously on product lines for the four subsequent selling seasons.

We expense research and development costs as incurred. As of December 31, 2016, we had 31 employees dedicated to research and development and have spent approximately \$21.4 million in connection with research and development activities over the last three calendar years.

### **Customers**

We market and distribute our products in over 50 countries, primarily through independent specialty stores and specialty chains, including premium sporting goods and outdoor recreation stores, in the United States, Canada, Europe, Asia, Australia, New Zealand, and South America. Outside of North America and Europe, we sell our products through independent global distributors into specialty retail stores. We also sell our products directly to customers through our wholly-owned retail store in Salt Lake City, Utah, as well as online at [www.blackdiamondequipment.com](http://www.blackdiamondequipment.com).

We have long-standing relationships with our specialty retail customers and maintain our commitment to continue to sell through this channel. We have a diversified customer base and sell products in approximately 5,000 retail locations, with the bulk of our business being done through independent retailers.

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

During 2016, REI accounted for approximately 16% of our sales. The loss of this customer could have a material adverse effect on us.

### **Sales and Marketing**

We deploy our sales force by geographic region with a focus on providing our products to a broad spectrum of active outdoor enthusiasts. Within each of our brands, we strive to create a unique look and image for our products.

Our marketing strategy has a three-pronged approach: 1) maintain core credibility through sports and community marketing; 2) build brand awareness through digital marketing; and 3) drive sell-through via in-store marketing.

For the past 27 years, we've established and maintained ongoing relationships with professional athletes who excel at the sports of climbing, mountaineering, and skiing. These top athletes evaluate our products in the field with demanding use and under punishing conditions, providing valuable feedback and suggestions to our designers. They also promote our products at events, tradeshow and while in the field pursuing their sports. Finally, we believe they are invaluable at establishing brand authenticity with customers.

Our digital marketing is designed to increase consumer demand and awareness by connecting directly with our customer base as well as potential customers through [www.blackdiamondequipment.com](http://www.blackdiamondequipment.com), [www.pieps.com](http://www.pieps.com), and a variety of social media outlets. Our online flagship marketing vehicle is [www.blackdiamondequipment.com](http://www.blackdiamondequipment.com), where we seek to give consumers in depth insight into our research and technology efforts, educate consumers, drive excitement for our products, and provide a memorable ecommerce experience for core athletes and beginners alike.

We continue to focus heavily on evolving our approach to social media and online marketing (email, paid and organic search) with the goal of increasing qualified visits to our websites. The broader goal remains to offer our customer a best-in-class, intuitive, and consistent two-way conversation that enables them to interact authentically with our brands. Part of this effort includes the development and nurturing of social media outlets as stand-alone Black Diamond® brand outposts. Our social media strategy is to leverage the strength of our growing fan bases as extremely well-targeted segments for brand-rich communications. These outposts engage our most enthusiastic brand advocates with product updates, information regarding our sponsored athletes, their accomplishments and in turn, better help us create a sense of brand community while reinforcing brand identity. This past year has seen Black Diamond grow its Facebook “Likes” by 20% to 300,000, and Instagram followers by 118% to 386,000. The progress in our online marketing programs enabled the online business to achieve growth of 24% year-over-year.

## **Manufacturing, Sourcing, Quality Assurance and Distribution**

### ***Manufacturing***

Since the beginning of our history as a manufacturer of precisely engineered rock climbing equipment, we have grown in both capacity and capability. Our manufacturing operations have further professionalized and today are based on lean manufacturing principles. We still maintain the notion of craftsmanship melded into engineering as a driving force for what we manufacture.

Our objective is to deliver high quality products on-time, in the most cost efficient manner, and to support innovation to market. To achieve this, everyone in the organization is involved to continuously improve how we operate.

The Black Diamond Equipment and PIEPS manufacturing and distribution operations are ISO 9001–2008 certified by an independent certifying agency and are audited yearly by an independent certifying body to ensure Black Diamond Equipment’s and PIEPS’ quality management systems meet the requirements of ISO 9001–2008 and to ensure that Black Diamond Equipment’s and PIEPS’ certified products meet all necessary certification requirements.

We manufacture approximately 20% to 25% of our products, including nearly all climbing hard goods, in our facility in the United States. The remaining approximately 75% to 80% of our products are also manufactured to our specifications in third-party, independently-owned facilities. We keep employees and agents on-site or via regular visits at these third-party, independently owned facilities to ensure that our products are manufactured to meet our specifications. While we do not maintain a long-term manufacturing contract with those facilities, we believe that our long-term relationships with them will help to ensure that a sufficient supply of goods built to our specification are available in a timely manner and on satisfactory economic terms in the future.

### ***Sourcing***

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

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

### ***Quality Assurance***

Quality assurance at the Company has two primary functions:

- The first is to ensure that the products that we design and develop are manufactured to meet or exceed the Company’s own standards and international regulatory standards. This involves creating inspection documentation, reviewing manufacturing processes with our various vendor-partners, and inspecting finished product to assure it meets the rigorous standards required by our customers. These activities take place globally, wherever our products are manufactured.
- The second function is to provide real and meaningful input to the new product development process. Quality assurance professionals interact closely with the design team and bring knowledge and expertise to the design process, ensuring that the products we bring to market truly meet the criteria established by the category director when a new product is envisioned.

The engineering prowess of the quality assurance group is a core competency that the Company seeks to leverage across all product lines and brands.

## ***Global Distribution***

Our distribution model allows us to ship a broad cross-section of our product line in smaller quantities to our own global distribution centers and to those of our Independent Global Distributors (IGD) more frequently and at lower transportation and logistics costs.

## **Competition**

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

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

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

- **Climb:** Our climbing products and accessories, such as belay devices, carabiners, and harnesses, compete with products from companies such as Arc'Teryx, Petzl, CAMP, EDELRID, and Mammut.
- **Ski:** Our skiing apparel, equipment and accessories, such as technical apparel, skis, poles, avalanche airbags and transceivers, compete with products from competitors such as Arc'Teryx, Backcountry Access, Dynafit (Salewa), Dynastar (Lange), K2, Mammut, Marker, Nordica, Ortovox, Salomon, Scarpa, Scott, and Volkl.
- **Mountain:** Our mountaineering products, such as backpacks, trekking poles, headlamps, and tents, compete with products from companies such as Petzl, Mammut, Deuter, Leki, Komperdell, Marmot, Mountain Hardwear, Osprey, Sierra Designs, and The North Face.

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

## **Intellectual Property**

We believe our registered and pending word and icon trademarks worldwide, including the Black Diamond and Diamond "C" logos, Black Diamond®, ATC®, Camalot®, AvaLung®, FlickLock®, Ascension™, Time is Life®, Hexentric®, Stopper®, Dawn Patrol®, Bibler®, "Use.Design.Build.Engineer.Repeat"™, and PIEPS™, create international brand recognition for our products.

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

In addition to trademarks, we hold over 100 patents and patents pending worldwide for a wide variety of technologies across our product lines.

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

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

## Seasonality

Our products are outdoor recreation related, which results in seasonal variations in sales and profitability. On a calendar year basis, we generally experience our greatest sales in the first and second quarters for certain of our products, including rock climbing gear, headlamps, helmets, lanterns, packs, trekking poles, and tents and in the third and fourth quarters for our technical apparel, ski, glove, snow safety, and ice climbing products. Sales of these products may be negatively affected by unfavorable weather conditions and other market trends. The fall/winter season represents approximately 55% of our sales while spring/summer represents approximately 45% of our sales.

Working capital requirements vary throughout the year. We fund our working capital through cash on hand and, if needed, the use of our line of credit facilities. Working capital typically increases during the first and third quarters of the year as inventory builds to support peak shipping periods and then typically decreases during the second and fourth quarters of the year as those inventories are sold and accounts receivable are collected. As of December 31, 2016, we had no amounts outstanding on our Zions First National Bank line of credit.

## Environmental Matters

Our operations are subject to federal, state, and local environmental, health and safety laws and regulations, including those that impose workplace standards and regulate the discharge of pollutants into the environment and establish standards for the handling, generation, emission, release, discharge, treatment, storage, and disposal of materials and substances including solid and hazardous wastes. We believe that we are in material compliance with such laws and regulations. Further, the cost of maintaining compliance has not, and we believe in the future, will not have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition. Due to the nature of our operations and the frequently changing nature of environmental compliance standards and technology, we cannot predict with any certainty that future material capital or operating expenditures will not be required in order to comply with applicable environmental laws and regulations.

## Employees

As of December 31, 2016, we had over 400 employees worldwide. None of our employees are represented by unions or covered by any collective bargaining agreements. We have not experienced any work stoppages or employee-related slowdowns and believe that our relationship with employees is satisfactory.

## *Executive Officers of the Registrant*

The executive officers of our Company as of December 31, 2016 are as follows:

*Warren B. Kanders*, 59, our Executive Chairman, has served as one of our directors since June 2002 and as Executive Chairman of our Board of Directors since December 2002. Since 1990, Mr. Kanders has served as the President of Kanders & Company, Inc., a private investment firm principally owned and controlled by Mr. Kanders, which makes investments in and provides consulting services to public and private entities. From January 1996 until its sale to BAE Systems plc (“BAE Systems”) on July 31, 2007, Mr. Kanders served as the Chairman of the Board of Directors, and from April 2003 as the Chief Executive Officer, of Armor Holdings, Inc. (“Armor Holdings”), formerly a New York Stock Exchange-listed company and a manufacturer and supplier of military vehicles, armored vehicles, and safety and survivability products and systems to the aerospace and defense, public safety, homeland security, and commercial markets. Mr. Kanders received an A.B. degree in Economics from Brown University.

*Robert R. Schiller*, 54, has served as our Executive Vice Chairman since May 2010. Mr. Schiller served as Vice Chairman of the Board of Directors of Gregory Mountain Products from March 2008 until May 2010. From July 1996 until its sale to BAE Systems on July 31, 2007, Mr. Schiller served in a variety of capacities at Armor Holdings, including as a Director from June 2005, President from January 2004, Chief Operating Officer from April 2003, and Chief Financial Officer and Secretary from November 2000 to March 2004. Mr. Schiller graduated with a B.A. in Economics from Emory University in 1985 and received an M.B.A. from Harvard Business School in 1991.

*Aaron J. Kuehne*, 38, has served as our Chief Financial Officer, Secretary and Treasurer, since November 2013 and as our Chief Administrative Officer since May 16, 2016. Mr. Kuehne previously served as the Company’s interim Chief Financial Officer, in addition to serving as its Vice President of Finance, principal financial officer and principal accounting officer. Before joining the Company in September 2010, Mr. Kuehne served as the Corporate Controller of Certiport from August 2009 to September 2010. From July 2004 to August 2009, Mr. Kuehne served in various capacities with KPMG LLP, most recently as Audit Manager. Mr. Kuehne graduated with a Bachelor of Arts degree in Accounting from University of Utah – David Eccles School of Business in 2002 and with an M.B.A. degree from University of Utah – David Eccles School of Business in 2004.

## Available Information

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

Materials we file with the Securities and Exchange Commission may be read and copied at the Securities and Exchange Commission's Public Reference Room at 100 F Street, Room 1580, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Securities and Exchange Commission's Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission also maintains a website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov). In addition, you may request a copy of any such materials, without charge, by submitting a written request to: Black Diamond, Inc., c/o the Secretary, 2084 East 3900 South, Salt Lake City, UT 84124. The contents of the websites identified above are not incorporated into this Annual Report on Form 10-K.

## ITEM 1A. RISK FACTORS

In addition to other information contained in this Annual Report on Form 10-K, the following risk factors should be carefully considered in evaluating our business, because such factors may have a significant impact on our business, operating results, liquidity and financial condition. As a result of the risk factors set forth below, actual results could differ materially from those mentioned in any forward-looking statements. Additional risks and uncertainties not presently known to us, or that we currently consider to be immaterial, may also impact our business, operating results, liquidity and financial condition. If any of the following risks occur, our business, operating results, liquidity and financial condition, and the price of our common stock, could be materially adversely affected.

### Risks Related to Our Industry

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

Many of our products are used in applications and situations that involve high levels of risk of personal injury and death. As a result, we maintain a staff who focus on the appropriate disclaimers and markings and testing and seek to assure the quality and safety of our products. We stay current with the law to seek to provide thorough and protective disclaimers and instructions on all of our products and packaging. Furthermore, our technical climbing and avalanche safety equipment and our operations meet and are certified to International Personal Protective Equipment (PP) standards set by the EEC or ISO 9001 quality system standards. Failure to use our products for their intended purposes, failure to use or care for them properly, or their malfunction, or, in some limited circumstances, even correct use of our products, could result in serious bodily injury or death.

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

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

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

Our product liability insurance program is an occurrence-based program based on our current and historical claims experience and the availability and cost of insurance. We carry both general and umbrella liability policies that insure us for product liability claims. The policy has a small retention, which enables us to manage and control our product liability claims. Historically, product liability awards have not exceeded our individual per occurrence self-insured retention. We cannot assure you, however, that our future product liability experience will be consistent with our past experience.

**A substantial portion of our sales and gross profit is derived from a small number of large customers, none of whom are contractually obligated to continue buying our products. The loss of any of these customers could substantially reduce our profits.**

A customer accounts for a significant portion of revenues. In the year ended December 31, 2016, REI accounted for approximately 16% of sales. Sales are generally on a purchase order basis, and we do not have long-term agreements with any of our customers. A decision by any of our major customers to decrease significantly the number of products purchased from us could substantially reduce sales and have a material adverse effect on our business, financial condition and results of operations. Moreover, in recent years, the retail industry has experienced consolidation and other ownership changes. In the future, retailers may further consolidate, undergo restructurings or reorganizations, realign their affiliations or reposition their stores' target market. These developments could result in a reduction in the number of stores that carry our products, increased ownership concentration within the retail industry, increased credit exposure, and increased retailer leverage over their suppliers. These changes could impact our opportunities in the market and increase our reliance on a smaller number of large customers.

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

Our business depends on the strength of the retail economies in various parts of the world, primarily in North America, Europe and to a lesser extent, Asia, Central and South America. These retail economies are affected primarily by factors such as consumer demand and the condition of the retail industry, which, in turn, are affected by general economic conditions and specific events such as natural disasters, terrorist attacks, and political unrest. The impact of these external factors is difficult to predict, and one or more of the factors could adversely impact our business, results of operations, and financial condition.

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

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

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

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

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

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

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

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

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

Sales of certain of our products are seasonal. Sales of our outdoor recreation products such as carabineers, harnesses, and related climbing equipment products increase during warm weather months and decrease during winter, while sales of our apparel line and winter sports equipment such as our skis and related ski equipment increase during the cold weather months and decrease during summer. Weather conditions may also negatively impact sales. For instance, milder temperatures could prevent the formation of ice, which may negatively affect demand for our ice climbing products, and mild winter weather with less snowfall may negatively impact sales of our winter sports products. These factors could have a material adverse effect on our business, results of operations, and financial condition.

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

Some of our operations are conducted or products are sold in countries where economic growth has slowed, such as Japan, or where economies have suffered economic, social and/or political instability or hyperinflation, including, for example, the uncertainty related to the United Kingdom's June 2016 vote to leave the European Union (commonly known as "Brexit"). The announcement of Brexit caused significant volatility in global stock markets and currency exchange rate fluctuations that resulted in the strengthening of the U.S. dollar against foreign currencies in which we conduct business. The strengthening of the U.S. dollar relative to other currencies may adversely affect our operating results. The announcement of Brexit and the withdrawal of the U.K. from the E.U. may also create global economic uncertainty, which may cause consumers to reduce their spending.

Additionally, some of our operations are conducted or products are sold in countries where the ability to repatriate funds has been delayed or impaired in recent years. Current government economic and fiscal policies, including stimulus measures and currency exchange rates and controls in these economies may not be sustainable and, as a result, our sales or profits related to those countries may decline.

The economies of other foreign countries important to our operations, including other countries in Asia and Europe, could also suffer slower economic growth or economic, social and/or political instability or hyperinflation in the future. International operations, including manufacturing and sourcing operations (and the international operations of our customers), are subject to inherent risks which could adversely affect us, including, among other things:

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

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

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

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

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

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

During periods of rising prices of raw materials, there can be no assurance that we will be able to pass any portion of such increases on to customers. Conversely, when raw material prices decline, customer demands for lower prices could result in lower sale prices and, to the extent we have existing inventory, lower margins. We currently do not hedge against our exposure to changing raw material prices. As a result, fluctuations in raw material prices could have a material adverse effect on our business, results of operations, and financial condition.

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

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

Our ability to maintain the current level of operations in our existing international markets and to capitalize on growth in existing and new international markets is subject to risks associated with international operations. These include the burdens of complying with a variety of foreign laws and regulations, unexpected changes in regulatory requirements, new tariffs or other barriers to some international markets. For example, the United States' withdrawal from the Trans-Pacific Partnership, any future withdrawal or renegotiation of trade agreements, including the North American Free Trade Agreement, or the more aggressive prosecution of trade disputes with countries like China, may adversely affect our ability to operate our business and execute our growth strategy. In addition, it may be more difficult for us to enforce agreements, collect receivables, receive dividends and repatriate earnings through foreign legal systems.

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

Approximately 49% of our sales for the year ended December 31, 2016 were earned in international markets. We are exposed to risks of changes in U.S. policy for companies having business operations outside the United States, which could have a material adverse effect on our business, results of operations, and financial condition.

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

A majority of our products sold were produced by and purchased from independent manufacturers primarily located in Asia and Eastern Europe, with substantially all of the remainder produced by our manufacturing facility located in Utah. Although no single supplier and no one country controls a majority of our production needs, any of the following could materially and adversely affect our ability to produce or deliver our products and, as a result, have a material adverse effect on our business, financial condition, and results of operations:

- political or labor instability in countries where our facilities, contractors, and suppliers are located;
- political or military conflict, which could cause a delay in the transportation of raw materials and products to us and an increase in transportation costs;
- heightened terrorism security concerns, which could subject imported or exported goods to additional, more frequent or more lengthy inspections, leading to delays in deliveries or impoundment of goods for extended periods or could result in decreased scrutiny by customs officials for counterfeit goods, leading to lost sales, increased costs for our anti-counterfeiting measures and damage to the reputation of our brands;
- disease epidemics and health-related concerns, such as the H1N1 virus, bird flu, SARS, mad cow, and hoof-and-mouth disease outbreaks in recent years, which could result in closed factories, reduced workforces, scarcity of raw materials, and scrutiny or embargo of our goods produced in infected areas;
- imposition of regulations and quotas relating to imports and our ability to adjust timely to changes in trade regulations, which, among other things, could limit our ability to produce products in cost-effective countries that have the labor and expertise needed;
- imposition of duties, taxes and other charges on imports; and
- imposition or the repeal of laws that affect intellectual property rights.

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

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

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

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

## Risks Related to our Business

### **There are significant risks associated with acquiring and integrating businesses.**

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

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

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

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

### **Since we have not yet selected a particular industry or target business with which to redeploy or invest our assets, you will be unable to currently ascertain the merits or risks of the industry or business in which we may ultimately operate.**

We may acquire or invest in a company in any industry and are not limited to any particular type of business. Accordingly, there is no current basis for you to evaluate the possible merits or risks of the particular industry in which we may ultimately operate or the target business which we may ultimately acquire. If we acquire or invest in an entity in an industry characterized by a high level of risk, we may be affected by the currently unascertainable risks of that industry. Although our management will endeavor to evaluate the risks inherent in a particular industry or target business, we cannot assure you that we will properly ascertain or assess all of the significant risk factors. Even if we properly assess those risks, some of them may be outside of our control or ability to affect.

### **Our previously announced asset redeployment and diversification strategy may negatively impact our business, financial condition and results of operations.**

The Company announced that it is seeking to redeploy our significant cash balances to invest in high-quality, durable, cash flow-producing assets potentially unrelated to the outdoor industry in order to diversify our business and potentially monetize our substantial net operating losses as part of our previously announced asset redeployment and diversification strategy. There can be no assurance as to the outcome of the asset redeployment and diversification strategy, that any particular acquisition or investment opportunities will be consummated, that any transaction will occur, or that our net operating losses will be monetized. In addition, our asset redeployment and diversification strategy may create perceived uncertainties as to our future direction and may result in the loss of employees, customers or business partners.

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

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

**We may not be able to adequately manage our growth.**

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

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

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

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

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

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

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

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

**Currency devaluations or fluctuations may significantly increase our expenses and affect our results of operations as well as the carrying value of international assets on our balance sheet, especially where the currency is subject to intense political and other outside pressures, such as in the case of the Euro, Canadian Dollar and Great British Pound.**

While we transact business predominantly in U.S. dollars and most of our revenues are collected in U.S. dollars, a substantial portion of our assets, revenues, costs, and earnings are denominated in other currencies, such as the Euro, Canadian dollar, and Great British pound. Changes in the relation of these and other currencies to the U.S. dollar will affect the carrying value of our international assets as well as our sales and profitability and could result in exchange losses. For example, a devaluation of the Euro would negatively impact the carrying value of our assets in Europe and our results of operations because the earnings and assets in Europe would be reduced when translated into U.S. dollars.

Additionally, as the Company has substantial operations and assets located outside the United States, foreign operations expose us to foreign currency devaluations or fluctuations that could have a material adverse impact on our business, results of operations and financial condition based on the movements of the applicable foreign currency exchange rates in relation to the U.S. dollar, both for purposes of actual conversion and financial reporting purposes. The impact of future exchange rate devaluations or fluctuations on our results of operations cannot be accurately predicted. There can be no assurance that the U.S. dollar foreign exchange rates will be stable in the future or that fluctuations in financial or foreign markets will not have a material adverse effect on our business, results of operations, and financial condition.

**Compliance with changing laws, regulations and standards of corporate governance and public disclosure may result in additional expenses.**

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 (the “Sarbanes Oxley Act”), the Dodd-Frank Wall Street Reform and Consumer Protection Act, new Securities and Exchange Commission regulations and NASDAQ rules, are creating uncertainty for companies such as ours. These new or changed laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity. As a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations, and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

**We will face particular challenges in maintaining and reporting on our internal control over financial reporting.**

Section 404 of the Sarbanes-Oxley Act requires that we evaluate and report on our system of internal control over financial reporting and requires that we have our internal control over financial reporting audited. If we fail to maintain adequate internal controls, we could be subject to regulatory scrutiny, civil or criminal penalties and/or stockholder litigation. Any inability to provide reliable financial reports could harm our business and the trading price of our common stock. Section 404 of the Sarbanes-Oxley Act also requires that our independent registered public accounting firm report on the effectiveness of the Company’s internal control over financial reporting. In addition, acquisition targets may not be in compliance with the provisions of the Sarbanes-Oxley Act regarding adequacy of their internal controls. The development of the internal controls of any such entity to achieve compliance with the Sarbanes-Oxley Act may increase the time and costs necessary to complete any such acquisition.

If we identify any material weaknesses or significant deficiencies in our internal control over financial reporting, we may need to take costly steps to implement improved controls and may be subject to sanctions for failure to comply with the requirements of the Sarbanes-Oxley Act. Such remedial costs or sanctions could have a material adverse effect on our results of operations and financial condition. Further, we would be required to disclose any material weakness in internal control over financial reporting, and we would receive an adverse opinion on our internal control over financial reporting from our independent auditors. These factors could cause investors to lose confidence in our reported financial information and could have a negative effect on the trading price of our stock.

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

The members of our Board of Directors and our executive officers, which includes Messrs. Warren B. Kandors and Robert R. Schiller, beneficially own approximately 34% of our outstanding common stock as of March 1, 2017. As a result, our Board of Directors and executive officers, to the extent they vote their shares in a similar manner, have influence over our affairs and could exercise such influence in a manner that is not in the best interests of our other stockholders, including by attempting to delay, defer or prevent a change of control transaction that might otherwise be in the best interests of our stockholders.

**We may be unable to realize the benefits of our net operating losses and tax credit carryforwards.**

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

Additionally, if we underwent an ownership change, the NOL carryforward limitations would impose an annual limit on the amount of the taxable income that may be offset by our NOL generated prior to the ownership change. If an ownership change were to occur, we may be unable to use a significant portion of our NOL to offset taxable income. In general, an ownership change occurs when, as of any testing date, the aggregate of the increase in percentage points of the total amount of a corporation’s stock owned by one or more “5-percent shareholders” within the meaning of Section 382 of the Internal Revenue Code (“Code”) whose percentage ownership of the stock has increased as of such date over the aggregate of the lowest percentage of the stock owned by such 5-percent shareholder at any time during the three-year period preceding such date is more than 50 percentage points. In general, persons who own 5% or more of a corporation’s stock are 5-percent shareholders, and all stock owned by persons who are not 5-percent shareholders is treated as owned by one 5-percent shareholder. The issuance of a large number of shares of common stock in connection with any acquisitions could result in a limitation of the use of our NOLs.

Further, our certificate of incorporation provides for blank check preferred stock, which allows the Board to issue preferred stock at any time with rights and designations set forth by the Board. Section 382 of the Code generally excludes preferred stock when calculating ownership percentages as they relate to our NOLs if the preferred stock satisfies all of the following criteria: it is not entitled to vote, it is limited and preferred as to dividends and does not participate in corporate growth to any significant extent, it has redemption and liquidation rights which do not exceed the issue price of such stock (except for a reasonable redemption or liquidation premium), and it is not convertible into another class of stock. Our Board may authorize and issue preferred stock that does not meet these criteria, and such preferred stock would count towards determining ownership change under Section 382 of the Code. Therefore the issuance of any preferred stock could increase the likelihood of a limitation of the use of our NOLs.

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

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

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

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

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

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

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

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

**Our Board of Directors may change significant corporate policies without stockholder approval.**

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

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

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

**Risks Related to our Common Stock**

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

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

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

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

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

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

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

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



**The sale of a substantial amount of our common stock in the public market could adversely affect the prevailing market price of our common stock.**

We have outstanding an aggregate of 30,015,938 shares of our common stock as of March 1, 2017. This includes 7,835,284 shares of common stock that are beneficially owned by Mr. Kanders, our Chairman of the Board, of which he has 5,919,017 hypothecated and/or pledged as security for loans from financial institutions, and that may be sold by such financial institutions in the event of a foreclosure of these loans. The sale of a significant amount of shares at any given time, or the perception that such sales could occur, including sales of the shares beneficially owned by Mr. Kanders, could adversely affect the prevailing market price of our common stock.

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

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

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Our corporate headquarters, as well as our primary research and manufacturing facility, is located in a facility owned by the Company in Salt Lake City, Utah. In addition, at December 31, 2016, the Company and its subsidiaries lease or own facilities throughout the U.S. and Europe. In general, our properties are well maintained, considered adequate and being utilized for their intended purposes.

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

<b>Activity</b>	<b>Location</b>	<b>Owned/Leased</b>
Corporate Headquarters:	Salt Lake City, Utah	Owned
U.S. Distribution and Manufacturing Facilities:	Salt Lake City, Utah	Leased/Owned
Black Diamond European Sales and Marketing Office:	Innsbruck, Austria	Leased
PIEPS Sales and Marketing Office:	Lebring, Austria	Leased

**ITEM 3. 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 the disposition of any of the legal disputes the Company or its subsidiaries is currently involved in will have a material adverse effect upon the Company's consolidated financial condition, results of operations or cash flows. It is possible that, as additional information becomes available, the impact on the Company of an adverse determination could have a different effect.

**Litigation**

The Company is involved in various lawsuits arising from time to time that the Company considers ordinary routine litigation incidental to its business. Amounts accrued for litigation matters represent the anticipated costs (damages and/or settlement amounts) in connection with pending litigation and claims and related anticipated legal fees for defending such actions, which legal fees are expensed as incurred. 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 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

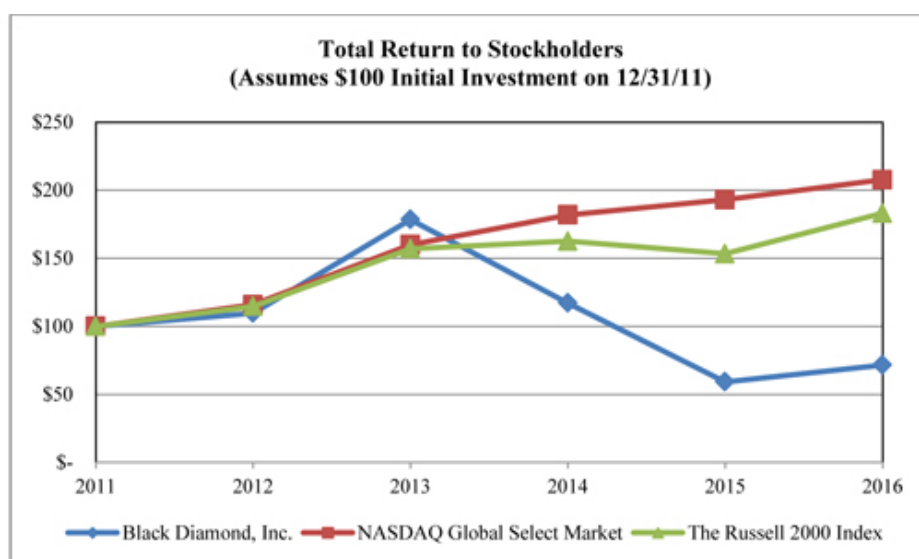
Our common stock is listed for trading on NASDAQ Global Select Market under the trading symbol "BDE". The following table sets forth the reported high and low sale prices for the periods indicated:

	<u>High</u>	<u>Low</u>
<b>Year ended December 31, 2016</b>		
First Quarter	\$ 5.19	\$ 3.85
Second Quarter	\$ 4.61	\$ 3.93
Third Quarter	\$ 5.21	\$ 4.11
Fourth Quarter	\$ 6.85	\$ 4.75
<b>Year ended December 31, 2015</b>		
First Quarter	\$ 10.75	\$ 6.25
Second Quarter	\$ 10.19	\$ 8.81
Third Quarter	\$ 10.20	\$ 6.21
Fourth Quarter	\$ 6.94	\$ 3.80

#### Performance Graph

Set forth below is a line graph comparing the yearly percentage change in the cumulative total stockholder return on our common stock to the cumulative total return of the NASDAQ Global Select Market Composite and the Russell 2000 Index for the period commencing on December 31, 2011 and ending on December 31, 2016 (the "Measuring Period"). The graph assumes that the value of the investment in our common stock and the indexes was \$100 on December 31, 2011. The yearly change in cumulative total return is measured by dividing (1) the sum of (i) the cumulative amount of dividends for the Measuring Period, assuming dividend reinvestment, and (ii) the change in share price between the beginning and end of the Measuring Period, by (2) the share price at the beginning of the Measuring Period.

Historical stock price performance should not be relied on as indicative of future stock price performance.



#### Total Return Analysis

	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
<b>Black Diamond, Inc.</b>	\$ 100.00	\$ 109.77	\$ 178.45	\$ 117.14	\$ 59.17	\$ 71.62
<b>The Russell 2000 Index</b>	\$ 100.00	\$ 114.63	\$ 157.05	\$ 162.60	\$ 153.31	\$ 183.17
<b>NASDAQ Global Select Market</b>	\$ 100.00	\$ 115.93	\$ 159.98	\$ 181.90	\$ 193.01	\$ 207.67

## Stockholders

On March 1, 2017, the last reported sales price for our common stock was \$5.55 per share. As of March 1, 2017, there were 107 holders of record of our common stock.

## Dividends

We currently anticipate that we will retain all future earnings for use in our business and do not anticipate that we will pay any cash dividends in the foreseeable future. The payment of any future dividends will be at the discretion of our Board of Directors and will depend upon, among other things, our results of operations, capital requirements, general business conditions, contractual restrictions on payment of dividends, if any, legal and regulatory restrictions on the payment of dividends, and other factors our Board of Directors deems relevant.

## Recent Sales of Unregistered Securities

None.

## Recent Purchases of our Registered Equity Securities

On November 9, 2015, the Company announced that its Board of Directors authorized a stock repurchase program that allows the repurchase of up to \$30,000,000 of the Company's outstanding common stock. No repurchases of shares of the Company's common stock occurred during the three months ended December 31, 2016.

## Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth certain information regarding our equity plans as of December 31, 2016:

<u>Plan Category</u>	<u>(A) Number of securities to be issued upon exercise of outstanding, warrants and rights</u>	<u>(B) Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>(C) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (A))</u>
Equity compensation plans approved by security holders (1)	1,666,500	\$ 8.34	5,615,164
Equity compensation plans not approved by security holders (2) (3)	800,000	\$ 8.75	-
<b>Total</b>	<b>2,466,500</b>	<b>\$ 8.47</b>	<b>5,615,164</b>

(1) Consists of stock options and restricted stock awards issued and issuable under the 2005 Stock Incentive Plan and the 2015 Stock Incentive Plan.

(2) Includes stock options granted to the Company's Executive Chairman Warren B. Kanders on December 23, 2002 to purchase 400,000 shares of common stock, having an exercise price of \$7.50 per share.

(3) Includes stock options granted to the Company's Executive Chairman Warren B. Kanders on December 23, 2002 to purchase 400,000 shares of common stock, having an exercise price of \$10.00 per share.

**ITEM 6. SELECTED FINANCIAL DATA**

Our selected financial information set forth below have been derived from our audited consolidated financial statements and should be read in conjunction with our consolidated financial statements, including the notes thereto and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of Item 7 of Part II of this Annual Report on Form 10-K. On July 23, 2014, the Company completed the sale of certain assets of Gregory Mountain Products. On October 7, 2015, the Company completed the sale of POC. The activities of Gregory Mountain Products and POC have been segregated and reported as discontinued operations for all periods presented.

	<b>Year Ended December 31,</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>(in thousands, except per share amounts)</b>					
<b>Statement of Operations Data:</b>					
Sales	\$ 148,189	\$ 155,266	\$ 158,303	\$ 141,120	\$ 128,624
Gross profit	43,684	54,246	57,629	47,334	49,071
(Loss) income from continuing operations	(8,978)	(88,106)	(9,618)	(10,675)	(156)
Net (loss) income	(8,978)	(77,542)	14,007	(5,870)	1,952
<b>Loss from continuing operations per share:</b>					
Basic	\$ (0.30)	\$ (2.70)	\$ (0.30)	\$ (0.33)	\$ (0.01)
Diluted	(0.30)	(2.70)	(0.30)	(0.33)	(0.01)
<b>Income from discontinued operations per share:</b>					
Basic	-	0.32	0.73	0.15	0.08
Diluted	-	0.32	0.73	0.15	0.08
<b>Net (loss) income per share:</b>					
Basic	(0.30)	(2.38)	0.43	(0.18)	0.07
Diluted	(0.30)	(2.38)	0.43	(0.18)	0.07
<b>Weighted average common shares outstanding for earnings per share:</b>					
Basic	30,397	32,600	32,567	32,007	29,817
Diluted	30,397	32,600	32,567	32,007	29,817

	<b>December 31,</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Balance Sheet Data:</b>					
Total current assets	\$ 166,945	\$ 180,581	\$ 158,560	\$ 106,381	\$ 104,542
Total assets	210,457	226,792	315,540	321,423	320,786
Long-term obligations, net of current	9,042	30,914	25,807	44,914	46,543
Total liabilities	49,649	52,360	58,347	74,173	72,780
Total stockholders' equity	160,808	174,432	257,193	247,250	248,006

The loss from continuing operations for the year ended December 31, 2015, included an impairment of goodwill of \$29,507 and the recognition of a valuation allowance on the Company’s deferred tax assets of \$48,858.

The gross profit for the year ended December 31, 2013, included cost of sales of \$1,541 related to the voluntary recall of all of the PIEPS VECTOR avalanche transceivers.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward-Looking Statements

Please note that in this Annual Report on Form 10-K 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 Annual Report on Form 10-K 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 reformation and growth strategy, including its ability to organically grow each of its historical product lines; the ability of the Company to identify potential acquisition or investment opportunities as part of its redeployment and diversification strategy; the Company's ability to successfully redeploy its capital into diversifying assets or that any such redeployment will result in the Company's future profitability; 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, patents and other intellectual property rights; fluctuations in the price, availability and quality of raw materials and contracted products as well as 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 can be found under Item 1A.—Risk Factors of this Annual Report on Form 10-K. All forward-looking statements included in this Annual Report on Form 10-K are based upon information available to the Company as of the date of this Annual Report on Form 10-K, 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 Annual Report on Form 10-K.

### Overview

Black Diamond, Inc. (which may be referred to as the “Company,” “we,” “our” or “us”), through its ownership of Black Diamond Equipment, Ltd., is a global leader in designing, manufacturing, and marketing innovative outdoor engineered equipment and apparel for climbing, mountaineering, backpacking, skiing, and a wide range of other year-round outdoor recreation activities. Black Diamond Equipment and PIEPS™, are synonymous with performance, innovation, durability and safety in the outdoor consumer community. We are targeted not only to the demanding requirements of core climbers, skiers and alpinists, 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® and PIEPS™ brands are iconic in the active outdoor and ski industries, and linked intrinsically with the modern history of these sports. Headquartered in Salt Lake City at the base of the Wasatch Mountains, our products are designed and exhaustively tested by an engaged team of discerning entrepreneurs and engineers.

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 skis, ski poles, ski skins, and snow safety products, including avalanche airbag systems, avalanche transceivers, shovels, and probes.

Our consolidated financial statements for the year ended December 31, 2015 include a correction related to the carryback limitations of net operating losses and tax credits to 2014. The effect of the revision was to decrease income tax receivable and reduce other long-term liabilities by \$1,801,000 and \$230,000, as of December 31, 2015, respectively, with an offsetting increase of \$1,571,000 of income tax expense for the year ended December 31, 2015. We evaluated these changes and determined that the corrections are not material to the prior period.

On May 28, 2010, we acquired Black Diamond Equipment, Ltd. (which may be referred to as “Black Diamond Equipment” or “BDEL”) and Gregory Mountain Products, LLC (which may be referred to as “Gregory Mountain Products”, “Gregory” or “GMP”). On January 20, 2011, the Company changed its name from Clarus Corporation to Black Diamond, Inc., which we believe more accurately reflects our current business. In July 2012, we acquired POC Sweden AB and its subsidiaries (collectively, “POC”) and in October 2012, we acquired PIEPS Holding GmbH and its subsidiaries (collectively, “PIEPS”).

On July 23, 2014, the Company and Gregory Mountain Products, its wholly-owned subsidiary, completed the sale of certain assets to Samsonite LLC (“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 “Gregory Business”) pursuant to the terms of that certain Asset Purchase Agreement (the “GMP Purchase Agreement”), dated as of June 18, 2014, by and among the Company, Gregory and Samsonite. Under the terms of the GMP Purchase Agreement, Samsonite paid \$84,135,000 in cash for Gregory’s assets comprising the Gregory Business and assumed certain specified liabilities (the “GMP Sale”). 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 consolidated financial statements.

On March 16, 2015, the Company announced that it was exploring a full range of strategic alternatives, including a sale of the entire Company and the potential sales of the Company’s Black Diamond Equipment (including PIEPS) and POC brands in two separate transactions.

On October 7, 2015, the Company and the Company’s wholly owned subsidiary, Ember Scandinavia AB (“Ember”), sold their respective equity interests in POC comprising POC’s business of designing, manufacturing, marketing, distributing and selling advanced-design helmets, body armor, goggles, eyewear, gloves, and apparel for action or “gravity sports,” such as skiing, snowboarding, and cycling pursuant to a Purchase Agreement (the “POC Purchase Agreement”), dated as of October 7, 2015, by and among the Company and Ember, as sellers, and Dainese S.p.A. and Dainese U.S.A., Inc. (collectively “Dainese”), as purchasers. Under the terms of the POC Purchase Agreement, Dainese paid \$63,639,000 in cash for POC (the “POC Disposition”). The activities of POC have been segregated and reported as discontinued operations for all periods presented. See Note 2. Discontinued Operations to the notes to the consolidated financial statements.

On October 8, 2015, the Company announced the completion of the POC Disposition resulting in the conclusion of the Company’s review of strategic alternatives.

On November 9, 2015, the Company announced that it is seeking to redeploy our significant cash balances to invest in high-quality, durable, cash flow-producing assets potentially unrelated to the outdoor industry in order to diversify our business and potentially monetize our substantial net operating losses as part of our asset redeployment and diversification strategy. We intend to focus our search primarily in the United States, although we will also evaluate international investment opportunities should we find such opportunities attractive.

### **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.

We believe the following critical accounting policies include the more significant estimates and assumptions used in the preparation of our consolidated financial statements. Our accounting policies are more fully described in Note 1 of our consolidated financial statements.

- We use derivative instruments to hedge currency rate movements on foreign currency denominated sales. We enter into forward contracts, option contracts, and non-deliverable forwards to manage the impact of foreign currency fluctuations on a portion of our forecasted sales denominated in foreign currencies. These derivatives are carried at fair value on our consolidated balance sheets in other assets and accrued liabilities. Changes in fair value of the derivatives not designated as hedge instruments are included in the determination of net income. For derivative contracts designated as hedge instruments, the effective portion of gains and losses resulting from changes in fair value of the instruments are included in accumulated other comprehensive loss and reclassified to earnings in the period the underlying hedged item is recognized in earnings.

We use operating budgets and cash flow forecasts to estimate future sales and to determine the level and timing of derivative transactions intended to mitigate such risks in accordance with our risk management policies. If the forecasted sales levels are not reached, our derivative instruments may be deemed to be not effective which may result in foreign currency gains and losses being recorded in our statement of comprehensive (loss) income, which could materially affect our financial position and results of operations.

- We sell our products pursuant to customer orders entered into with our customers. Revenue is recognized when persuasive evidence of an arrangement exists, title and risk of loss pass to the customer, the price is fixed and determinable, and when collectability is reasonably assured. Charges for shipping and handling fees are included in net sales and the corresponding shipping and handling expenses are included in cost of sales in the accompanying consolidated statements of operations.

At the time of revenue recognition, we also provide for estimated sales returns, warranty, repairs and replacements, and miscellaneous claims from customers as reductions to revenues. The estimates are based on historical rates of product returns and claims. However, actual returns and claims in any future period are inherently uncertain and thus may differ from these estimates. If actual or expected returns and claims are significantly greater or lower than the allowances that we have established, we will record a reduction or increase to sales in the period in which we make such a determination.

- We make ongoing estimates of the collectability of our customer accounts receivable. We evaluate our significant customer accounts considering our historical collections experience to identify potential doubtful accounts. For accounts that we determine to be doubtful, we make provisions as necessary to properly reflect the accounts receivable.

- We account for income taxes using the asset and liability method. The asset and liability method provides that deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating loss and tax credit carryforwards. We make assumptions, judgments and estimates to determine our current provision for income taxes, our deferred tax assets and liabilities, and our uncertain tax positions. Our judgments, assumptions and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws, and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. Changes in tax law or our interpretation of tax laws and the resolution of current and future tax audits could significantly affect the amounts provided for income taxes in our consolidated financial statements. Our assumptions, judgments and estimates relative to the realizability of a deferred tax asset take into account predictions of the amount and category of expected future taxable income. Actual operating results and the underlying amount and category of income in future years could cause our current assumptions, judgments and estimates of recoverable net deferred taxes to be inaccurate. Changes in any of the assumptions, judgments and estimates mentioned above related to the realizability of deferred tax assets, could materially affect our financial position and results of operations.

- We make ongoing estimates of potential excess, close-out or slow moving inventory. We evaluate our inventory on hand considering our purchase commitments, sales forecasts, and historical experience to identify excess, close-out or slow moving inventory and make provisions as necessary to properly reflect inventory value at the lower of cost or estimated market value.

- Indefinite-lived intangible assets, consisting of trademarks are not subject to amortization. Rather, we qualitatively evaluate those assets for possible impairment on an annual basis or more frequently if events or changes in circumstances indicate that it is more likely than not that the carrying value of an asset may exceed its fair value. If, through this qualitative assessment, the conclusion is made that it is more likely than not that an indefinite-lived intangible asset's fair value is less than its carrying amount, or the Company elects to bypass the qualitative assessment, a quantitative impairment analysis is performed by comparing the indefinite-lived intangible asset's book value to its estimated fair value. The fair value for indefinite-lived intangible assets is determined through an income approach using the relief-from-royalty method. Under this method, forecasted revenues for a trademark are assigned a royalty rate that would be charged to license the trademark (in lieu of ownership) from an independent party, and fair value is the present value of those forecasted royalties avoided by owning the trademark. If the fair value of the trademark intangible asset exceeds its carrying value, there is no impairment charge. If the fair value of the asset is less than its carrying value, an impairment charge would be recognized for the difference.

- We assess the recoverability of our one reporting unit's carrying value of goodwill by making a qualitative or quantitative assessment. If we begin with a qualitative assessment and are able to support the conclusion that it is not more likely than not that the fair value of the Company is less than its carrying value, we are not required to perform the two-step impairment test. Otherwise, using the two-step approach is required. In the first step of the goodwill impairment test, we compare the carrying value the Company, including its recorded goodwill, to the estimated fair value. We estimate the fair value using an equity-value based and enterprise-value based methodology. The principal method used is an equity-value based method in which the Company's market-cap, plus a control premium, is compared to the net book value. In the enterprise-value based method, the fair value of the Company is estimated by taking its market-cap plus interest bearing debt, which equals the enterprise value, and applying a control premium. The control premium is what a third party would be willing to pay to obtain a controlling interest. This value is then compared to total assets, less non-interest bearing debt. If the fair value of the Company exceeds its carrying value, the goodwill is not impaired and no further review is required. However, if the fair value of the reporting unit is less than its carrying value, we perform the second step of the goodwill impairment test to determine the amount of the impairment charge, if any. The second step involves a hypothetical allocation of the fair value of the Company to its net tangible and intangible assets (excluding goodwill) as if the business unit were newly acquired, which results in an implied fair value of goodwill. The amount of the impairment charge is the excess of the recorded goodwill over the implied fair value of goodwill. For the year ended December 31, 2015, the Company recognized an entire goodwill impairment of \$29,507. No impairment was recorded during the years ended December 31, 2016 and 2014.



**Recent Accounting Pronouncements**

See “Recent Accounting Pronouncements” in Note 1 to the notes to consolidated financial statements.

## Results of Operations (In Thousands)

### Consolidated Year Ended December 31, 2016 Compared to Consolidated Year Ended December 31, 2015

The following presents a discussion of consolidated operations for the year ended December 31, 2016, compared with the year ended December 31, 2015:

	Year Ended December 31,	
	2016	2015
Sales		
Domestic sales	\$ 76,079	\$ 74,391
International sales	72,110	80,875
Total sales	148,189	155,266
Cost of goods sold	104,505	101,020
Gross profit	43,684	54,246
Operating expenses		
Selling, general and administrative	49,936	58,499
Restructuring charge	1,395	3,375
Transaction costs	290	946
Arbitration award	(1,967)	-
Impairment of goodwill	-	29,507
Total operating expenses	49,654	92,327
Operating loss	(5,970)	(38,081)
Other (expense) income		
Interest expense, net	(2,876)	(2,767)
Other, net	533	434
Total other expense, net	(2,343)	(2,333)
Loss from continuing operations before income tax	(8,313)	(40,414)
Income tax expense	665	47,692
Loss from continuing operations	(8,978)	(88,106)
Discontinued operations, net of tax	-	10,564
Net loss	<u>\$ (8,978)</u>	<u>\$ (77,542)</u>

#### Sales

Consolidated sales decreased \$7,077, or 4.6%, to \$148,189 during the year ended December 31, 2016 compared to consolidated sales of \$155,266 during the year ended December 31, 2015. The decrease in sales was primarily attributable to a decrease in sales of \$7,302 due to the weakening of foreign currencies against the U.S. dollar during the year ended December 31, 2016 and a decrease in the quantity of new and existing ski products sold during the period. The decrease was partially offset by an increase in the quantity of new and existing climb and mountain products sold during the period.

Consolidated domestic sales increased \$1,688, or 2.3%, to \$76,079 during the year ended December 31, 2016 compared to consolidated domestic sales of \$74,391 during the year ended December 31, 2015. The increase in domestic sales was primarily attributable to an increase in the quantity of new and existing climb and mountain products sold during the period.

Consolidated international sales decreased \$8,765, or 10.8%, to \$72,110 during the year ended December 31, 2016 compared to consolidated international sales of \$80,875 during the year ended December 31, 2015. The decrease in international sales was primarily attributable to a decrease in sales of \$7,302 due to the weakening of foreign currencies against the U.S. dollar during the year ended December 31, 2016 and a decrease in the quantity of new and existing ski products sold during the period.

### *Cost of Goods Sold*

Consolidated cost of goods sold increased \$3,485, or 3.4%, to \$104,505 during the year ended December 31, 2016 compared to consolidated cost of goods sold of \$101,020 during the year ended December 31, 2015. The increase in cost of goods sold was primarily attributable to an increase in the cost of the products sold as a result of the continued ramping-up of the Company's manufacturing activities that were transferred from China to the United States.

### *Gross Profit*

Consolidated gross profit decreased \$10,562 or 19.5%, to \$43,684 during the year ended December 31, 2016 compared to consolidated gross profit of \$54,246 during the year ended December 31, 2015. Consolidated gross margin was 29.5% during the year ended December 31, 2016 compared to a consolidated gross margin of 34.9% during the year ended December 31, 2015. Consolidated gross margin during the year ended December 31, 2016, decreased compared to the prior year primarily due to the weakening of foreign currencies against the U.S. dollar during the year ended December 31, 2016 compared to the prior period, additional costs associated with the continued ramping-up of the Company's manufacturing activities that were transferred from China to the United States, and the write-off of inventory shipped to certain North American accounts during the first quarter of 2016 that filed for bankruptcy reorganization in April 2016.

### *Selling, General and Administrative*

Consolidated selling, general, and administrative expenses decreased \$8,563, or 14.6%, to \$49,936 during the year ended December 31, 2016 compared to consolidated selling, general, and administrative expenses of \$58,499 during the year ended December 31, 2015. The decrease in selling, general and administrative expenses was primarily attributable to the Company's realization of savings from its restructuring plan implemented during 2015 to further realign resources within the organization.

### *Restructuring Charges*

Consolidated restructuring expense decreased \$1,980, or 58.7%, to \$1,395 during the year ended December 31, 2016 compared to consolidated restructuring expense of \$3,375 during the year ended December 31, 2015. Restructuring expenses incurred during the year ended December 31, 2016, primarily related to benefits provided to employees who were or will be terminated due to the Company's reduction-in-force as part of its continued realignment of resources within the organization, costs associated with the move of the Company's Black Diamond Equipment European office from Basel, Switzerland to Innsbruck, Austria, and costs associated with the formal closure and liquidation of the Company's Black Diamond Equipment manufacturing operations in Zhuhai, China.

### *Transaction Costs*

Consolidated transaction expense decreased \$656, or 69.3%, to \$290 during the year ended December 31, 2016, compared to consolidated transaction costs of \$946 during the year ended December 31, 2015, which consisted of expenses related to the Company's redeployment and diversification strategy.

### *Arbitration Award*

During the year ended December 31, 2016, the Company received an arbitral award on agreed terms of \$1,967, related to certain claims against the former owner of PIEPS associated with the voluntary recall of all of the PIEPS VECTOR avalanche transceivers during the year ended December 31, 2013.

### *Impairment of Goodwill*

Consolidated impairment of goodwill decreased to \$0 during the year ended December 31, 2016 compared to consolidated impairment of goodwill of \$29,507 during the year ended December 31, 2015. Based on the results of the Company's impairment analysis completed during the fourth quarter of 2015, the Company determined that goodwill was impaired and recognized a charge of \$29,507.

### *Interest Expense, net*

Consolidated interest expense increased \$109, or 3.9%, to \$2,876 during the year ended December 31, 2016 compared to consolidated interest expense of \$2,767 during the year ended December 31, 2015. The increase in interest expense, net, was primarily attributable to the increase in accretion expense associated with the Company's 5% Senior Subordinated Notes due 2017, which accretion is being amortized utilizing the effective interest rate method.

### *Other, net*

Consolidated other, net, increased \$99, or 22.8%, to income of \$533 during the year ended December 31, 2016 compared to consolidated other, net income of \$434 during the year ended December 31, 2015. The increase in other, net, was primarily attributable to an increase in remeasurement gains recognized on the Company's foreign denominated accounts receivable and accounts payable, increases in gains on mark-to-market adjustments on non-hedged foreign currency contracts, and gains related to the sale of marketable securities. These increases were partially offset by losses related to recognition of cumulative translation adjustments due to the substantial liquidation of a foreign entity.

### *Income Taxes*

Consolidated income tax decreased \$47,027, or 98.6%, to an expense of \$665 during the year ended December 31, 2016 compared to consolidated income tax expense of \$47,692 during the same period in 2015. The tax expense recorded during the year ended December 31, 2016 includes a discrete charge of \$953 for an uncertain tax position associated with the formal closure and liquidation of the Company's Black Diamond Equipment foreign subsidiary in Zhuhai, China, and a discrete charge of \$164 for a Swiss withholding tax related to the transferring of Black Diamond Equipment's European operations from Basel, Switzerland to Innsbruck, Austria. The income tax expense was partially offset by an income tax benefit associated with unrealized gains recorded in other comprehensive income, which also has a corresponding tax charge recognized in other comprehensive income. The decrease in tax expense is due the Company recording an increase in its valuation allowance of \$48,858 during the year ended December 31, 2015. Certain events and circumstances transpired during the year ended December 31, 2015, which caused the Company to conclude that realization of some portion of deferred tax assets does not satisfy the more-likely-than-not threshold.

Our effective income tax rate was 8.0% for the year ended December 31, 2016, compared to 118.0% for the same period in 2015.

### *Discontinued Operations*

The Company sold POC for \$63,639 effective October 7, 2015 and as a result we recognized a pre-tax gain of \$8,436. Discontinued operations decreased to \$0 during the year ended December 31, 2016, compared to a gain from discontinued operations of \$10,564 during the year ended December 31, 2015. There was no activity for POC during the year ended December 31, 2016.

**Consolidated Year Ended December 31, 2015 Compared to Consolidated Year Ended December 31, 2014**

The following presents a discussion of consolidated operations for the year ended December 31, 2015 compared with the consolidated year ended December 31, 2014:

	<b>Year Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Sales</b>		
Domestic sales	\$ 74,391	\$ 67,817
International sales	80,875	90,486
Total sales	155,266	158,303
<b>Cost of goods sold</b>		
	101,020	100,674
Gross profit	54,246	57,629
<b>Operating expenses</b>		
Selling, general and administrative	58,499	64,035
Restructuring charge	3,375	3,583
Transaction costs	946	-
Impairment of goodwill	29,507	-
Total operating expenses	92,327	67,618
Operating loss	(38,081)	(9,989)
<b>Other (expense) income</b>		
Interest expense, net	(2,767)	(2,563)
Other, net	434	(884)
Total other expense, net	(2,333)	(3,447)
Loss from continuing operations before income tax	(40,414)	(13,436)
Income tax expense (benefit)	47,692	(3,818)
Loss from continuing operations	(88,106)	(9,618)
Discontinued operations, net of tax	10,564	23,625
Net (loss) income	\$ (77,542)	\$ 14,007

**Sales**

Consolidated sales decreased \$3,037, or 1.9%, to \$155,266 during the year ended December 31, 2015 compared to consolidated sales of \$158,303 during the year ended December 31, 2014. The decrease in sales was primarily attributable to a decrease in sales of \$5,981 due to the strengthening of the U.S. dollar against foreign currencies during the year ended December 31, 2015. This decrease was offset by an increase in the quantity of new and existing climb and mountain products sold during the period, which included additional apparel products sold by Black Diamond Equipment.

Consolidated domestic sales increased \$6,574, or 9.7%, to \$74,391 during the year ended December 31, 2015 compared to consolidated domestic sales of \$67,817 during the year ended December 31, 2014. The increase in domestic sales was primarily attributable to an increase in the quantity of new and existing climb and mountain products sold during the period, which included additional apparel products sold by Black Diamond Equipment.

Consolidated international sales decreased \$9,611, or 10.6%, to \$80,875 during the year ended December 31, 2015 compared to consolidated international sales of \$90,486 during the year ended December 31, 2014. The decrease in international sales was primarily attributable to a decrease in sales of \$5,981 due to the strengthening of the U.S. dollar against foreign currencies during the year ended December 31, 2015 and a decrease in the quantity of new and existing climb, mountain, and ski products sold during the period.

### *Cost of Goods Sold*

Consolidated cost of goods sold increased \$346, or 0.3%, to \$101,020 during the year ended December 31, 2015 compared to consolidated cost of goods sold of \$100,674 during the year ended December 31, 2014. The increase in cost of goods sold was primarily attributable to an increase in the number of units sold.

### *Gross Profit*

Consolidated gross profit decreased \$3,383 or 5.9%, to \$54,246 during the year ended December 31, 2015 compared to consolidated gross profit of \$57,629 during the year ended December 31, 2014. Consolidated gross margin was 34.9% during the year ended December 31, 2015 compared to a consolidated gross margin of 36.4% during the year ended December 31, 2014. Both consolidated gross profit and consolidated gross margin during the year ended December 31, 2015, decreased compared to the prior year due to the weakening of foreign currencies against the U.S. dollar during the year ended December 31, 2015 compared to the prior year.

### *Selling, General and Administrative*

Consolidated selling, general, and administrative expenses decreased \$5,536, or 8.6%, to \$58,499 during the year ended December 31, 2015 compared to consolidated selling, general, and administrative expenses of \$64,035 during the year ended December 31, 2014. The decrease in selling, general and administrative expenses was attributable to the Company's realization of savings from its restructuring plans implemented during 2014 and 2015 to realign resources within the organization.

### *Restructuring Charges*

Consolidated restructuring expense decreased \$208, or 5.8%, to \$3,375 during the year ended December 31, 2015 compared to consolidated restructuring expense of \$3,583 during the year ended December 31, 2014. The restructuring expenses incurred during the year ended December 31, 2015 relate to benefits provided to employees who were or will be terminated due to the Company's reduction-in-force as part of its continued realignment of resources within the organization of \$2,230, the write-off of inventory that was directly attributable to the Company's restructuring plan of \$700, and other restructuring costs of \$445.

### *Transaction Costs*

Consolidated transaction expense increased to \$946 during the year ended December 31, 2015 compared to consolidated transaction expense of \$0 during the year ended December 31, 2014, which consisted of expenses related to the Company's exploration of a full range of strategic alternatives for each of the Company's brands as well as part of the Company's redeployment and diversification strategy.

### *Impairment of Goodwill*

Consolidated impairment of goodwill increased to \$29,507 during the year ended December 31, 2015 compared to consolidated impairment of goodwill of \$0 during the year ended December 31, 2014. Based on the results of the Company's impairment analysis completed during the fourth quarter of 2015, the Company determined that goodwill was impaired and recognized a charge of \$29,507.

### *Interest Expense, net*

Consolidated interest expense increased \$204, or 8.0%, to \$2,767 during the year ended December 31, 2015 compared to consolidated interest expense of \$2,563 during the year ended December 31, 2014. The increase in interest expense, net, was primarily attributable to the increase in accretion expense associated with the Company's 5% Senior Subordinated Notes due 2017, which accretion is being amortized utilizing the effective interest rate method.

### *Other, net*

Consolidated other, net, increased to income of \$434 during the year ended December 31, 2015 compared to a consolidated other, net loss of \$884 during the year ended December 31, 2014. The increase in other, net, was primarily attributable to a decrease in remeasurement losses recognized on the Company's foreign denominated accounts receivable and accounts payable, gains related to recognition of cumulative translation adjustments due to the substantial liquidation of a foreign entity, and a decrease in losses on mark-to-market adjustments on non-hedged foreign currency contracts.

## Income Taxes

Consolidated income tax increased \$51,510, or 1,349.1%, to an expense of \$47,692 during the year ended December 31, 2015 compared to consolidated income tax benefit of \$3,818 during the same period in 2014. The increase in tax expense is due the Company recording an increase in its valuation allowance of \$48,858 during the year ended December 31, 2015. Certain events and circumstances as explained below transpired during the third quarter of the year ended December 31, 2015, which caused the Company to conclude that the realization of some portion of its deferred tax assets does not satisfy the more-likely-than-not threshold. The POC Disposition removed a substantial portion of the Company's projected future taxable income. Additionally, during the year ended December 31, 2015, the Company made the decision to scale back its apparel initiative and announced a realignment of resources. The totality of these events and circumstances impedes management's ability to forecast future long-term taxable income to the extent that it does not meet the more-likely-than-not threshold.

Our effective income tax rate was 118.0% for the year ended December 31, 2015 compared to an effective income tax rate of 28.4% for the same period in 2014.

## Discontinued Operations

Discontinued operations decreased \$13,061, or 55.3%, to \$10,564 during the year ended December 31, 2015, compared to discontinued operations of \$23,625 during the year ended December 31, 2014. During the year ended December 31, 2015, the Company recorded the activities of POC as discontinued operations, whereas, during the year ended December 31, 2014, the Company sold the assets and liabilities of Gregory for \$84,135 effective July 23, 2014, and as a result we recognized a pre-tax gain of \$39,491. There was no activity for Gregory during the year ended December 31, 2015. As a result, the decrease was due primarily to recording the gain on sale, net of tax, of \$20,067 in discontinued operations in our December 31, 2014 consolidated financial statements as a result of the GMP Sale.

## Liquidity and Capital Resources

### Consolidated Year ended December 31, 2016 Compared to Consolidated Year ended December 31, 2015

The following presents a discussion of cash flows for the consolidated year ended December 31, 2016 compared with the consolidated year ended December 31, 2015. 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 facility, and the net proceeds from the sale of GMP and POC. 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 facility. At December 31, 2016, we had total cash of \$94,738 compared to a cash balance of \$88,401 and marketable securities of \$9,824 at December 31, 2015, which was substantially controlled by the Company's U.S. entities. At December 31, 2016, the Company had \$11,526 of the \$94,738 in cash held by foreign entities, of which \$727 is considered permanently reinvested. The cash held by foreign entities which are not permanently reinvested is available for repatriation and would result in an estimated tax liability of \$3,608. This tax liability could be offset by the Company's net operating loss carryforwards.

	Year Ended December 31,	
	2016	2015
Net cash provided by operating activities	\$ 4,810	\$ 3,669
Net cash provided by investing activities	6,770	58,406
Net cash used in financing activities	(5,222)	(4,502)
Effect of foreign exchange rates on cash	(21)	(206)
Change in cash	6,337	57,367
Cash, beginning of period	88,401	31,034
Cash, end of period	<u>\$ 94,738</u>	<u>\$ 88,401</u>

### Net Cash From Operating Activities

Consolidated net cash provided by operating activities was \$4,810 during the year ended December 31, 2016 compared to consolidated net cash provided by operating activities of \$3,669 during the year ended December 31, 2015. The increase in net cash provided by operating activities during 2016 is primarily due to a decrease in net operating assets or non-cash working capital of \$5,857 during the year ended December 31, 2016 compared to the same period in 2015.

Free cash flow, defined as net cash provided by operating activities less capital expenditures, was free cash flows generated of \$2,244 during the year ended December 31, 2016 compared to free cash flows generated of \$865 during the same period in 2015. 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:

	<b>Year Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Net cash provided by operating activities	\$ 4,810	\$ 3,669
Purchase of property and equipment	(2,566)	(2,804)
Free cash flow	<u>\$ 2,244</u>	<u>\$ 865</u>

#### *Net Cash From Investing Activities*

Consolidated net cash provided by investing activities decreased by \$51,636 to \$6,770 during the year ended December 31, 2016 compared to consolidated net cash provided by investing activities of \$58,406 during the year ended December 31, 2015. The decrease in investing activities in the current year relates to the difference in proceeds received for selling POC of \$60,875 during the prior year and a purchase price adjustment related to the POC sale of \$921. This was partially offset by the proceeds from the sale of marketable securities of \$10,235 and a decrease in the purchase of property and equipment.

#### *Net Cash From Financing Activities*

Consolidated net cash used in financing activities was \$5,222 during the year ended December 31, 2016, compared to consolidated net cash used in financing activities of \$4,502 during the year ended December 31, 2015. The financing activities during the year ended December 31, 2016 consists of the repurchase of treasury stock of \$5,222. The financing activities during the year ended December 31, 2015 includes the repurchase of treasury stock of \$6,990 partially offset by proceeds from revolving credit facilities of \$2,202. The absence of proceeds from revolving credit facilities during the year ended December 31, 2016, generated a decrease in net cash used in financing compared to the year ended December 31, 2015.

#### *Net Operating Loss*

As of December 31, 2016, the Company had net operating loss, research and experimentation credit and alternative minimum tax credit carryforwards for U.S. federal income tax purposes of \$172,419 (\$270, relates to excess tax benefits related to share based payment compensation, which will not be realized until an income tax payable exists), \$3,407 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. \$172,149 of net operating losses available to offset taxable income does not expire until 2021 or later, subject to compliance with Section 382 of the Internal Revenue Code of 1986, as amended.

As of December 31, 2016, the Company's gross deferred tax asset was \$75,416. The Company has recorded a valuation allowance of \$67,662, resulting in a net deferred tax asset of \$7,754, before deferred tax liabilities of \$16,720. The Company has provided a valuation allowance against a portion of the net deferred tax assets as of December 31, 2016, because the ultimate realization of those assets does not meet the more likely than not criteria. The majority of the Company's deferred tax assets consist of net operating loss carryforwards for federal tax purposes. If a change in control were to occur, these could be limited under Section 382 of the Internal Revenue Code of 1986 ("Code"), as amended.

#### *Revolving Credit Facility*

On March 3, 2017, the Company together with its direct and indirect domestic subsidiaries entered into a third amendment (the "Third Amendment") to the second amended and restated loan agreement (the "Second Amended and Restated Loan Agreement") as amended by the first amendment (the "First Amendment") and the second amendment (the "Second Amendment") to the Second Amended and Restated Loan Agreement with Zions First National Bank (the "Lender"), which matures on April 1, 2020. Under the Third Amendment, the Company has a \$20,000 revolving line of credit (the "Revolving Line of Credit") pursuant to a third amended and restated promissory note (revolving loan) (the "Revolving Line of Credit Promissory Note").



All debt associated with the Third Amendment to the Second Amended and Restated Loan Agreement bears interest at one-month London Interbank Offered Rate (“LIBOR”) plus an applicable margin as determined by the ratio of Total Senior Debt to Trailing Twelve Month EBITDA as follows: (i) one month LIBOR plus 4.00% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is greater than or equal to 2.00; (ii) one month LIBOR plus 3.00% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is greater than 1.00 and less than 2.00; and (iii) one month LIBOR plus 2.00% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is less than 1.00. The Second Amended and Restated Loan Agreement requires the payment of any unused commitment fee of (i) .6% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is greater than or equal to 2.00; (ii) .5% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is greater than 1.00 and less than 2.00; and (iii) .4% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is less than 1.00.

The Third Amendment to the Second Amended and Restated Loan Agreement contains certain restrictive debt covenants that require the Company and its subsidiaries to maintain an EBITDA based minimum Trailing Twelve Month EBITDA, a minimum net worth, a positive amount of asset coverage, and limitations on capital expenditures all as calculated in the Third Amendment to the Second Amended and Restated Loan Agreement. In addition, the Third Amendment to the Second Amended and Restated Loan Agreement contains covenants restricting the Company and its subsidiaries from pledging or encumbering their assets, with certain exceptions, and from engaging in acquisitions other than acquisitions permitted by the Third Amendment to the Second Amended and Restated Loan Agreement. The Third Amendment to the Second Amended and Restated Loan Agreement contains customary events of default (with grace periods where customary) including, among other things, failure to pay any principal or interest when due; any materially false or misleading representation, warranty, or financial statement; failure to comply with or to perform any provision of the Third Amendment to the Second Amended and Restated Loan Agreement; and default on any debt or agreement in excess of certain amounts.

#### ***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. The effective interest rate is approximately 14%.

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 year ended December 31, 2016, \$726 in interest was paid to Kanders GMP Holdings, LLC, and \$377 in interest 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 year ended December 31, 2016, \$18 in interest was paid to Kanders GMP Holdings, LLC, and \$10 in interest was paid to Schiller Gregory Investment Company, LLC, pursuant to these outstanding Merger Consideration Subordinated Notes.

During February 2017, the Company’s Board of Directors approved the repayment of the Merger Consideration Subordinated Notes. On February 13, 2017, the entire principal amount and all accrued interest were paid in full. The note discount as of December 31, 2016 of \$814 will be expensed and recognized as interest expense during the three months ending March 31, 2017.

### 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.

### Contractual Obligations

The following summarizes our contractual obligations and commercial commitments at December 31, 2016, excluding note discounts of \$814, with initial or remaining terms of one or more years, and the effect such obligations are expected to have on our liquidity and cash flow in future periods:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
(in thousands)					
<b>Contractual Obligations:</b>					
Recorded liabilities:					
Debt (1)	\$ 22,712	\$ 22,712	\$ -	\$ -	\$ -
Unrecorded commitments:					
Interest payment obligations (2)	471	471	-	-	-
Operating leases (3)	1,219	622	486	111	-
Purchase obligations (4)	27,064	27,064	-	-	-
	<u>\$ 51,466</u>	<u>\$ 50,869</u>	<u>\$ 486</u>	<u>\$ 111</u>	<u>\$ -</u>

- (1) Debt consists of required principal payments, of which \$22,610 was repaid in February 2017.
- (2) Interest payment obligations represent required interest payments on debt and credit facilities. Amounts exclude bank fees and accretion of debt discount that would be included in interest expense in the consolidated financial statements.
- (3) Operating leases represent required minimum lease payments.
- (4) Purchase obligations represent an agreement to purchase goods or services.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In general, we can be exposed to market risks including fluctuations in interest rates, foreign currency exchange rates and certain commodity prices, and that can affect the cost of operating, investing, and financing under those conditions. The Company believes it has moderate exposure to these risks. We assess market risk based on changes in interest rates, foreign currency rates, and commodity prices utilizing a sensitivity analysis that measures the potential loss in earnings, fair values, and cash flows based on a hypothetical 10% change in these rates and prices.

#### Interest Rate Risks

Our primary exposure to market risk is interest rate risk associated with our \$20,000 unsecured revolving credit facility (the "Loan"). We have cash flow exposure on the Loan since the interest is indexed to LIBOR. The applicable interest rate for the outstanding borrowings under the Loan as of December 31, 2016 and 2015 was 2.6167% and 2.4275%, respectively. No amounts were outstanding as of December 31, 2016 and 2015.

#### Foreign Currency Risks

While we transact business predominantly in U.S. dollars and most of our revenues are collected in U.S. dollars, a portion of our revenues and operating costs are denominated in other currencies. Given the current political uncertainty surrounding the European Union and other economic uncertainties worldwide, changes in the relation of these and other currencies to the U.S. dollar will affect our sales and profitability and could result in exchange losses. For the year ending December 31, 2016, approximately 39% of our sales were denominated in foreign currencies (compared to 44% in the prior year), the most significant of which were the Euro, Canadian Dollar, British Pound, Norwegian Kroner, and Swiss Franc. The primary purpose of our foreign currency hedging activities is to mitigate the foreign currency exchange rate exposure on the cash flows related to forecasted inventory purchases and sales. A hypothetical 10% change in foreign currency rates would not have a material effect on foreign currency gains and losses related to the foreign currency derivatives or the net fair value of the Company's foreign currency derivatives.

**Derivative Instrument Risks**

We employ a variety of practices to manage these market risks, including operating and financing activities and, where deemed appropriate, the use of derivative instruments. Derivative instruments are used only for risk management purposes and not for speculation or trading. Derivatives are such that a specific debt instrument, contract, or anticipated purchase determines the amount, maturity, and other specifics of the hedge. If a derivative contract is entered into, we either determine that it is an economic hedge or we designate the derivative as a cash flow or fair value hedge. We do not hold derivative financial investments, derivative commodity investments, engage in foreign currency hedging or other transactions that expose us to material market risks.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**BLACK DIAMOND, INC. AND SUBSIDIARIES**

**Index to Financial Statements**

	<b>Page</b>
<a href="#"><u>Report of Independent Registered Public Accounting Firm</u></a>	44
<a href="#"><u>Consolidated Balance Sheets - December 31, 2016 and 2015</u></a>	45
<a href="#"><u>Consolidated Statements of Comprehensive (Loss) Income - Years Ended December 31, 2016, 2015 and 2014</u></a>	46
<a href="#"><u>Consolidated Statements of Cash Flows - Years Ended December 31, 2016, 2015 and 2014</u></a>	47
<a href="#"><u>Consolidated Statements of Stockholders' Equity - Years Ended December 31, 2016, 2015 and 2014</u></a>	48
<a href="#"><u>Notes to Consolidated Financial Statements</u></a>	49

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**The Board of Directors and Stockholders  
of Black Diamond, Inc.:**

We have audited the accompanying consolidated balance sheets of Black Diamond, Inc. and subsidiaries (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive (loss) income, stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2016. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Black Diamond, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Black Diamond, Inc.’s internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 6, 2017 expressed an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ KPMG LLP

Salt Lake City, UT  
March 6, 2017

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

	December 31,	
	2016	2015
<b>Assets</b>		
Current assets		
Cash	\$ 94,738	\$ 88,401
Marketable securities	-	9,824
Accounts receivable	23,232	26,774
Inventories	45,410	51,496
Prepaid and other current assets	3,480	3,337
Income tax receivable	85	749
<b>Total current assets</b>	<b>166,945</b>	<b>180,581</b>
Property and equipment, net	11,055	10,790
Other intangible assets, net	9,769	10,934
Indefinite lived intangible assets	22,541	22,644
Other long-term assets	147	1,843
<b>Total assets</b>	<b>\$ 210,457</b>	<b>\$ 226,792</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 17,740	\$ 21,446
Income tax payable	969	-
Current portion of long-term debt	21,898	-
<b>Total current liabilities</b>	<b>40,607</b>	<b>21,446</b>
Long-term debt, net	-	20,133
Deferred income taxes	8,966	8,969
Other long-term liabilities	76	1,812
<b>Total liabilities</b>	<b>49,649</b>	<b>52,360</b>
<b>Stockholders' Equity</b>		
Preferred stock, \$.0001 par value; 5,000 shares authorized; none issued	-	-
Common stock, \$.0001 par value; 100,000 shares authorized; 32,888 and 32,884 issued and 30,016 and 31,203 outstanding, respectively	3	3
Additional paid in capital	483,925	483,698
Accumulated deficit	(309,717)	(300,739)
Treasury stock, at cost	(12,398)	(7,320)
Accumulated other comprehensive loss	(1,005)	(1,210)
<b>Total stockholders' equity</b>	<b>160,808</b>	<b>174,432</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 210,457</b>	<b>\$ 226,792</b>

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2016	2015	2014
Sales			
Domestic sales	\$ 76,079	\$ 74,391	\$ 67,817
International sales	72,110	80,875	90,486
Total sales	<u>148,189</u>	<u>155,266</u>	<u>158,303</u>
Cost of goods sold	<u>104,505</u>	<u>101,020</u>	<u>100,674</u>
Gross profit	43,684	54,246	57,629
Operating expenses			
Selling, general and administrative	49,936	58,499	64,035
Restructuring charge	1,395	3,375	3,583
Transaction costs	290	946	-
Arbitration award	(1,967)	-	-
Impairment of goodwill	-	29,507	-
Total operating expenses	<u>49,654</u>	<u>92,327</u>	<u>67,618</u>
Operating loss	<u>(5,970)</u>	<u>(38,081)</u>	<u>(9,989)</u>
Other (expense) income			
Interest expense, net	(2,876)	(2,767)	(2,563)
Other, net	533	434	(884)
Total other expense, net	<u>(2,343)</u>	<u>(2,333)</u>	<u>(3,447)</u>
Loss from continuing operations before income tax	(8,313)	(40,414)	(13,436)
Income tax expense (benefit)	665	47,692	(3,818)
Loss from continuing operations	<u>(8,978)</u>	<u>(88,106)</u>	<u>(9,618)</u>
Discontinued operations, net of tax	-	10,564	23,625
Net (loss) income	<u>(8,978)</u>	<u>(77,542)</u>	<u>14,007</u>
Other comprehensive income (loss), net of tax:			
Unrealized income (loss) on marketable securities	107	(48)	(59)
Foreign currency translation adjustment	(694)	3,209	(11,418)
Unrealized income (loss) on hedging activities	792	(1,959)	2,502
Other comprehensive income (loss)	205	1,202	(8,975)
Comprehensive (loss) income	<u>\$ (8,773)</u>	<u>\$ (76,340)</u>	<u>\$ 5,032</u>
Loss from continuing operations per share:			
Basic	\$ (0.30)	\$ (2.70)	\$ (0.30)
Diluted	(0.30)	(2.70)	(0.30)
Net (loss) income per share:			
Basic	\$ (0.30)	\$ (2.38)	\$ 0.43
Diluted	(0.30)	(2.38)	0.43
Weighted average shares outstanding:			
Basic	30,397	32,600	32,567
Diluted	30,397	32,600	32,567

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2016	2015	2014
<b>Cash Flows From Operating Activities:</b>			
Net (loss) income	\$ (8,978)	\$ (77,542)	\$ 14,007
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation of property and equipment	2,264	3,462	4,292
Amortization of intangible assets	1,075	2,111	3,202
Impairment of goodwill	-	29,507	-
Impairment of long-lived assets	-	-	2,056
Gain on sale of discontinued operations	-	(8,436)	(39,491)
Accretion of notes payable	1,842	1,537	1,337
Gain on sale of marketable securities	(241)	-	-
(Gain) loss on disposition of assets	(5)	183	46
Loss (gain) from removal of accumulated translation adjustment	263	(500)	-
Stock-based compensation	227	449	1,853
Deferred income taxes	(512)	50,174	4,977
Changes in operating assets and liabilities:			
Accounts receivable	2,765	1,726	(7,866)
Inventories	5,382	(558)	(20,685)
Prepaid and other assets	2,831	(191)	1,583
Accounts payable and accrued liabilities	(4,114)	(3,248)	5,424
Income taxes	1,611	4,889	-
Other	400	106	590
Net cash provided by (used in) operating activities	4,810	3,669	(28,675)
<b>Cash Flows From Investing Activities:</b>			
Purchase of marketable securities	-	-	(9,994)
Proceeds from the sales of marketable securities	10,235	-	-
(Payments) proceeds related to the sale of POC and Gregory Mountain Products	(921)	60,875	81,140
Proceeds from disposition of property and equipment	22	335	12
Purchase of property and equipment	(2,566)	(2,804)	(2,879)
Net cash provided by investing activities	6,770	58,406	68,279
<b>Cash Flows From Financing Activities:</b>			
Net proceeds from (repayments of) revolving credit facilities	-	2,202	(6,456)
Repayments of long-term debt	-	(21)	(9,453)
Proceeds from issuance of long-term debt	-	43	-
Purchase of treasury stock	(5,222)	(6,990)	(184)
Proceeds from exercise of stock options	-	264	1,558
Excess tax benefits from share-based payment arrangements	-	-	1,684
Net cash used in financing activities	(5,222)	(4,502)	(12,851)
<b>Effect of foreign exchange rates on cash</b>	(21)	(206)	(197)
<b>Change in cash</b>	6,337	57,367	26,556
<b>Cash, beginning of period</b>	88,401	31,034	4,478
<b>Cash, end of period</b>	<u>\$ 94,738</u>	<u>\$ 88,401</u>	<u>\$ 31,034</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>			
Cash (received) paid for income taxes	\$ (426)	\$ (7,614)	\$ 10,355
Cash paid for interest	\$ 1,238	\$ 1,344	\$ 2,087
<b>Supplemental Disclosures of Non-Cash Investing and Financing Activities:</b>			
Property and equipment purchased with accounts payable	\$ 47	\$ 28	\$ 567

See accompanying notes to consolidated financial statements.



**BLACK DIAMOND, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
Balance, December 31, 2013	32,526	\$ 3	\$ 477,890	\$ (237,204)	(75)	\$ (2)	\$ 6,563	\$ 247,250
Net income	-	-	-	14,007	-	-	-	14,007
Other comprehensive loss	-	-	-	-	-	-	(8,975)	(8,975)
Purchase of treasury stock	-	-	-	-	(22)	(184)	-	(184)
Stock compensation plans, net	275	-	3,411	-	-	-	-	3,411
Tax benefit from employee stock options	-	-	1,684	-	-	-	-	1,684
Balance, December 31, 2014	32,801	\$ 3	\$ 482,985	\$ (223,197)	(97)	\$ (186)	\$ (2,412)	\$ 257,193
Net loss	-	-	-	(77,542)	-	-	-	(77,542)
Other comprehensive income	-	-	-	-	-	-	1,202	1,202
Purchase of treasury stock	-	-	-	-	(1,584)	(7,134)	-	(7,134)
Stock compensation plans, net	83	-	713	-	-	-	-	713
Balance, December 31, 2015	32,884	\$ 3	\$ 483,698	\$ (300,739)	(1,681)	\$ (7,320)	\$ (1,210)	\$ 174,432
Net loss	-	-	-	(8,978)	-	-	-	(8,978)
Other comprehensive income	-	-	-	-	-	-	205	205
Purchase of treasury stock	-	-	-	-	(1,191)	(5,078)	-	(5,078)
Stock compensation plans, net	4	-	227	-	-	-	-	227
Balance, December 31, 2016	32,888	\$ 3	\$ 483,925	\$ (309,717)	(2,872)	\$ (12,398)	\$ (1,005)	\$ 160,808

See accompanying notes to consolidated financial statements.

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

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

The accompanying audited consolidated financial statements of Black Diamond, Inc. and subsidiaries (which may be referred to as the “Company,” “we,” “our” or “us”) have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

**Nature of Business**

Black Diamond, Inc., through its ownership of Black Diamond Equipment, Ltd., is a global leader in designing, manufacturing, and marketing innovative outdoor engineered equipment and apparel for climbing, mountaineering, backpacking, skiing, and a wide range of other year-round outdoor recreation activities. Black Diamond Equipment and PIEPS™, are synonymous with performance, innovation, durability and safety in the outdoor consumer community. We are targeted not only to the demanding requirements of core climbers, skiers and alpinists, 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® and PIEPS™ brands are iconic in the active outdoor and ski industries, and linked intrinsically with the modern history of these sports. Headquartered in Salt Lake City at the base of the Wasatch Mountains, our products are designed and exhaustively tested by an engaged team of discerning entrepreneurs and engineers.

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 skis, ski poles, ski skins, and snow safety products, including avalanche airbag systems, avalanche transceivers, shovels, and probes.

Our consolidated financial statements for the year ended December 31, 2015 include a correction related to the carryback limitations of net operating losses and tax credits to 2014. The effect of the revision was to decrease income tax receivable and reduce other long-term liabilities by \$1,801 and \$230, as of December 31, 2015, respectively, with an offsetting increase of \$1,571 of income tax expense for the year ended December 31, 2015. We evaluated these changes and determined that the corrections are not material to the prior period.

On May 28, 2010, we acquired Black Diamond Equipment, Ltd. (which may be referred to as “Black Diamond Equipment” or “BDEL”) and Gregory Mountain Products, LLC (which may be referred to as “Gregory Mountain Products”, “Gregory” or “GMP”). On January 20, 2011, the Company changed its name from Clarus Corporation to Black Diamond, Inc., which we believe more accurately reflects our current business. In July 2012, we acquired POC Sweden AB and its subsidiaries (collectively, “POC”) and in October 2012, we acquired PIEPS Holding GmbH and its subsidiaries (collectively, “PIEPS”).

On July 23, 2014, the Company and Gregory Mountain Products, its wholly-owned subsidiary, completed the sale of certain assets to Samsonite LLC (“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 “Gregory Business”) pursuant to the terms of that certain Asset Purchase Agreement (the “GMP Purchase Agreement”), dated as of June 18, 2014, by and among the Company, Gregory and Samsonite. Under the terms of the GMP Purchase Agreement, Samsonite paid \$84,135 in cash for Gregory’s assets comprising the Gregory Business and assumed certain specified liabilities (the “GMP Sale”). 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 consolidated financial statements.

On March 16, 2015, the Company announced that it was exploring a full range of strategic alternatives, including a sale of the entire Company and the potential sales of the Company’s Black Diamond Equipment (including PIEPS) and POC brands in two separate transactions.

On October 7, 2015, the Company and the Company’s wholly owned subsidiary, Ember Scandinavia AB (“Ember”), sold their respective equity interests in POC comprising POC’s business of designing, manufacturing, marketing, distributing and selling advanced-design helmets, body armor, goggles, eyewear, gloves, and apparel for action or “gravity sports,” such as skiing, snowboarding, and cycling pursuant to a Purchase Agreement (the “POC Purchase Agreement”), dated as of October 7, 2015, by and among the Company and Ember, as sellers, and Dainese S.p.A. and Dainese U.S.A., Inc. (collectively “Dainese”), as purchasers. Under the terms of the POC Purchase Agreement, Dainese paid \$63,639 in cash for POC (the “POC Disposition”). The activities of POC have been segregated and reported as discontinued operations for all periods presented. See Note 2. Discontinued Operations to the notes to consolidated financial statements.

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**(in thousands, except per share amounts)**

On October 8, 2015, the Company announced the completion of the POC Disposition resulting in the conclusion of the Company's review of strategic alternatives.

On November 9, 2015, the Company announced that it is seeking to redeploy our significant cash balances to invest in high-quality, durable, cash flow-producing assets potentially unrelated to the outdoor industry in order to diversify our business and potentially monetize our substantial net operating losses as part of our asset redeployment and diversification strategy. We intend to focus our search primarily in the United States, although we will also evaluate international investment opportunities should we find such opportunities attractive.

**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. The more significant estimates relate 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.

**Significant Accounting Policies**

*Principles of Consolidation*

The consolidated financial statements include the accounts of Black Diamond, Inc. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

*Foreign Currency Transactions and Translation*

The accounts of the Company's international subsidiaries' financial statements which, have functional currencies other than the U.S. dollar, are translated into U.S. dollars using the exchange rate at the balance sheet dates for assets and liabilities and average exchange rates for the periods for revenues, expenses, gains and losses. Foreign currency translation adjustments are recorded as a separate component of accumulated other comprehensive income. Foreign currency transaction gains and losses are included in other (expense) income in the consolidated statements of comprehensive (loss) income.

*Cash Equivalents*

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At December 31, 2016 and 2015, the Company did not hold any amounts that were considered to be cash equivalents.

*Marketable Securities*

Marketable securities consisted of an exchange-traded fund. The Company accounts for its marketable securities as available-for-sale. Available-for-sale securities are recorded at fair value and related unrealized gains and losses are excluded from earnings and are reported as a separate component of accumulated other comprehensive (loss) income until realized. The cost basis of the exchange traded fund was \$9,994 and the unrealized losses were \$107 and \$59, net of taxes of \$63 and \$33, as of December 31, 2015 and 2014, respectively. The Company sold the exchange traded fund and recognized a gain of \$241 in earnings during the twelve months ending December 31, 2016.

*Accounts Receivable and Allowance for Doubtful Accounts*

The Company records its trade receivables at sales value and establishes a non-specific allowance for estimated doubtful accounts based on a percentage of outstanding trade receivables. In addition, specific allowances are established for customer accounts as known collection problems occur due to insolvency, disputes or other collection issues. The amounts of these specific allowances are estimated by management based on the customer's financial position, the age of the customer's receivables and the reasons for any disputes. The allowance for doubtful accounts is reduced by subsequent collections of the specific allowances or by any write-off of customer accounts that are deemed uncollectible. The allowance for doubtful accounts was \$399 and \$184 at December 31, 2016 and 2015, respectively. There were no significant write-offs of the Company's accounts receivable during the years ended December 31, 2016, 2015, and 2014.

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**(in thousands, except per share amounts)**

*Inventories*

Inventories are stated at the lower of cost (using the first-in, first-out method "FIFO") or market value. Elements of cost in the Company's manufactured inventories generally include raw materials, direct labor, manufacturing overhead and freight in. The Company periodically reviews its inventories for excess, close-out, or slow moving items and makes provisions as necessary to properly reflect inventory values.

*Property and Equipment*

Property and equipment is stated at historical cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives. The principal estimated useful lives are: building improvements, 20 years; computer hardware and software and machinery and equipment, 3-10 years; furniture and fixtures, 5 years. Leasehold improvements are amortized over the lesser of the estimated useful life of the improvement, or the life of the lease. Equipment under capital leases are stated at the present value of minimum lease payments. Major replacements, which extend the useful lives of equipment, are capitalized and depreciated over the remaining useful life. Normal maintenance and repair items are expensed as incurred. Property and equipment are reviewed for impairment whenever events or changes in circumstances exist that indicate the carrying amount of an asset may not be recoverable.

*Goodwill*

Goodwill represents the excess of the purchase price over the fair market value of identifiable net assets of acquired companies. Goodwill is not amortized, but rather is tested at the reporting unit level at least annually for impairment or more frequently if triggering events or changes in circumstances indicate impairment. A two-step quantitative impairment analysis is performed. The first step involves estimating the fair value of the reporting unit based upon the market capitalization and reasonable control premium. If the fair value of the reporting unit is less than its carrying amount, the second step of the impairment test is performed to measure the amount of the impairment loss. In the second step, the implied fair value of the goodwill is estimated as the fair value of the reporting unit as determined in step one, less fair values of all other net tangible and intangible assets of the reporting unit determined in a manner similar to a purchase price allocation. If the carrying amount of the goodwill exceeds its implied fair value, an impairment loss is recognized in an amount equal to that excess, not to exceed the carrying amount of the goodwill. For the year ended December 31, 2015, the Company recognized an entire goodwill impairment of \$29,507. No impairment was recorded during the years ended December 31, 2016 and 2014.

*Intangible Assets*

Intangible assets represent other intangible assets and indefinite-lived intangible assets acquired. Other intangible assets are amortized over their related useful lives. Other intangible assets are reviewed for impairment whenever events or changes in circumstances exist that indicate the carrying amount of an asset may not be recoverable.

Indefinite-lived intangible assets are not amortized; however, they are tested at least annually for impairment or more frequently if events or changes in circumstances exist that may indicate impairment. Initially, qualitative factors are considered to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. If, through this qualitative assessment, the conclusion is made that it is more likely than not that an indefinite-lived intangible asset's fair value is less than its carrying amount, or the Company elects to bypass the qualitative assessment, a quantitative impairment analysis is performed by comparing the indefinite-lived intangible asset's book value to its estimated fair value. The fair value for indefinite-lived intangible assets is determined through an income approach using the relief-from-royalty method. The amount of any impairment is measured as the difference between the carrying amount and the fair value of the impaired asset. During the years ended December 31, 2016, 2015, and 2014, no impairment of indefinite-lived intangible assets was recorded.

*Derivative Financial Instruments*

The Company uses derivative instruments to hedge currency rate movements on foreign currency denominated sales. The Company enters into forward contracts, option contracts and non-deliverable forwards to manage the impact of foreign currency fluctuations on a portion of its forecasted foreign currency exposure. These derivatives are carried at fair value on the Company's consolidated balance sheets in prepaid and other current assets, other long-term assets, accounts payable and accrued liabilities, and other long-term liabilities. Changes in fair value of the derivatives not designated as hedge instruments are included in the determination of net income. For derivative contracts designated as hedge instruments, the effective portion of gains and losses resulting from changes in fair value of the instruments are included in accumulated other comprehensive loss and reclassified to sales in the period the underlying hedged item is recognized in earnings.

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**(in thousands, except per share amounts)**

For all hedging relationships, the Company formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged transaction, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method used to measure ineffectiveness. The Company also formally assesses, both at the inception of the hedging relationship and on an ongoing basis, whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in cash flows of hedged transactions. The Company uses operating budgets and cash flow forecasts to estimate future foreign currency cash flow exposures and to determine the level and timing of derivative transactions intended to mitigate such exposures in accordance with its risk management policies. The Company discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting cash flows attributable to the hedged risk, the derivative expires or is sold, terminated, or exercised, the cash flow hedge is de-designated because a forecasted transaction is not probable of occurring, or management determines to remove the designation of the cash flow hedge. The Company does not enter into derivative instruments for any purpose other than cash flow hedging. The Company does not speculate using derivative instruments.

*Stock-Based Compensation*

The Company records compensation expense for all share-based awards granted based on the fair value of the award at the time of the grant. The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model that uses assumptions and estimates that the Company believes are reasonable. Stock-based compensation costs for stock awards and restricted stock awards is measured based on the closing market value of the Company's common stock on the date of the grant. For restricted stock awards subject to market conditions, the fair value of each restricted stock award has been estimated as of the date of grant using the Monte-Carlo pricing model. The Company recognizes the cost of the share-based awards on a straight-line basis over the requisite service period of the award.

*Revenue Recognition*

The Company sells its products pursuant to customer orders and agreements entered into with its customers. Revenue is recognized when persuasive evidence of an arrangement exists, title and risk of loss pass to the customer, the price is fixed and determinable, and collectability is reasonably assured. Charges for shipping and handling fees billed to customers are included in net sales and the corresponding shipping and handling expenses are included in cost of sales in the accompanying consolidated statements of comprehensive (loss) income.

At the time of revenue recognition, we also provide for estimated sales returns and miscellaneous claims from customers as reductions to revenues. The estimates are based on historical rates of product returns and claims. However, actual returns and claims in any future period are inherently uncertain and thus may differ from these estimates. If actual or expected future returns and claims are significantly greater or lower than the allowances that we have established, we will record a reduction or increase to sales in the period in which we make such a determination. Over the three-year period ended December 31, 2016, our actual annual sales returns have been less than three percent (3%) of net sales. The allowance for outstanding sales returns from customers is not material to the consolidated financial statements.

*Cost of Sales*

The expenses that are included in cost of sales include all direct product costs and costs related to shipping, handling, duties and importation fees. Product warranty costs and specific provisions for excess, close-out, or slow moving inventory are also included in cost of sales.

*Selling, General and Administrative Expense*

Selling, general and administrative expense includes personnel-related costs, product development, selling, advertising, depreciation and amortization, and other general operating expenses. Advertising costs are expensed in the period incurred. Total advertising expense for continuing operations, including cooperative advertising costs, were \$2,605, \$3,220, and \$2,807 for the years ended December 31, 2016, 2015, and 2014, respectively.

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**(in thousands, except per share amounts)**

Through cooperative advertising programs, the Company reimburses its wholesale customers for some of their costs of advertising the Company's products based on various criteria, including the value of purchases from the Company and various advertising specifications. Cooperative advertising costs were \$741, \$1,037, and \$649 for the years ended December 31, 2016, 2015, and 2014, respectively, and were included in selling, general, and administrative expense because the Company receives an identifiable benefit in exchange for the cost, the advertising may be obtained from a party other than the customer, and the fair value of the advertising benefit can be reasonably estimated.

*Product Warranty*

Some of the Company's products carry warranty provisions for defects in quality and workmanship. Warranty repairs and replacements are recorded in cost of sales and a warranty liability is established at the time of sale to cover estimated costs based on the Company's history of warranty repairs and replacements. The Company recorded a liability for product warranties totaling \$892 and \$854 as of December 31, 2016 and 2015, respectively. For the years ended December 31, 2016, 2015, and 2014, the Company experienced warranty claims on its products of \$1,051, \$813, and \$879, respectively.

*Reporting of Taxes Collected*

Taxes collected from customers and remitted to government authorities are reported on the net basis and are excluded from sales.

*Research and Development*

Research and development costs are charged to expense as incurred, and are included in selling, general and administrative expenses in the accompanying consolidated statements of operations. Total research and development costs for continuing operations were \$6,598, \$7,469, and \$7,335 for the years ended December 31, 2016, 2015, and 2014, respectively.

*Income Taxes*

Income Taxes are based on amounts of taxes payable or refundable in the current year and on expected future tax consequences of events that are recognized in the financial statements in different periods than they are recognized in tax returns. As a result of timing of recognition and measurement differences between financial accounting standards and income tax laws, temporary differences arise between amounts of pre-tax financial statement income and taxable income and between reported amounts of assets and liabilities in the Consolidated Balance Sheets and their respective tax bases. Deferred income tax assets and liabilities reported in the Consolidated Balance Sheets reflect estimated future tax effects attributable to these temporary differences and to net operating loss and net capital loss carryforwards, based on enacted tax rates expected to be in effect for years in which the differences are expected to be settled or realized. Realization of deferred tax assets is dependent on future taxable income in specific jurisdictions. Valuation allowances are used to reduce deferred tax assets to amounts considered more-likely-than-not to be realized. U.S. deferred income taxes are not provided on undistributed income of foreign subsidiaries where such earnings are considered to be permanently invested.

The Company recognizes interest expense and penalties related to income tax matters in income tax expense.

The Company recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. Unrecognized tax benefits that reduce a net operating loss, similar tax loss or tax credit carryforward, are presented as a reduction to deferred income taxes.

*Concentration of Credit Risk and Sales*

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash, accounts receivable, and aggregate unrealized gains on derivative contracts. Risks associated with cash within the United States are mitigated by banking with federally insured, creditworthy institutions; however, there are balances with these institutions that are greater than the Federal Deposit Insurance Corporation insurance limit. The Company performs ongoing credit evaluations of its customers and maintains allowances for possible losses as considered necessary by management.

During the years ended December 31, 2016, 2015 and 2014, Recreational Equipment, Inc. ("REI") accounted for approximately 16%, 17% and 13%, respectively, of the Company's sales from continuing operations.

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**(in thousands, except per share amounts)**

*Fair Value Measurements*

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature and liquidity of these financial instruments. Marketable securities are recorded at fair value based on quoted market prices. Derivative financial instruments are recorded at fair value based on current market pricing models. The Company estimates that, based on current market conditions, the fair value of its long-term debt obligations under its revolving credit facility and senior subordinated notes payable approximate the carrying values at December 31, 2016 and 2015.

*Segment Information*

The Company has determined that during 2016, 2015, and 2014, the Company operated in one principal business segment.

**Recent Accounting Pronouncements**

*Accounting Pronouncements adopted During 2016*

During the first quarter of 2016, the Company adopted Accounting Standards Updated (“ASU”) 2014-12, *Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. This guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition of the award. A reporting entity should apply existing guidance in Accounting Standards Codification Topic 718, *Compensation-Stock Compensation*, as it relates to such awards. Adoption of this guidance was applied prospectively and did not impact the Company’s consolidated statements and related disclosures.

During the first quarter of 2016, the Company adopted ASU 2015-01, *Income Statement - Extraordinary and Unusual Items (Subtopic 225-20)*, which eliminates the concept of extraordinary items from U.S. GAAP as part of its simplification initiative. This guidance does not affect disclosure guidance for events or transactions that are unusual in nature or infrequent in their occurrence. Adoption of this guidance was applied prospectively and did not impact the Company’s consolidated statements and related disclosures.

During the first quarter of 2016, the Company adopted ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, which simplifies the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Adoption of this guidance was applied retrospectively and did not result in a material change to the Company’s prior period consolidated statements and related disclosures.

During the fourth quarter of 2016, the Company adopted ASU 2014-15, *Presentation of Financial Statements – Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* which requires an entity to evaluate whether there are conditions or events, in the aggregate, that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the financial statements are available to be issued when applicable) and to provide related footnote disclosures in certain circumstances. Adoption of this guidance was applied prospectively and did not impact on the Company’s consolidated statements and related disclosures.

*Accounting Pronouncements Not Yet Adopted*

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued ASU 2014-09, *Revenue from Contracts with Customers* that replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model. The core principle is to recognize revenue upon the transfer of goods or services to customers at an amount that reflects the consideration expected to be received. The FASB also issued ASU 2015-14, *Deferral of Effective Date* that deferred the effective date for the new guidance until the annual reporting period beginning after December 15, 2017, and interim periods within those annual periods. Early adoption is permitted, but not before the original effective date (periods beginning after December 15, 2016). The standard permits the use of either the retrospective (restating all years presented in the Company’s financial statements) or cumulative effect (recording the impact of adoption as an adjustment to retained earnings at the beginning of the year of adoption) transition method. Since its issuance, the FASB has also amended several aspects of the new guidance, including; ASU 2016-08 *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* which clarifies the Topic 606 guidance on principal versus agent considerations, ASU 2016-10 *Revenue from Contracts with Customers (Topic 606) – Identifying Performance Obligations and Licensing* that clarifies identification of a performance obligation and address revenue recognition associated with the licensing of intellectual property, ASU 2016-12 *Revenue from Contracts with Customers (Topic 606), Narrow Scope Improvements and Practical Expedients* clarifying assessment of collectability criterion, non-cash consideration and other technical corrections and ASU 2016-20 *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* is the result of the FASB Board decision to issue a separate Update for technical corrections and improvements. The Company intends to adopt this guidance effective January 1, 2018 using the cumulative effect method. The Company has reviewed its current customer agreements and believes that all current open agreements as of December 31, 2016 will be settled prior to adoption of this guidance on January 1, 2018. The Company does not anticipate significant changes to our current revenue recognition policy resulting from adoption of the new guidance.

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**(in thousands, except per share amounts)**

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*, which changes the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value for entities that do not measure inventory using the last-in, first-out or retail inventory method. The ASU also eliminates the requirement for these entities to consider replacement cost or net realizable value less an approximately normal profit margin when measuring inventory. The guidance is effective for fiscal years beginning after December 15, 2016, and interim periods within those years. The ASU requires prospective adoption and permits early adoption. The Company believes that adoption of this ASU will not have a material impact on the Company's consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which revises the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset ("ROU") for all leases with terms greater than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The provisions of ASU 2016-02 are effective for fiscal years beginning after December 15, 2018, and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements with certain practical expedients available. Early adoption is permitted. Since the effective date will not be until January 1, 2019, there is no immediate impact on the financial statements. Leases previously defined as capital leases will continue to be defined as a capital lease with no material changes to the accounting methodology; however, the Company does not have capital leases. However, the Company is performing an assessment of its leases and has begun preparations for implementation and retrospective application to the earliest reporting period. Under the new guidance, leases previously defined as operating leases will be defined as financing leases and capitalized if the term is greater than one year. As a result, financing lease will be recorded as an asset and a corresponding liability at the present value of the total lease payments. The asset will be decremented over the life of the lease on a pro-rata basis resulting in lease expense while the liability will be decremented using the interest method (ie. principal and interest). As such, the Company expects the new guidance will materially impact the asset and liability balances of the Company's consolidated financial statements and related disclosures at the time of adoption. The majority of our current operating leases will expire prior to the adoption date. The Company anticipates renegotiating these operating leases; however, the terms which may exist at the adoption date are currently unknown. Consequently, the Company is unable to estimate the impact that these leases will have on the financial statements on the date of adoption. For the remaining leases with terms that go beyond the adoption date, the amounts we expect to recognize as additional liabilities and corresponding ROU assets based upon the present value of the remaining rental payments, are considered immaterial.

In March 2016, the FASB issued ASU 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The ASU changes several aspects of the accounting for share-based payment award transactions, including: (1) accounting for income taxes; (2) classification of excess tax benefits on the statement of cash flows; (3) forfeitures; (4) minimum statutory tax withholding requirements; and (5) classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax-withholding purposes. The ASU is effective for annual and interim reporting periods beginning after December 15, 2016 with early adoption permitted. The Company has evaluated the impact of adoption of this ASU. The Company does not believe the adoption of this guidance will have a material impact on the Company's consolidated statements and related disclosures.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which clarifies the treatment of several cash flow categories. In addition, ASU 2016-15 clarifies that when cash receipts and cash payments have aspects of more than one class of cash flows and cannot be separated, classification will depend on the predominant source or use. The ASU is effective for annual and interim reporting periods beginning after December 15, 2017 with early adoption permitted. The Company does not believe the adoption of this guidance will have a material impact on the Company's consolidated statements and related disclosures.

In November 2016, the FASB issued ASU 2016-18 *Statement of Cash Flows (Topic 230) Restricted Cash* requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. This ASU is effective for fiscal years beginning January 1, 2018, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The amendments in this Update should be applied using a retrospective transition method to each period presented. The Company does not believe the adoption of this guidance will have a material impact on the Company's consolidated statements and related disclosures.



**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(in thousands, except per share amounts)

**NOTE 2. DISCONTINUED OPERATIONS**

As discussed above in Note 1, during the year ended December 31, 2014, the Company and Gregory, its then wholly-owned subsidiary, completed the GMP Sale pursuant to the terms of the GMP Purchase Agreement. The Company received \$84,135 in cash for the GMP Sale and paid \$2,995 in transaction fees for net proceeds of \$81,140. The Company recognized a pre-tax gain on such sale of \$39,491 and tax expense of \$19,424. The Company performed certain transition services related to the GMP Sale and received \$0, \$232, and \$568, which were recorded as a reduction of selling, general and administrative expenses in our consolidated financial statements during the years ended December 31, 2016, 2015, and 2014, respectively.

Additionally, as discussed above in Note 1, on October 7, 2015, the Company sold POC. The Company received \$63,639 in cash for the POC Disposition and paid \$2,946 in transaction fees for net proceeds of \$60,693. \$739 of cash was sold as part of the transaction. Also, as of December 31, 2015, there was an unsettled working capital adjustment of \$921 owed to Dainese which was paid during the three months ended March 31, 2016. The Company recognized a pre-tax gain on such sale of \$8,436. The Company performed certain transition services related to the POC Disposition and received \$324, \$270, and \$0 during the years ended December 31, 2016, 2015, and 2014, respectively, which was recorded as a reduction of selling, general and administrative expenses in our consolidated financial statements for such periods.

Summarized results of discontinued operations for both GMP and POC are as follows:

	<b>Year Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Sales	\$ -	\$ 26,179	\$ 55,521
Cost of goods sold	-	(13,124)	(29,247)
Selling, general and administrative	-	(11,081)	(21,293)
Interest expense, net	-	(66)	(757)
Other, net	-	281	608
<b>Income (loss) from operations of discontinued operations</b>	<b>-</b>	<b>2,189</b>	<b>4,832</b>
Gain on sale of discontinued operations	-	8,436	39,491
Income (loss) before taxes	-	10,625	44,323
Income tax expense (benefit)	-	61	20,698
<b>Income (loss) from discontinued operations, net of tax</b>	<b>\$ -</b>	<b>\$ 10,564</b>	<b>\$ 23,625</b>

In connection with the GMP Sale on July 23, 2014, all interest related to outstanding debt that was required to be repaid pursuant to the terms of the Company's amended and restated loan agreement with Zions First National Bank (the "Lender") is allocated to discontinued operations in our consolidated financial statements for the year ended December 31, 2014. As the outstanding debt was repaid during the year ended December 31, 2014, there was no interest allocated to discontinued operations in our consolidated financial statements for the year ended December 31, 2015.

Summarized cash flow information for both GMP and POC discontinued operations are as follows:

	<b>Year Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Depreciation of property and equipment	-	423	571
Amortization of intangible assets	-	866	1,792
Stock-based compensation	-	(645)	418
Purchase of property and equipment	-	(671)	(1,095)

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(in thousands, except per share amounts)

**NOTE 3. INVENTORIES**

Inventories, as of December 31, 2016 and December 31, 2015, were as follows:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Finished goods	\$ 36,968	\$ 43,117
Work-in-process	1,677	1,730
Raw materials and supplies	6,765	6,649
	<u>\$ 45,410</u>	<u>\$ 51,496</u>

**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment, net as of December 31, 2016 and December 31, 2015, were as follows:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Land	\$ 2,850	\$ 2,850
Building and improvements	4,169	4,093
Furniture and fixtures	3,074	3,320
Computer hardware and software	4,519	4,729
Machinery and equipment	11,144	9,790
Construction in progress	522	477
	<u>26,278</u>	<u>25,259</u>
Less accumulated depreciation	(15,223)	(14,469)
	<u>\$ 11,055</u>	<u>\$ 10,790</u>

Depreciation expense for continuing operations was \$2,264, \$3,039, and \$3,721 for the years ended December 31, 2016, 2015, and 2014, respectively.

**NOTE 5. GOODWILL AND OTHER INTANGIBLE ASSETS**

**Goodwill**

There was a decrease in goodwill during the year ended December 31, 2015 from \$29,628 to \$0 due to the impairment of goodwill and the impact of foreign currency exchange rates. During the fourth quarter of the year ended December 31, 2015, there was a decrease in the Company's market capitalization which was determined to be a triggering event for potential goodwill impairment. Accordingly, the Company performed a goodwill impairment analysis. The Company utilized the market capitalization, plus a reasonable control premium to estimate the fair value. Our total stockholders' equity exceeded the estimated fair value by \$32,754. The failure of step one of the goodwill impairment test triggered a step two impairment test. As a result of step two of the impairment test, the Company determined the implied fair value of goodwill and concluded that the carrying value of goodwill exceeded its implied fair value as of December 31, 2015. Accordingly, an impairment charge of \$29,507, which represents a full impairment charge, was recognized in the fourth quarter of 2015. As of December 31, 2016, there was no goodwill recorded. The following table summarizes the changes in goodwill:

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(in thousands, except per share amounts)

Balance at December 31, 2014	<u>\$ 29,628</u>
Decrease due to impairment	(29,507)
Impact of foreign currency exchange rates	<u>(121)</u>
Balance at December 31, 2015	<u>\$ -</u>

**Indefinite Lived Intangible Assets**

The Company owns certain tradenames and trademarks which provide Black Diamond Equipment and PIEPS with the exclusive and perpetual rights to manufacture and sell their respective products. Tradenames and trademarks are not amortized, but reviewed annually for impairment or upon the existence of a triggering event. There was a decrease in tradenames and trademarks during the year ended December 31, 2016 due to the impact of foreign currency exchange rates. Based on the results of the Company's annual impairment tests, the Company determined that indefinite lived intangible assets were not impaired. The following table summarizes the changes in indefinite lived intangible assets:

Balance at December 31, 2015	<u>\$ 22,644</u>
Impact of foreign currency exchange rates	<u>(103)</u>
Balance at December 31, 2016	<u>\$ 22,541</u>

**Other 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 other intangible assets subject to amortization during the year ended December 31, 2016 due to the impact of foreign currency exchange rates. The following table summarizes the changes in gross other intangible assets:

Gross balance at December 31, 2015	<u>\$ 17,130</u>
Impact of foreign currency exchange rates	<u>(150)</u>
Gross balance at December 31, 2016	<u>\$ 16,980</u>

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(in thousands, except per share amounts)

Intangible assets, net of amortization as of December 31, 2016 and December 31, 2015, were as follows:

	<b>December 31, 2016</b>			
	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Weighted Average Useful Life</u>
<b>Intangibles subject to amortization</b>				
Customer relationships	\$ 13,942	\$ (5,843)	\$ 8,099	15.3 years
Product technologies	2,091	(745)	1,346	14.0 years
Core technologies	947	(623)	324	10.0 years
	<u>\$ 16,980</u>	<u>\$ (7,211)</u>	<u>\$ 9,769</u>	<u>14.9 years</u>

	<b>December 31, 2015</b>			
	<u>Gross</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Weighted Average Useful Life</u>
<b>Intangibles subject to amortization</b>				
Customer relationships	\$ 14,026	\$ (5,034)	\$ 8,992	15.3 years
Product technologies	2,157	(633)	1,524	14.0 years
Core technologies	947	(529)	418	10.0 years
	<u>\$ 17,130</u>	<u>\$ (6,196)</u>	<u>\$ 10,934</u>	<u>14.9 years</u>

Amortization expense for continuing operations for the years ended December 31, 2016, 2015, and 2014, was \$1,075, \$1,245, and \$1,410, respectively. Future amortization expense for other intangible assets as of December 31, 2016 is as follows:

<b>2017</b>	1,063
<b>2018</b>	1,063
<b>2019</b>	1,063
<b>2020</b>	1,008
<b>2021</b>	968
<b>Thereafter</b>	4,604
	<u>\$ 9,769</u>

**NOTE 6. LONG-TERM DEBT**

Long-term debt, net as of December 31, 2016 and December 31, 2015, was as follows:

	<b>December 31,</b>	
	<u>2016</u>	<u>2015</u>
Revolving credit facilities (a)	\$ -	\$ -
5% Senior Subordinated Notes due 2017 (b)	22,610	22,610
Term note (c)	102	105
Unamortized discount	(814)	(2,582)
	<u>21,898</u>	<u>20,133</u>
Less current portion	(21,898)	-
	<u>\$ -</u>	<u>\$ 20,133</u>

- (a) As of December 31, 2016, the Company had drawn \$0 on a \$20,000 revolving credit facility with the Lender with a maturity date of April 1, 2017.

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**(in thousands, except per share amounts)**

On March 3, 2017, the Company together with its direct and indirect domestic subsidiaries entered into a third amendment (the "Third Amendment") to the second amended and restated loan agreement (the "Second Amended and Restated Loan Agreement") as amended by the first amendment (the "First Amendment") and the second amendment (the "Second Amendment") to the Second Amended and Restated Loan Agreement with Zions First National Bank (the "Lender"), which matures on April 1, 2020. Under the Third Amendment, the Company has a \$20,000 revolving line of credit (the "Revolving Line of Credit") pursuant to a third amended and restated promissory note (revolving loan) (the "Revolving Line of Credit Promissory Note").

All debt associated with the Third Amendment to the Second Amended and Restated Loan Agreement bears interest at one-month London Interbank Offered Rate ("LIBOR") plus an applicable margin as determined by the ratio of Total Senior Debt to Trailing Twelve Month EBITDA as follows: (i) one month LIBOR plus 4.00% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is greater than or equal to 2.00; (ii) one month LIBOR plus 3.00% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is greater than 1.00 and less than 2.00; and (iii) one month LIBOR plus 2.00% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is less than 1.00. The Second Amended and Restated Loan Agreement requires the payment of any unused commitment fee of (i) .6% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is greater than or equal to 2.00; (ii) .5% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is greater than 1.00 and less than 2.00; and (iii) .4% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is less than 1.00.

The Third Amendment to the Second Amended and Restated Loan Agreement contains certain restrictive debt covenants that require the Company and its subsidiaries to maintain an EBITDA based minimum Trailing Twelve Month EBITDA, a minimum net worth, a positive amount of asset coverage, and limitations on capital expenditures all as calculated in the Third Amendment to the Second Amended and Restated Loan Agreement. In addition, the Third Amendment to the Second Amended and Restated Loan Agreement contains covenants restricting the Company and its subsidiaries from pledging or encumbering their assets, with certain exceptions, and from engaging in acquisitions other than acquisitions permitted by the Third Amendment to the Second Amended and Restated Loan Agreement. The Third Amendment to the Second Amended and Restated Loan Agreement contains customary events of default (with grace periods where customary) including, among other things, failure to pay any principal or interest when due; any materially false or misleading representation, warranty, or financial statement; failure to comply with or to perform any provision of the Third Amendment to the Second Amended and Restated Loan Agreement; and default on any debt or agreement in excess of certain amounts.

- (b) In connection with the Company's acquisition of Gregory on May 2010, \$22,056 and \$554 in subordinated notes were issued to the Gregory Stockholders. The notes have a seven year term, 5% stated interest rate payable quarterly, and are prepayable at any time. Given the below market interest rate for comparably secured notes and the relative illiquidity of the notes, we discounted the notes to \$13,127 and \$316, respectively, at date of acquisition. We are accreting the discount on the notes to interest expense using the effective interest method over the term of the notes. During the years ended December 31, 2016, 2015 and 2014, \$1,768, \$1,537 and \$1,337, respectively, of the discounts were accreted and recorded as interest expense in the accompanying statements of comprehensive (loss) income.

During February 2017, the Company's Board of Directors approved the repayment of the Merger Consideration Subordinated Notes. On February 13, 2017, the entire principal amount and all accrued interest were paid in full. The note discount as of December 31, 2016 of \$814 will be expensed and recognized as interest expense during the three months ending March 31, 2017.

- (c) The term loan is payable to a government entity with an interest rate of 0.75% and no monthly installments. The note matures in March 2017.

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(in thousands, except per share amounts)

The aggregate maturities of long-term debt and revolving lines of credit for the years subsequent to December 31, 2016 are as follows:

	<b>2017</b>	\$	22,712
	<b>2018</b>		-
	<b>2019</b>		-
	<b>2020</b>		-
	<b>2021</b>		-
	<b>Thereafter</b>		-
Total future long-term debt payments			22,712
Less amount representing debt discounts			(814)
Total carrying amount of long-term debt			21,898
Less current portion			(21,898)
Long-term debt obligations		\$	-

There was no property held under capital leases as of December 31, 2016 and 2015.

**NOTE 7. OTHER LONG-TERM LIABILITIES**

Other long-term liabilities were \$76 and \$1,812 as of December 31, 2016 and 2015, respectively, with \$0 and \$1,689 of the balance as of December 31, 2016 and 2015, respectively, relating to a pension liability, which is net of pension assets of \$0 and \$2,849, respectively, with respect to the benefit plan maintained for the benefit of the Company's employees in Switzerland. Due to the move of the Company's Black Diamond Equipment European office from Basel, Switzerland to Innsbruck, Austria in 2016, the benefit plan has been closed as of December 31, 2016. The Company also had an insurance policy whereby any underfunded amounts related to the pension liability were expected to be recoverable. The Company has recorded a receivable of \$0 and \$1,689 as other long-term assets for the underfunded amount as of December 31, 2016 and 2015, respectively. The net periodic pension costs were \$191, \$526, and \$832 for the years ended December 31, 2016, 2015, and 2014, respectively. The significant assumptions used in accounting for the defined benefit pension plan were as follows:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Discount rate	-%	1.0%
Expected long-term return on plan assets	-%	2.2%
Rate of compensation increase	-%	2.0%

The Company made cash contributions to its defined benefit pension plan of \$96, \$263, and \$416 for the years ended December 31, 2016, 2015, and 2014, 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 foreign currency 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. The Company accounts for these contracts as cash flow hedges and tests effectiveness by determining whether changes in the expected cash flow of the derivative offset, within a range, changes in the expected cash flow of the hedged item.

At December 31, 2016, the Company's derivative contracts had a remaining maturity of less than one and one-half years. The counterparty to these transactions had both long-term and short-term investment grade credit ratings. The maximum net exposure of the Company's credit risk to the counterparty is generally limited to the aggregate unrealized loss of all contracts with that counterparty. At December 31, 2016, there was no such exposure to the counterparty. The Company's exposure to the counterparty credit risk is limited to the aggregate unrealized gain of \$1,281 on all contracts at December 31, 2016. The Company's derivative counterparty has strong credit ratings and as a result, the Company does not require collateral to facilitate transactions.

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(in thousands, except per share amounts)

The Company held the following contracts designated as hedged instruments as of December 31, 2016 and 2015:

	<b>December 31, 2016</b>	
	Notional Amount	Latest Maturity
Foreign exchange contracts - Canadian Dollars	11,001	February 2018
Foreign exchange contracts - British Pounds	1,842	February 2018
Foreign exchange contracts – Euros	14,366	February 2018
	<b>December 31, 2015</b>	
	Notional Amount	Latest Maturity
Foreign exchange contracts - Canadian Dollars	1,302	February 2016
Foreign exchange contracts - British Pounds	2,047	February 2017
Foreign exchange contracts - Euros	13,295	February 2017
Foreign exchange contracts - Swiss Francs	17,738	February 2017

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 loss and reclassified to sales in the period the underlying hedged transaction is recognized in earnings. Gains (losses) of \$(351) and \$5,787 were reclassified to sales during the years ended December 31, 2016 and 2015, respectively. Gains of \$0 and \$297 were reclassified to discontinued operations, net of tax, during the years ended December 31, 2016 and 2015, respectively.

The Company records ineffectiveness of hedged instruments resulting from changes in fair value of the instruments in earnings. Gains (losses) of \$(42) were recorded to Other, net, associated with ineffective hedge instruments during the year ended December 31, 2016. There were no gains (losses) recorded to Other, net, during the year ended December 31, 2015.

As of December 31, 2015, the Company reported an accumulated derivative instrument loss of \$68. During the year ended December 31, 2016, the Company reported other comprehensive income of \$792, as a result of the change in fair value of these contracts and reclassifications to sales and other income as discussed above, resulting in an accumulated derivative instrument income of \$724 reported as of December 31, 2016.

The following table presents the balance sheet classification and fair value of derivative instruments as of December 31, 2016 and 2015:

	<b>Classification</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Derivative instruments in asset positions:</b>			
Forward exchange contracts	Prepaid and other current assets	\$ 1,165	\$ 893
Forward exchange contracts	Other long-term assets	\$ 116	\$ 12
<b>Derivative instruments in liability positions:</b>			
Forward exchange contracts	Accounts payable and accrued liabilities	\$ -	\$ -
Forward exchange contracts	Other long-term liabilities	\$ -	\$ 25

**NOTE 9. ACCUMULATED OTHER COMPREHENSIVE INCOME**

Accumulated other comprehensive (loss) income (“AOCI”) primarily consists of unrealized losses in our marketable securities, foreign currency translation adjustments and changes in our forward foreign exchange contracts. The components of AOCI, net of tax, were as follows:

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(in thousands, except per share amounts)

	<u>Unrealized Gains (Losses) on Marketable Securities</u>	<u>Foreign Currency Translation Adjustments</u>	<u>Unrealized Gains (Losses) on Cash Flow Hedges</u>	<u>Total</u>
Balance as of December 31, 2015	\$ (107)	\$ (1,035)	\$ (68)	\$ (1,210)
Other comprehensive income (loss) before reclassifications	308	(957)	399	(250)
Amounts reclassified from other comprehensive income	(201)	263	393	455
Net current period other comprehensive income (loss)	107	(694)	792	205
Balance as of December 31, 2016	<u>\$ -</u>	<u>\$ (1,729)</u>	<u>\$ 724</u>	<u>\$ (1,005)</u>

The effects on net loss of amounts reclassified from unrealized gains (losses) on cash flow hedges for foreign exchange contracts, foreign currency translation adjustments, and marketable securities for the year ended December 31, 2016 were as follows:

<u>Affected line item in the Consolidated Statement of Comprehensive (Loss) Income</u>	<u>Gains (losses) reclassified from AOCI to the Consolidated Statement of Comprehensive (Loss) Income</u>
<b>Foreign exchange contracts:</b>	
Sales	\$ (351)
Other, net	(42)
Amount reclassified, net of tax	<u>\$ (393)</u>
<b>Foreign currency translation adjustments:</b>	
Other, net	\$ (263)
<b>Marketable securities:</b>	
Other, net	\$ 201
Total reclassifications from AOCI	<u>\$ (455)</u>

The Company's policy is to classify reclassifications of cumulative foreign currency translation associated with continuing operations from AOCI to Other, net.

**NOTE 10. FAIR VALUE 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 December 31, 2016 and December 31, 2015 were as follows:



**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(in thousands, except per share amounts)

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Forward exchange contracts	-	1,281	-	1,281
	\$ -	\$ 1,281	\$ -	\$ 1,281
<b>Liabilities</b>				
Forward exchange contracts	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Marketable securities	\$ 9,824	\$ -	\$ -	\$ 9,824
Forward exchange contracts	-	905	-	905
	\$ 9,824	\$ 905	\$ -	\$ 10,729
<b>Liabilities</b>				
Forward exchange contracts	\$ -	\$ 25	\$ -	\$ 25
	\$ -	\$ 25	\$ -	\$ 25

**Nonrecurring Fair Value Measurements**

There were no assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2016. Assets and liabilities measured at fair value on a nonrecurring basis at December 31, 2015 were as follows:

	December 31, 2015				
	Level 1	Level 2	Level 3	Total	Total Losses
Goodwill	\$ -	\$ -	\$ -	\$ -	\$ 29,507

The Company has certain assets that are measured at fair value on a nonrecurring basis when impairment indicators are present. The categorization of the framework used to estimate the fair value of the assets is considered a Level 3, due to the subjective nature of the unobservable inputs used to determine the fair value. The assets are adjusted to fair value only when the carrying values exceed the fair values. As discussed above, based on the results of the Company's annual impairment tests completed during the year ended December 31, 2015, the Company determined that goodwill was impaired. As a result, we recognized impairment charges during the year ended December 31, 2015. No nonrecurring fair value measurements existed for the year ended December 31, 2016.

**NOTE 11. EARNINGS PER SHARE**

Basic earnings (loss) per share is computed by dividing earnings (loss) by the weighted average number of common shares outstanding during each period. Diluted earnings (loss) per share is computed by dividing earnings (loss) by the total of the weighted average number of shares of common stock outstanding during each period, plus the effect of dilutive 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 to the loss from continuing operations.

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

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(in thousands, except per share amounts)

	Year Ended December 31,		
	2016	2015	2014
Weighted average shares outstanding - basic	30,397	32,600	32,567
Effect of dilutive stock awards	-	-	-
Weighted average shares outstanding - diluted	30,397	32,600	32,567
<b>Loss from continuing operations per share:</b>			
Basic	\$ (0.30)	\$ (2.70)	\$ (0.30)
Diluted	(0.30)	(2.70)	(0.30)
<b>Income from discontinued operations per share:</b>			
Basic	\$ -	\$ 0.32	\$ 0.73
Diluted	-	0.32	0.73
<b>Net (loss) income per share:</b>			
Basic	\$ (0.30)	\$ (2.38)	\$ 0.43
Diluted	(0.30)	(2.38)	0.43

For the years ended December 31, 2016, 2015, and 2014, equity awards of 2,471, 3,074, and 3,591, respectively, were outstanding and anti-dilutive and therefore not included in the calculation of loss per share for these periods.

**NOTE 12. STOCK-BASED COMPENSATION PLAN**

Under the Company's current 2015 Stock Incentive Plan (the "2015 Plan") and the previous 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 2015 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 2015 Plan to any employee in any calendar year may not exceed 500 shares. The 2005 Plan continued in effect until June 2015 when it expired in accordance with its terms. The 2015 Plan will continue in effect until December 2025 unless terminated sooner. As of December 31, 2016, the number of shares authorized and reserved for issuance under the 2015 Plan is 5,615, subject to automatic annual increase equal to 5% of the total number of shares of the Company's outstanding common stock.

**Options Granted:**

During the year ended December 31, 2016, the Company issued stock options for an aggregate of 163 shares under the 2015 Plan to directors and employees of the Company. Of the 163 options issued, 38 options vest in four equal consecutive quarterly tranches from the date of grant. The remaining 125 options will vest in three installments as follows: 42 options shall vest on June 30, 2017, and the remaining options shall vest equally on June 30, 2018 and June 30, 2019.

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:

	2016	2015	2014
Number of options	163	103	90
Option vesting period	1-3 Years	1 - 4 Years	Immediate
Grant price	\$4.38 - \$4.39	\$4.41 - \$6.67	\$8.35
Dividend yield	0.00%	0.0%	0.0%
Expected volatility	43.0% - 44.6% (a)	45.0% - 53.0% (b)	44.4%(b)
Risk-free interest rate	1.14% - 1.23%	1.56% - 2.11%	1.56%
Expected life (years) (c)	5.31 - 6.00	5.31 - 6.58	5.00
Weighted average fair value	\$1.81 - \$1.85	\$1.85 - \$3.53	\$0.97

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(in thousands, except per share amounts)

- (a) Expected volatility is based upon the Company's historical volatility.
- (b) 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.
- (c) 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 the stock options granted during the years ended December 31, 2016, 2015, and 2014 was \$299, \$320, and \$2,747, respectively, which will be amortized over the vesting period of the options.

On July 1, 2016, the Company issued and granted to an employee a restricted stock award of 100 restricted shares under the 2015 Plan, which will vest if, on or before July 1, 2020, the Fair Market Value (as defined in the Plan) of the Company's common stock shall have equaled or exceeded \$15.00 per share for twenty consecutive trading days. For computing the fair value of the 100 restricted shares subject to a market condition, the fair value of each restricted stock award grant has been estimated as of the date of grant using the Monte-Carlo pricing model with the assumptions below.

On August 11, 2014, the Company issued and granted to an employee a restricted stock award of 300 restricted shares under the 2005 Plan, of which (i) 50 restricted shares vested and become nonforfeitable on August 25, 2014; (ii) 205 restricted shares were to vest and become nonforfeitable as follows: (A) 45 restricted shares were to vest if, on or before June 30, 2017, the Fair Market Value (as defined in the Plan) of the Company's common stock shall have equaled or exceeded \$15.00 per share for five consecutive trading days; (B) 80 restricted shares were to vest if, on or before December 31, 2019, the Fair Market Value of the Company's common stock shall have equaled or exceeded \$20.00 per share for five consecutive trading days; (C) 80 restricted shares were to vest if, on or before December 31, 2019, the Fair Market Value of the Company's common stock shall have equaled or exceeded \$22.00 per share for five consecutive trading days; and (iii) 15 restricted shares were to vest and become nonforfeitable on each of December 31, 2015, December 31, 2016 and December 31, 2017. All vested restricted shares will be subject to a lock-up provision restricting sales, dispositions, pledges and transfers of such shares through December 31, 2016. For computing the fair value of the 205 restricted shares with a market condition, the fair value of each restricted stock award grant has been estimated as of the date of grant using the Monte-Carlo pricing model with the assumptions below. The restricted stock awards of 95 that were to vest over time were valued at \$7.74 per share, which included a discount for the lock-up provision. During the year ended December 31, 2015, all unvested awards were forfeited and the related stock compensation expense was reversed.

**Market Condition Restricted Shares Granted**

	<u>July 1, 2016</u>		<u>August 11, 2014</u>	
Number issued	100	45	80	80
Vesting period	\$15.00 stock price target	\$15.00 stock price target	\$20.00 stock price target	\$22.00 stock price target
Grant price	\$4.38	\$8.87	\$8.87	\$8.87
Dividend yield	0.0%	0.0%	0.0%	0.0%
Expected volatility	44.1%	38.2%	38.2%	38.2%
Risk-free interest rate	0.86%	0.93%	1.62%	1.62%
Expected term (years)	2.43	1.32	2.64	2.89
Weighted average fair value	\$1.05	\$4.63	\$4.72	\$4.22

Using these assumptions, the fair value of the market condition restricted stock awards granted on July 1, 2016 was approximately \$105 and August 11, 2014 was approximately \$923.

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(in thousands, except per share amounts)

The total non-cash stock compensation expense for continuing operations related to stock options and restricted stock awards recorded by the Company was as follows:

	Year Ended December 31,		
	2016	2015	2014
Restricted stock awards	\$ 15	\$ 264	\$ 589
Stock options	212	830	846
<b>Total</b>	<b>\$ 227</b>	<b>\$ 1,094</b>	<b>\$ 1,435</b>

For the years ended December 31, 2016, 2015, and 2014, the majority of stock-based compensation costs were classified as selling, general and administrative expense. A summary of changes in outstanding options and restricted stock awards during the year ended December 31, 2016 is as follows:

	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Restricted Stock Awards
Outstanding at December 31, 2015	2,408	\$ 8.77	-	310
Granted	163	4.38		100
Exercised or vested	-	-		(4)
Expired	(396)	9.01		-
Forfeited	(78)	10.93		(36)
Outstanding at December 31, 2016	2,097	\$ 8.15	-	370
Options exercisable at December 31, 2016	1,826	8.44	\$ -	

The following table summarizes the exercise price range, weighted average exercise price, and remaining contractual lives by significant ranges for options outstanding and exercisable as of December 31, 2016:

Exercise Price Range	Outstanding	Exercisable	Remaining Life In Years	Weighted Average Exercise Price
\$4.00 - \$4.72	275	86	8.2	\$ 4.31
\$4.72 - \$13.38	1,822	1,740	5.5	\$ 8.65
	2,097	1,826	5.7	\$ 8.44

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 or using the Monte-Carlo pricing model. As of December 31, 2016, there were 271 unvested stock options and unrecognized compensation cost of \$615 related to unvested stock options, as well as 370 unvested restricted stock awards and unrecognized compensation cost of \$97 related to unvested restricted stock awards.

**NOTE 13. RESTRUCTURING**

The Company initiated a restructuring plan in 2014 (the "2014 Restructuring Plan") to realign resources within the organization and completed the plan during the year ended December 31, 2016. Based on the Company's 2014 Restructuring Plan, we determined that long-lived assets in certain asset groups required an impairment analysis. As of the year ended December 31, 2014, the carrying values of our Asian manufacturing and Asian distribution operations as well as our sales, marketing, and distribution office in Japan were above their fair values based upon a discounted cash flow analysis. During the year ended December 31, 2014, we incurred restructuring charges of \$2,056 related to impairment of long-lived assets. During the years ended December 31, 2016, 2015, and 2014, we incurred \$30, \$2,356, and \$3,583, respectively, of restructuring charges related to the 2014 Restructuring Plan. We have incurred \$5,969 of cumulative restructuring charges since the commencement of the 2014 Restructuring Plan.

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(in thousands, except per share amounts)

As part of the conclusion of the Company's review of strategic alternatives, the Company initiated restructuring activities in efforts to further realign resources within the organization (the "2015 Restructuring Plan") and anticipates completing the plan in 2017. During the year ended December 31, 2016 and 2015, we incurred \$1,365 and \$1,019, respectively, of restructuring charges related to the 2015 Restructuring Plan. There were no costs incurred related to the 2015 Restructuring Plan during 2014. We have incurred \$2,384 of cumulative restructuring charges since the commencement of the 2015 Restructuring Plan. We estimate that we will incur an immaterial amount of costs during the year 2017.

The following table summarizes the restructuring charges, payments and the remaining accrual related to employee termination costs and facility costs:

	<b>2014 Restructuring Plan</b>	<b>2015 Restructuring Plan</b>	<b>Total Restructuring</b>
Balance at December 31, 2015	\$ 162	\$ 460	\$ 622
Charges to expense:			
Employee termination benefits	30	616	646
Other costs	-	749	749
Total restructuring charges	30	1,365	1,395
Cash payments and non-cash charges:			
Cash payments	(192)	(1,729)	(1,921)
Balance at December 31, 2016	\$ -	\$ 96	\$ 96

As of December 31, 2016, termination costs and restructuring costs remained in accrued liabilities and are expected to be paid throughout 2017.

**NOTE 14. 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. There is a reasonable possibility of loss from contingencies in excess of the amounts accrued by the Company in the accompanying consolidated balance sheets; however, the actual amounts of such possible losses cannot currently be reasonably estimated by the Company at this time. It is possible that, as additional information becomes available, the impact on the Company could have a different effect.

During the year ended December 31, 2016, the Company received an arbitral award on agreed terms of \$1,967, related to certain claims against the former owner of PIEPS associated with the voluntary recall of all of the PIEPS VECTOR avalanche transceivers during the year ended December 31, 2013. This concludes the arbitration in its entirety.

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 for continuing operations of the Company for the years ended December 31, 2016, 2015, and 2014 was \$1,033, \$1,515, and \$1,936, respectively.

Future minimum lease payments required under noncancelable operating leases that have initial or remaining noncancelable lease term in excess of one year at December 31, 2016 are as follows:

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(in thousands, except per share amounts)

	2017	\$	622
	2018		332
	2019		154
	2020		85
	2021		26
	Thereafter		-
		\$	1,219

**NOTE 15. INCOME TAXES**

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company is subject to income taxes in certain foreign jurisdictions which creates deferred tax assets and liabilities in these jurisdictions. The Company has netted these deferred tax assets and deferred tax liabilities by jurisdiction. Deferred income tax assets are reviewed for recoverability and valuation allowances are provided when it is more likely than not that a deferred tax asset is not realizable in the future.

The Company's foreign operations that are considered to be permanently reinvested have statutory tax rates of approximately 25%.

The Company recognizes interest expense and penalties related to income tax matters in income tax expense.

Consolidated (loss) income from continuing operations before income taxes consists of the following:

	Year Ended December 31,		
	2016	2015	2014
U.S. operations	\$ (9,324)	\$ (32,419)	\$ (10,152)
Foreign operations	1,011	(7,995)	(3,284)
Loss before income tax	<u>\$ (8,313)</u>	<u>\$ (40,414)</u>	<u>\$ (13,436)</u>

The components of the provision (benefit) for income taxes attributable to continuing operations consist of the following:

	Year Ended December 31,		
	2016	2015	2014
<b>Current:</b>			
Federal	\$ -	\$ (2,220)	\$ -
State and local	(21)	(372)	(49)
Foreign	1,183	5	52
	<u>1,162</u>	<u>(2,587)</u>	<u>3</u>
<b>Deferred:</b>			
Federal	(3,058)	1,944	(2,431)
State and local	(490)	326	(469)
Foreign	(125)	(849)	(1,082)
	<u>(3,673)</u>	<u>1,421</u>	<u>(3,982)</u>
Change in valuation allowance for deferred income taxes	3,176	48,858	161
	<u>(497)</u>	<u>50,279</u>	<u>(3,821)</u>
Income tax expense (benefit)	<u>\$ 665</u>	<u>\$ 47,692</u>	<u>\$ (3,818)</u>

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(in thousands, except per share amounts)

The allocation of income tax expense (benefit) was as follows:

	Year Ended December 31,		
	2016	2015	2014
Continuing operations	\$ 665	\$ 47,692	\$ (3,818)
Discontinued operations	-	61	20,698
	<u>\$ 665</u>	<u>\$ 47,753</u>	<u>\$ 16,880</u>

The following is a reconciliation of the statutory federal income tax rate to the effective rate reported in the Company's financial statements:

	Year Ended December 31,		
	2016	2015	2014
Statutory income tax benefit	(34.0)%	(34.0)%	(34.0)%
Increase (decrease) in income taxes resulting from:			
Foreign taxes	8.8	1.4	0.6
State income taxes, net of federal income taxes	(2.8)	0.3	(1.7)
Income tax credits	(5.5)	(3.3)	(0.9)
Incentive stock options	0.6	0.5	0.4
Change in effective state rate	(0.3)	0.1	1.0
Foreign sourced unearned income	-	-	1.7
Undistributed earnings of foreign subsidiaries	(1.0)	8.4	3.5
Impairment of goodwill	-	24.8	-
Other	4.0	(1.1)	(0.2)
Change in valuation allowance	38.2	120.9	1.2
Income tax expense (benefit)	<u>8.0%</u>	<u>118.0%</u>	<u>(28.4)%</u>

Deferred income tax assets and liabilities are determined based on the difference between the financial reporting carrying amounts and tax bases of existing assets and liabilities and operating loss and tax credit carryforwards. Significant components of the Company's existing deferred income tax assets and liabilities as of December 31, 2016 and 2015 are as follows:

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(in thousands, except per share amounts)

	December 31,	
	2016	2015
Deferred tax assets:		
Net operating loss, capital loss amount and research & experimentation credit carryforwards	\$ 69,662	\$ 66,971
Non-cash compensation	2,292	2,435
Accrued liabilities	658	523
Reserves and other	2,599	2,686
Intangibles	205	244
	<u>75,416</u>	<u>72,859</u>
Valuation allowance	<u>(67,662)</u>	<u>(64,486)</u>
Net deferred tax assets	7,754	8,373
Deferred tax liabilities:		
Depreciation	(974)	(1,021)
Discount on notes	(299)	(951)
Intangibles	(11,218)	(11,654)
Other	(4,229)	(3,716)
	<u>(16,720)</u>	<u>(17,342)</u>
<b>Total</b>	<u>\$ (8,966)</u>	<u>\$ (8,969)</u>

As of December 31, 2016, the Company's gross deferred tax asset was \$75,416. The Company has recorded a valuation allowance of \$67,662, resulting in a net deferred tax asset of \$7,754, before deferred tax liabilities of \$16,720. The Company has provided a valuation allowance against a portion of the deferred tax assets as of December 31, 2016, because the ultimate realization of those assets does not meet the more likely than not criteria. The majority of the Company's deferred tax assets consist of net operating loss carryforwards for federal tax purposes. If a change in control were to occur, these could be limited under Section 382 of the Internal Revenue Code of 1986 ("Code"), as amended.

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income 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. 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 need for a valuation allowance is reassessed at each reporting period. During the year ended December 31, 2015, the Company recorded an increase to its valuation allowance of \$48,858. Certain events and circumstances as explained below transpired during the third quarter of the year ended December 31, 2015, which caused the Company to conclude that the realization of some portion of its deferred tax assets does not satisfy the more-likely-than-not threshold. The POC Disposition removed a substantial portion of the Company's projected future taxable income. Additionally, during the year ended December 31, 2015, the Company made the decision to scale back its apparel initiative and announced a realignment of resources. The totality of these events and circumstances impedes management's ability to forecast future long-term taxable income to the extent that it does not meet the more-likely-than-not threshold.

The net change in the valuation allowance for deferred income tax assets was \$3,176, \$48,858, and (\$1,023) during the years ended December 31, 2016, 2015, and 2014, respectively. A roll forward of our valuation allowance for deferred income tax assets for the years ended December 31, 2016, 2015, and 2014 is as follows:

	<u>Balance at Beginning of</u> <u>Year</u>	<u>Charged to Costs and</u> <u>Expenses</u>	<u>Other Adjustments (a)</u>	<u>Balance at End of Year</u>
2014	\$ 16,651	\$ 161	\$ (1,184)	\$ 15,628
2015	15,628	48,858	-	64,486
2016	\$ 64,486	\$ 3,176	\$ -	67,662



**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(in thousands, except per share amounts)

- (a) During the year ended December 31, 2014, the decrease in valuation allowance is due to the expiration of state NOL's that had a full valuation allowance.

As of December 31, 2016, the Company had net operating loss, research and experimentation credit and alternative minimum tax credit carryforwards for U.S. federal income tax purposes of \$172,419 (\$270 relates to excess tax benefits related to share based payment compensation, which will not be realized until an income tax payable exists), \$3,407 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.

NOLs available to offset taxable income, subject to compliance with Section 382 of the Code, begin to expire based upon the following schedule:

**Net Operating Loss Carryforward Expiration Dates**  
**December 31, 2016**

Expiration Dates December 31,	Net Operating Loss Amount
2021	\$ 32,408
2022	115,000
2023	5,712
2024	3,566
2025 and beyond	15,733
<b>Total</b>	<b>172,419</b>
Excess stock based payment tax deductions	(270)
After limitations	<u>\$ 172,149</u>

Tax positions are recognized in the financial statements when it is more-likely-than-not that the position will be sustained upon examination by the tax authorities. The Company conducts its business globally. As a result, the Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions, and are subject to examination for the open tax years in the U.S. federal and state jurisdictions of 2013-2015 and in the foreign jurisdictions of 2005-2015. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense.

A reconciliation of the beginning and ending amount of total unrecognized tax benefits for the years ended December 31, 2016 and 2015 and are follows:

	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
Balance, beginning of year	\$ 322	\$ -
Additions for current year tax positions	840	75
Additions for prior year tax positions	-	247
Currency translation	(27)	-
Balance, end of year	<u>\$ 1,135</u>	<u>\$ 322</u>

Included in the balance of total unrecognized tax benefits at December 31, 2016 and 2015, are potential benefits of \$1,135 and \$322, respectively, that if recognized, would affect the effective rate, subject to impact of valuation allowance, on income from continuing operations. Unrecognized tax benefits that reduce a net operating loss, similar tax loss or tax credit carryforward are presented as a reduction to deferred income taxes. As a result, the Company classified \$327 and \$230 of its unrecognized tax benefit as a reduction to deferred tax assets as of December 31, 2016 and 2015, respectively.

The Company expects approximately \$738 of tax and \$181 of interest which was recorded during the year ended December 31, 2016, to reverse in the next 12 months on an uncertain tax position associated with the formal closure and liquidation of the Company's Black Diamond Equipment foreign subsidiary in Zhuhai, China. In the U.S., there is not a formal federal or state audit; however, the Company believes that a portion of its position on research and development credits do not meet the more-likely-than-not criteria, and therefore has recorded a tax reserve of \$397 and interest expense of \$4 as of December 31, 2016.

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**(in thousands, except per share amounts)**

Interest and penalty expense recognized related to uncertain tax positions amounted to \$183, \$2, and \$0 during the years ending December 31, 2016, 2015, and 2014, respectively. Total accrued interest and penalties as of December 31, 2016 and 2015 were \$185 and \$2, respectively, and were included in accounts payable and accrued liabilities.

**NOTE 16. 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 principle terms of the Merger Consideration Subordinated Notes are as follows: (i) the principal amount is due and payable on May 28, 2017 and is prepayable by 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. The effective interest rate is approximately 14%.

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 year ended December 31, 2016, \$726 in interest was paid to Kanders GMP Holdings, LLC, and \$377 in interest 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 year ended December 31, 2016, \$18 in interest was paid to Kanders GMP Holdings, LLC, and \$10 in interest was paid to Schiller Gregory Investment Company, LLC, pursuant to these outstanding Merger Consideration Subordinated Notes.

During February 2017, the Company's Board of Directors approved the repayment of the Merger Consideration Subordinated Notes. On February 13, 2017, the entire principal amount and all accrued interest were paid in full. The note discount as of December 31, 2016 of \$814 will be expensed and recognized as interest expense during the three months ending March 31, 2017.

**NOTE 17. SUBSEQUENT EVENT**

**5% Unsecured Subordinated Notes due May 28, 2017**

During February 2017, the Company's Board of Directors approved the repayment of the Merger Consideration Subordinated Notes. On February 13, 2017, the entire principal amount and all accrued interest were paid in full. The note discount as of December 31, 2016 of \$814 will be expensed and recognized as interest expense during the three months ending March 31, 2017.

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
**(in thousands, except per share amounts)**

**Third Amendment to the Second Amended and Restated Loan Agreement**

On March 3, 2017, the Company together with its direct and indirect domestic subsidiaries entered into the Third Amendment to the Second Amended and Restated Loan Agreement as amended by the First Amendment and the Second Amendment to the Second Amended and Restated Loan Agreement with the Lender, which matures on April 1, 2020. Under the Third Amendment, the Company has a \$20,000 revolving line of credit (the "Revolving Line of Credit") pursuant to a third amended and restated promissory note (revolving loan) (the "Revolving Line of Credit Promissory Note").

All debt associated with the Third Amendment to the Second Amended and Restated Loan Agreement bears interest at one-month London Interbank Offered Rate ("LIBOR") plus an applicable margin as determined by the ratio of Total Senior Debt to Trailing Twelve Month EBITDA as follows: (i) one month LIBOR plus 4.00% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is greater than or equal to 2.00; (ii) one month LIBOR plus 3.00% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is greater than 1.00 and less than 2.00; and (iii) one month LIBOR plus 2.00% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is less than 1.00. The Second Amended and Restated Loan Agreement requires the payment of any unused commitment fee of (i) .6% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is greater than or equal to 2.00; (ii) .5% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is greater than 1.00 and less than 2.00; and (iii) .4% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is less than 1.00.

The Third Amendment to the Second Amended and Restated Loan Agreement contains certain restrictive debt covenants that require the Company and its subsidiaries to maintain an EBITDA based minimum Trailing Twelve Month EBITDA, a minimum net worth, a positive amount of asset coverage, and limitations on capital expenditures all as calculated in the Third Amendment to the Second Amended and Restated Loan Agreement. In addition, the Third Amendment to the Second Amended and Restated Loan Agreement contains covenants restricting the Company and its subsidiaries from pledging or encumbering their assets, with certain exceptions, and from engaging in acquisitions other than acquisitions permitted by the Third Amendment to the Second Amended and Restated Loan Agreement. The Third Amendment to the Second Amended and Restated Loan Agreement contains customary events of default (with grace periods where customary) including, among other things, failure to pay any principal or interest when due; any materially false or misleading representation, warranty, or financial statement; failure to comply with or to perform any provision of the Third Amendment to the Second Amended and Restated Loan Agreement; and default on any debt or agreement in excess of certain amounts.

**BLACK DIAMOND, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**  
(in thousands, except per share amounts)

**SUPPLEMENTARY DATA – QUARTERLY FINANCIAL DATA (Unaudited)**

The following table sets forth selected quarterly data for the years ended December 31, 2016 and 2015. Certain amounts have been revised from those previously reported in the Company's quarterly reports on Form 10-Q in order to present a correction related to the carryback limitations of net operating losses and tax credits to 2014 in the third quarter of 2015, which resulted in an increase of \$1,571 of income tax expense, and to present the results of the POC Disposition as discontinued operations. The operating results are not indicative of results for any future period.

	<b>Year Ended December 31, 2016</b>			
	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
	<b>(in thousands, except per share amounts)</b>			
Net sales	\$ 38,207	\$ 29,142	\$ 39,441	\$ 41,399
Gross profit	10,954	8,345	12,336	12,049
Operating (loss) income	(3,873)	(1,951)	571	(717)
Net loss	(4,013)	(3,171)	(405)	(1,389)
Net loss per share:				
Basic	\$ (0.13)	\$ (0.10)	\$ (0.01)	\$ (0.05)
Diluted	(0.13)	(0.10)	(0.01)	(0.05)

	<b>Year Ended December 31, 2015</b>			
	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
	<b>(in thousands, except per share amounts)</b>			
Net sales	\$ 41,881	\$ 30,053	\$ 39,256	\$ 44,076
Gross profit	14,821	10,515	14,143	14,767
Operating loss	(896)	(5,278)	(835)	(31,072)
Loss from continuing operations	(1,745)	(3,840)	(50,802)	(31,719)
Discontinued operations, net of tax	70	(1,607)	1,107	10,994
Net loss	(1,675)	(5,447)	(49,695)	(20,725)
Loss from continuing operations per share:				
Basic	\$ (0.05)	\$ (0.12)	\$ (1.55)	\$ (0.99)
Diluted	(0.05)	(0.12)	(1.55)	(0.99)
Income (loss) from discontinued operations per share:				
Basic	\$ 0.00	\$ (0.05)	\$ 0.03	\$ 0.35
Diluted	0.00	(0.05)	0.03	0.35
Net loss per share:				
Basic	\$ (0.05)	\$ (0.17)	\$ (1.52)	\$ (0.64)
Diluted	(0.05)	(0.17)	(1.52)	(0.64)

**BLACK DIAMOND, INC.**

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. 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 Executive Chairman 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 Exchange Act) as of December 31, 2016, 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 Executive Chairman and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of December 31, 2016, were effective.

**Management's Report on Internal Control Over Financial Reporting**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002, management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control-Integrated Framework (2013)*.

Based on our assessment and those criteria, management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2016. The Company's independent registered public accounting firm, KPMG LLP, has issued an audit report on the Company's internal control over financial reporting, which is included herein.

**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 December 31, 2016, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**BLACK DIAMOND, INC.**

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders  
of Black Diamond, Inc.:

We have audited Black Diamond, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Black Diamond, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Black Diamond, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Black Diamond, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive (loss) income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated March 6, 2017 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP  
\_\_\_\_\_  
Salt Lake City, UT  
March 6, 2017

## BLACK DIAMOND, INC.

### ITEM 9B. OTHER INFORMATION

#### Third Amendment to the Second Amended and Restated Loan Agreement

On March 3, 2017, the Company together with its direct and indirect domestic subsidiaries entered into a third amendment (the “Third Amendment”) to the second amended and restated loan agreement (the “Second Amended and Restated Loan Agreement”) as amended by the first amendment (the “First Amendment”) and the second amendment (the “Second Amendment”) to the Second Amended and Restated Loan Agreement with Zions First National Bank (the “Lender”), which matures on April 1, 2020. Under the Third Amendment, the Company has a \$20,000 revolving line of credit (the “Revolving Line of Credit”) pursuant to a third amended and restated promissory note (revolving loan) (the “Revolving Line of Credit Promissory Note”).

All debt associated with the Third Amendment to the Second Amended and Restated Loan Agreement bears interest at one-month London Interbank Offered Rate (“LIBOR”) plus an applicable margin as determined by the ratio of Total Senior Debt to Trailing Twelve Month EBITDA as follows: (i) one month LIBOR plus 4.00% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is greater than or equal to 2.00; (ii) one month LIBOR plus 3.00% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is greater than 1.00 and less than 2.00; and (iii) one month LIBOR plus 2.00% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is less than 1.00. The Second Amended and Restated Loan Agreement requires the payment of any unused commitment fee of (i) .6% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is greater than or equal to 2.00; (ii) .5% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is greater than 1.00 and less than 2.00; and (iii) .4% per annum at all times that Total Senior Debt to Trailing Twelve Month EBITDA ratio is less than 1.00.

The Third Amendment to the Second Amended and Restated Loan Agreement contains certain restrictive debt covenants that require the Company and its subsidiaries to maintain an EBITDA based minimum Trailing Twelve Month EBITDA, a minimum net worth, a positive amount of asset coverage, and limitations on capital expenditures all as calculated in the Third Amendment to the Second Amended and Restated Loan Agreement. In addition, the Third Amendment to the Second Amended and Restated Loan Agreement contains covenants restricting the Company and its subsidiaries from pledging or encumbering their assets, with certain exceptions, and from engaging in acquisitions other than acquisitions permitted by the Third Amendment to the Second Amended and Restated Loan Agreement. The Third Amendment to the Second Amended and Restated Loan Agreement contains customary events of default (with grace periods where customary) including, among other things, failure to pay any principal or interest when due; any materially false or misleading representation, warranty, or financial statement; failure to comply with or to perform any provision of the Third Amendment to the Second Amended and Restated Loan Agreement; and default on any debt or agreement in excess of certain amounts. The foregoing description of the Third Amendment does not purport to be complete and is qualified in its entirety by reference to the full text of the Third Amendment and the Revolving Line of Credit Promissory Note which are filed as Exhibits 10.16 and 10.17, respectively, to this Annual Report on 10-K.

### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding executive officers is included in Part I of this Annual Report on Form 10-K as permitted by General Instruction G(3).

The Company has adopted a code of ethics that applies to its principal executive officer and principal financial officer, and to all of its other officers, directors and employees. The code of ethics may be accessed at [www.blackdiamond-inc.com](http://www.blackdiamond-inc.com), our Internet website, at the tab “Corporate Governance” under the section called “Investor Relations.” The Company intends to disclose future amendments to, or waivers from, certain provisions of its code of ethics, if any, on the above website within five business days following the date of such amendment or waiver.

Other information required by Item 10, including information regarding directors, membership and function of the audit committee, including the financial expertise of its members, and Section 16(a) compliance, appearing under the captions “Election of Directors”, “Information Regarding Board of Directors and Committees” and “Other Matters” in our Proxy Statement used in connection with our 2017 Annual Meeting of Stockholders, is incorporated herein by reference. The Company intends to file its Proxy Statement with the SEC not later than 120 days after December 31, 2016.

#### ITEM 11. EXECUTIVE COMPENSATION

The information set forth under the caption “Executive Compensation” in our Proxy Statement used in connection with our 2017 Annual Meeting of Stockholders, is incorporated herein by reference. The Company intends to file its Proxy Statement with the SEC not later than 120 days after December 31, 2016.

**BLACK DIAMOND, INC.**

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information set forth under the caption “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” in our Proxy Statement used in connection with our 2017 Annual Meeting of Stockholders, is incorporated herein by reference. The Company intends to file its Proxy Statement with the SEC not later than 120 days after December 31, 2016.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information set forth under the caption “Certain Relationships and Related Transactions, and Director Independence” in our Proxy Statement used in connection with our 2017 Annual Meeting of Stockholders, is incorporated herein by reference. The Company intends to file its Proxy Statement with the SEC not later than 120 days after December 31, 2016.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information set forth under the caption “Principal Accountant Fees and Services” in our Proxy Statement used in connection with our 2017 Annual Meeting of Stockholders, is incorporated herein by reference. The Company intends to file its Proxy Statement with the SEC not later than 120 days after December 31, 2016.



## BLACK DIAMOND, INC.

### PART IV

#### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

##### Financial Statements, Financial Statement Schedules and Exhibits

(a)(1) The Financial Statements. The Financial Statements of Black Diamond, Inc. are included in Item 8 above.

(a)(2) Financial Statement Schedules. No schedules are included because the required information is inapplicable, not required or are presented in the financial statements or the related notes thereto.

(a)(3) The following Exhibits are hereby filed as part of this Annual Report on Form 10-K:

Exhibit Number	Exhibit
2.1	Agreement and Plan of Merger dated as of May 7, 2010 by and among Clarus Corporation, Everest/Sapphire Acquisition, LLC, Sapphire Merger Corp., Black Diamond Equipment, Ltd. and Ed McCall, as Stockholders' Representative (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Commission on May 10, 2010 and incorporated herein by reference).
2.2	Agreement and Plan of Merger dated as of May 7, 2010 by and among Clarus Corporation, Everest/Sapphire Acquisition LLC, Everest Merger I Corp., Everest Merger II, LLC, Gregory Mountain Products, Inc. and Kandors GMP Holdings, LLC, Schiller Gregory Investment Company, LLC (filed as Exhibit 2.2 to the Company's Current Report on Form 8-K, filed with the Commission on May 10, 2010 and incorporated herein by reference).
2.3	Asset Purchase Agreement by and among Samsonite LLC, Black Diamond, Inc. and Gregory Mountain Products, LLC, dated as of June 18, 2014 (filed as Exhibit 2.2 to the Company's Current Report on Form 8-K, filed with the Commission on June 23, 2014 and incorporated herein by reference).
2.4	Purchase Agreement by and Among Dainese S.P.A., Dainese USA, Inc., Black Diamond, Inc. and Ember Scandinavia AB, dated as of October 7, 2015 (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Commission on October 14, 2015 and incorporated herein by reference).
3.1	Amended and Restated Certificate of Incorporation of the Company (filed as Appendix C to the Company's Definitive Proxy Statement, filed with the Commission on November 6, 2002 and incorporated herein by reference).
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the Commission on July 31, 2003 and incorporated herein by reference).
3.3	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Commission on January 24, 2011 and incorporated herein by reference).
3.4	Amended and Restated Bylaws of the Company (filed as Appendix D to the Company's Definitive Proxy Statement, filed with the Commission on November 6, 2002 and incorporated herein by reference).
3.5	Amendment No. 1 to the Amended and Restated Bylaws of the Company (incorporated herein by reference to Exhibit 3.4 of the Company's Annual Report on Form 10-K, filed with the Commission on March 31, 2003).
3.6	Amendment No. 2 to the Amended and Restated By-Laws of the Company (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Commission on June 4, 2010 and incorporated herein by reference).

**BLACK DIAMOND, INC.**

Exhibit Number	Exhibit
3.7	Amendment No. 3 to the Amended and Restated By-Laws of the Company (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on August 9, 2010 and incorporated herein by reference).
3.8	Amendment No. 4 to the Amended and Restated By-Laws of Black Diamond, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Commission on June 9, 2016 and incorporated herein by reference).
3.9	Form of Certificate of Designation of Series A Junior Participating Preferred Stock (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Commission on February 13, 2008 and incorporated herein by reference).
4.1	See Exhibits 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 3.7 and 3.8 for provisions of the Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws of the Company defining rights of the holders of Common Stock of the Company.
4.2	Company's Specimen Common Stock Certificate.
4.3	Rights Agreement, dated as of February 12, 2008, by and between Clarus Corporation and American Stock Transfer & Trust Company (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K, filed with the Commission on February 13, 2008 and incorporated herein by reference).
4.4	Form of Rights Certificate (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with the Commission on February 13, 2008 and incorporated herein by reference).
10.1	Form of Indemnification Agreement for Directors and Executive Officers of the Company (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on December 23, 2002 and incorporated herein by reference).
10.2	Employment Agreement between the Company and Warren B. Kanders, dated as of June 5, 2013 (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Commission on June 6, 2013 and incorporated herein by reference). +
10.3	Employment Agreement between the Company and Robert R. Schiller, dated as of June 5, 2013 (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Commission on June 6, 2013 and incorporated herein by reference). +
10.4	Company's 2005 Stock Incentive Plan (filed as Appendix A of the Company's Definitive Proxy Statement, filed with the Commission on May 2, 2005 and incorporated herein by reference). +
10.5	Amendment No. 1 to the Company's 2005 Stock Incentive Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on September 7, 2010 and incorporated herein by reference). +
10.6	Company's 2015 Stock Incentive Plan (filed as Appendix A to the Company's Proxy Statement, filed with the Commission on November 9, 2015 and incorporated herein by reference). *
10.7	Form of Stock Option Agreement for the Company's 2015 Stock Incentive Plan (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on December 17, 2015 and incorporated herein by reference). +
10.8	Form of Stock Award Agreement for the Company's 2015 Stock Incentive Plan (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on December 17, 2015 and incorporated herein by reference). +

## BLACK DIAMOND, INC.

### Exhibit Number Exhibit

- 10.9 Subordination Agreement dated as of March 8, 2013, by and among Deborah Schiller 2005 Revocable Trust Dated September 27, 2005; Robert R. Schiller Cornerstone Trust Dated September 9, 2010; Schiller Gregory Investment Company, LLC; Black Diamond, Inc.; Black Diamond Equipment, Ltd.; Black Diamond Retail, Inc.; Everest/Sapphire Acquisition, LLC; Gregory Mountain Products, LLC; POC USA, LLC; Pieps Corporation; PIEPS Service, LLC; and BD European Holdings, LLC (filed as Exhibit 10.39 to the Company's Annual Report on Form 10-K, filed with the Commission on March 12, 2013 and incorporated herein by reference).
- 10.10 Subordination Agreement dated as of March 8, 2013, by and among Kanders GMP Holdings, LLC; Black Diamond, Inc.; Black Diamond Equipment, Ltd.; Black Diamond Retail, Inc.; Everest/Sapphire Acquisition, LLC; Gregory Mountain Products, LLC; POC USA, LLC; Pieps Corporation; PIEPS Service, LLC; and BD European Holdings, LLC (filed as Exhibit 10.40 to the Company's Annual Report on Form 10-K, filed with the Commission on March 12, 2013 and incorporated herein by reference).
- 10.11 Form of 5% Unsecured Subordinated Note due May 28, 2017 (filed as Exhibit 10.9 to the Company's Current Report on Form 8-K, filed with the Commission on June 4, 2010 and incorporated herein by reference).
- 10.12 Second Amended and Restated Loan Agreement, effective as of October 31, 2014, by and among Zions First National Bank, a national banking association, as Lender, and Black Diamond, Inc.; Black Diamond Equipment, Ltd.; Black Diamond Retail, Inc.; Everest/Sapphire Acquisition, LLC; BD North American Holdings, LLC; POC USA, LLC; PIEPS Service, LLC; and BD European Holdings, LLC, as Borrowers (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on November 4, 2014 and incorporated herein by reference).
- 10.13 Second Amended and Restated Promissory Note (Revolving Loan) dated effective as of October 31, 2014, by and among Black Diamond, Inc.; Black Diamond Equipment, Ltd.; Black Diamond Retail, Inc.; Everest/Sapphire Acquisition, LLC; BD North American Holdings, LLC; POC USA, LLC; PIEPS Service, LLC; and BD European Holdings, LLC (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on November 4, 2014 and incorporated herein by reference).
- 10.14 First Amendment, effective as of November 9, 2015, to the Second Amended and Restated Loan Agreement, effective as of October 31, 2014, by and among Zions First National Bank, a national banking association, as Lender, and Black Diamond, Inc.; Black Diamond Equipment, Ltd.; Black Diamond Retail, Inc.; Everest/Sapphire Acquisition, LLC; BD North American Holdings, LLC; POC USA, LLC; PIEPS Service, LLC; and BD European Holdings, LLC, as Borrowers (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on November 9, 2015 and incorporated herein by reference).
- 10.15 Second Amendment dated as of March 11, 2016, to Second Amended and Restated Loan Agreement, dated as of October 31, 2014 and as amended by the First Amendment to the Second Amended and Restated Loan Agreement dated November 9, 2015, by and among Zions First National Bank, a national banking association, as Lender, and Black Diamond, Inc.; Black Diamond Equipment, Ltd.; Black Diamond Retail, Inc.; Everest/Sapphire Acquisition, LLC; BD North American Holdings, LLC, PIEPS Service, LLC; and BD European Holdings, LLC, as Borrowers (filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K, filed with the Commission on March 15, 2016 and incorporated herein by reference).
- 10.16 Third Amendment dated as of March 3, 2017, to the Second Amended and Restated Loan Agreement, dated as of October 31, 2014, as amended by the First Amendment to the Second Amended and Restated Loan Agreement dated November 9, 2015, and as amended by the Second Amendment to the Second Amended and Restated Loan Agreement dated as of March 11, 2016, by and among Zions First National Bank, a national banking association, as Lender, and Black Diamond, Inc.; Black Diamond Equipment, Ltd.; Black Diamond Retail, Inc.; Everest/Sapphire Acquisition, LLC; BD North American Holdings, LLC, PIEPS Service, LLC; and BD European Holdings, LLC, as Borrowers. \*\*

**BLACK DIAMOND, INC.**

Exhibit Number	Exhibit
10.17	Third Amended and Restated Promissory Note (Revolving Loan) dated effective as of March 3, 2017, by and among Black Diamond, Inc.; Black Diamond Equipment, Ltd.; Black Diamond Retail, Inc.; Everest/Sapphire Acquisition, LLC; BD North American Holdings, LLC; PIEPS Service, LLC; and BD European Holdings, LLC. **
10.18	Employment Agreement, dated as of May 16, 2016, between Black Diamond, Inc. and Aaron Kuehne (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on May 20, 2016 and incorporated herein by reference). +
10.19	Employment Agreement, dated as of July 29, 2016, between Black Diamond, Inc. and Mark Ritchie (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on August 1, 2016 and incorporated herein by reference). +
21.1	Subsidiaries of the Registrant. **
23.1	Consent of Independent Registered Public Accounting Firm. **
31.1	Certification of Principal Executive Officer, as required by Rule 13a-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. **
31.2	Certification of Principal Financial Officer, as required by Rule 13a-14(a) of the Securities Exchange Act of 1934 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 302 of the Sarbanes-Oxley of 2002. ***
32.2	Certification of Principal Financial Officer, pursuant to 18. U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley of 2002. ***
101.INS	XBRL Instance Document. **
101.SCH	XBRL Taxonomy Extension Schema Document. **
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document. **
101.LAB	XBRL Taxonomy Extension Label Linkbase Document. **
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document. **
+	Management contract or compensatory plan or arrangement.
**	Filed herewith
***	Furnished herewith

**BLACK DIAMOND, INC.**

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**BLACK DIAMOND, INC.**

*Date: March 6, 2017*

*By: /s/ Aaron J. Kuehne*  
\_\_\_\_\_  
*Aaron J. Kuehne,*  
*Chief Administrative Officer and*  
*Chief Financial Officer*  
*(Principal Financial Officer and Principal Accounting*  
*Officer)*

<u>Name</u>	<u>Title</u>
<u>/s/ Warren B. Kanders</u> Warren B. Kanders	Executive Chairman and Director (Principal Executive Officer)
<u>/s/ Robert R. Schiller</u> Robert R. Schiller	Executive Vice Chairman and Director
<u>/s/ Aaron J. Kuehne</u> Aaron J. Kuehne	Chief Administrative Officer and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
<u>/s/ Donald L. House</u> Donald L. House	Director
<u>/s/ Nicholas Sokolow</u> Nicholas Sokolow	Director
<u>/s/ Michael A. Henning</u> Michael A. Henning	Director

**BLACK DIAMOND, INC.**

**EXHIBIT INDEX**

Exhibit Number	Exhibit
10.16	Third Amendment dated as of March 3, 2017, to the Second Amended and Restated Loan Agreement, dated as of October 31, 2014, as amended by the First Amendment to the Second Amended and Restated Loan Agreement dated November 9, 2015, and as amended by the Second Amendment to the Second Amended and Restated Loan Agreement dated as of March 11, 2016, by and among Zions First National Bank, a national banking association, as Lender, and Black Diamond, Inc.; Black Diamond Equipment, Ltd.; Black Diamond Retail, Inc.; Everest/Sapphire Acquisition, LLC; BD North American Holdings, LLC, PIEPS Service, LLC; and BD European Holdings, LLC, as Borrowers. **
10.17	Third Amended and Restated Promissory Note (Revolving Loan) dated effective as of March 3, 2017, by and among Black Diamond, Inc.; Black Diamond Equipment, Ltd.; Black Diamond Retail, Inc.; Everest/Sapphire Acquisition, LLC; BD North American Holdings, LLC; PIEPS Service, LLC; and BD European Holdings, LLC. **
21.1	Subsidiaries of Black Diamond, Inc.**
23.1	Consent of Independent Registered Public Accounting Firm.**
31.1	Certification of Principal Executive Officer, as required by Rule 13a-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.**
31.2	Certification of Principal Financial Officer, as required by Rule 13a-14(a) of the Securities Exchange Act of 1934 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 302 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 302 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.LAB	XBRL Taxonomy Extension Label Linkbase Document **
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document **
**	Filed herewith
***	Furnished herewith

**THIRD AMENDMENT TO  
SECOND AMENDED AND RESTATED LOAN AGREEMENT**

This Third Amendment to Second Amended and Restated Loan Agreement (the “Amendment”) is made and entered into as of March 3, 2017 by and among Black Diamond, Inc., a Delaware corporation, Black Diamond Equipment, Ltd., a Delaware corporation, Black Diamond Retail, Inc., a Delaware corporation, Everest/Sapphire Acquisition, LLC, a Delaware limited liability company, BD North American Holdings, LLC, a Delaware limited liability company, PIEPS Service, LLC, a Delaware limited liability company, and BD European Holdings, LLC, a Delaware limited liability company (collectively, “Borrowers”), and ZB, N.A. dba Zions First National Bank (“Lender”).

Recitals

1. Lender has previously extended a loan to Borrowers consisting of a revolving loan in the maximum principal amount of \$30,000,000 (the “Loan”), which is governed by that certain Second Amended and Restated Loan Agreement dated as of October 31, 2014 among Borrowers, the other Loan Parties from time to time party thereto and Lender, as amended by that certain (i) First Amendment to Second Amended and Restated Credit Agreement dated November 9, 2015 and (ii) Second Amendment to Second Amended and Restated Credit Agreement dated March 11, 2016, in each case, among Borrowers and Lender (as so amended and as the same may be further amended from time to time, the “Loan Agreement”). The Loan is evidenced by that certain Second Amended and Restated Promissory Note (Revolving Loan) dated October 31, 2014 executed by Borrowers in favor of Lender in the maximum principal amount of \$30,000,000 (the “Note”).

2. Borrowers and Lender desire to modify and amend the Loan Agreement as provided herein.

Amendment

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender and Borrowers hereby agree and amend and modify the Loan Agreement as follows:

1. Recitals. Each of Borrowers and Lender hereby acknowledges the accuracy of the Recitals, which are incorporated herein by reference.

2. Definitions. Except as otherwise provided herein, terms defined in the Loan Agreement shall have the same meaning when used herein. Terms defined in the singular shall have the same meaning when used in the plural and vice versa.

3. Amendment of Loan Agreement. The Loan Agreement is hereby modified and amended as follows:

(a) New Definitions. Section 1.1 Definitions of the Loan Agreement is hereby amended by adding the following new definitions in their appropriate alphabetical order:

“Cash Equivalents” means cash equivalents as determined in accordance with Accounting Standards.

“Marketable Security” means any common stock, debt security or other security of a Person which is (or will, upon distribution thereof, be) listed on the NYSE, the American Stock Exchange, NASDAQ or any other national securities exchange registered under Section 6 of the Securities Exchange Act of 1934, as amended, or approved for quotation in any system of automated dissemination of quotations of securities prices in the United States or for which there is a recognized market maker or trading market provided any such security (i) has a rating of BBB or higher of S&P or Baa2 of Moody’s, (ii) is not subject to a contractual lock up or similar agreement restricting transferability, (iii) may be distributed or resold without volume limitation or other restrictions on transfer under Rule 144 under the Securities Act of 1933, as amended (or any successor provision thereof), including without application of paragraphs (c), (e), (f) and (h) of such Rule 144, and (iv) is not subject to any other prohibitions or material restrictions on transfer under applicable securities laws.

(b) Deleted Definitions. Section 1.1 Definitions of the Loan Agreement is hereby amended by deleting each of the terms “Dry Hole Expenses”, “Minimum EBITDA Period” and “Seasonal Accordion Increase Period” contained therein.

(c) Amended Definitions. Section 1.1 Definitions of the Loan Agreement is hereby amended by amending and restating the following definitions in their entirety to read as follows:

“Covenant Liquidity” means unencumbered (i) cash or Cash Equivalents in one or more deposit or approved investment accounts owned by Borrowers plus (ii) all Marketable Securities owned by Borrowers, in each case, maintained in accounts located in the United States.

“EBITDA” means earnings before Interest Expense, Income Tax Expense, depreciation, and amortization and with the following charges or losses to be added back to EBITDA and the income or gains to be subtracted from EBITDA: (i) all non-cash income and charges (including, but not limited to, gains on the sale of non-inventory assets and stock-based compensation); (ii) all non-recurring gains and losses (including, but not limited to, proceeds from the sale of non-inventory assets, transaction costs and restructuring costs); and (iii) all extraordinary gains and losses, not realized in the ordinary course of business, in each case, as approved by the Lender in its sole discretion and as determined in accordance with Accounting Standards.



“LIBOR Rate” means the rate per annum quoted by Lender as its One Month LIBOR Rate based upon the London Interbank Offered Rate for Dollar deposits published by Bloomberg or other comparable services selected by Lender, as determined for the date of any adjustment thereof at approximately 11:00 a.m. London time two Banking Business Days prior to such date of adjustment. If such LIBOR Rate is not available at such time for any reason, then the LIBOR Rate will be determined by such alternate method as reasonably selected by Lender. This definition of LIBOR Rate is to be strictly interpreted and is not intended to serve any purpose other than providing an index to determine the interest rate used herein. The LIBOR Rate of Lender may not necessarily be the same as the quoted offered side in the Eurodollar time deposit market quoted by any particular institution or service. It is not necessarily the lowest rate at which Lender may make loans to any of its customers, either now or in the future. Notwithstanding anything in this Agreement to the contrary, if both (i) the LIBOR Rate as provided above would be less than zero percent (0.00%) and (ii) no Hedging Transaction is then in effect pursuant to which Lender is the Floating Rate Payor (as defined in the Hedging Transaction Documents) and the floating rate specified in the Hedging Transaction Documents is the LIBOR Rate or calculated using the LIBOR Rate (a “LIBOR Loan Swap”), then the LIBOR Rate shall be deemed to be zero percent (0.00%); provided, however, if a LIBOR Loan Swap is then in effect, then the LIBOR Rate shall be permitted to be less than zero percent (0.00%) in respect of the Loans solely to the extent, and up to an amount not to exceed, the notional amount under such LIBOR Loan Swap.

“Maturity Date” means April 1, 2020.

“Permanent Accordion Increase Date” means the date upon which all of the following conditions are satisfied: (i) Borrowers provide Lender not less than 30 days’ prior written notice that they wish to increase the maximum principal amount under the Revolving Loan by up to \$10,000,000, (ii) the Accordion Increase Loan Fee has been paid to Lender, and (iii) Lender has agreed, in its sole and absolute discretion, to increase the maximum principal amount under the Revolving Loan.

“Subordinated Debt” means any Debt of any Loan Party, now existing or hereafter created, incurred or arising, which is unsecured and subordinated in right of payment to the payment of the Obligations in a manner and to an extent that Lender has approved in writing prior to the creation of such Debt.

(d) Amount of Revolving Loan. Section 2.2(a) Amount of Revolving Loan of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

a. Amount of Revolving Loan. Upon fulfillment of all conditions precedent set forth in this Agreement, subject to the terms of the Revolving Note, and so long as no Event of Default exists which has not been waived or timely cured, and no other breach has occurred which has not been waived or timely cured under the Loan Documents, Lender agrees to loan Borrowers up to \$20,000,000 pursuant to this Section 2.2; provided, however, upon the Permanent Accordion Increase Date, if any, Lender shall loan Borrowers up to \$30,000,000.

(e) Notice and Manner of Borrowing. Section 2.2(d) Notice and Manner of Borrowing of the Loan Agreement is hereby amended by inserting a sentence at the end of the first paragraph thereto to read as follows:

The minimum principal draw amount for any Revolving Loan shall be no less than \$1,000,000 and in increments of \$100,000 in excess thereof.

( f ) Deletion of Seasonal Accordion Mandatory Prepayments. Section 2.4(b)(ii) of the Loan Agreement is hereby deleted.

(g) Funding Fee. Section 2.6 Funding Fee of the Loan Agreement is hereby amended and restated in its entirety to read as follows.

#### 2.6 Funding Fee

On or prior to the Permanent Accordion Increase Date, if any, Borrowers shall pay to Lender the Accordion Increase Loan Fee as a condition to permanently increasing the Revolving Loan as described in Section 2.2(a). No portion of such loan fee or any other fee paid hereunder shall be refunded in the event of early termination of this Agreement or any termination or reduction of the right of Borrowers to request advances under this Agreement. Lender is authorized and directed, upon execution of this Agreement and fulfillment of all conditions precedent hereunder, to disburse a sufficient amount of the Loan proceeds to pay the loan fees in full.

( h ) Financial Statements and Reports. Section 6.7(e) Financial Statements and Reports of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

e. Together with each of the annual and quarterly Consolidated Financial Statements required to be delivered to Lender pursuant to the provisions of paragraphs (a) and (b) above, Brokerage and deposit account statements of the Loan Parties covering the current period in respect of all brokerage and deposit accounts owned by the Loan Parties.

(i) Minimum EBITDA. Section 6.14(a) Minimum EBITDA of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

a . Minimum EBITDA and Minimum Covenant Liquidity. To the extent Black Diamond and its Subsidiaries, on a Consolidated basis, have Covenant Liquidity for any fiscal quarter less than \$25,000,000, then Black Diamond and its Subsidiaries, on a Consolidated basis, shall maintain Trailing Twelve Month EBITDA of not less than \$7,500,000 for such fiscal quarter;

provided, however, for any fiscal quarter where Trailing Twelve Month EBITDA for such period is (i) equal to or greater than \$10,000,000, there is no requirement to have Covenant Liquidity of any amount for such fiscal quarter, or (ii) less than \$10,000,000, but greater than or equal to \$7,500,000, Black Diamond and its Subsidiaries, on a Consolidated basis, shall maintain Covenant Liquidity of not less than \$22,000,000 for such fiscal quarter; and provided, further, that if Covenant Liquidity is greater than or equal to \$25,000,000, then there is no requirement to have Trailing Twelve Month EBITDA of any amount for such fiscal quarter. EBITDA shall be adjusted on a pro forma basis for future Permitted Acquisitions, such calculations to be limited to pro forma statements filed with the Securities Exchange Commission, or if not filed with the Securities Exchange Commission, then subject to reasonable approval by Lender. In furtherance of the foregoing, and merely by way of illustration, this Section may be satisfied by Black Diamond and its Subsidiaries adhering to the following table:

<b>Minimum EBITDA and Minimum Covenant Liquidity Chart</b>	
<b><u>Minimum EBITDA</u></b>	<b><u>Minimum Liquidity</u></b>
≥ 7,500,000 < 10,000,000	≥ 22,000,000
≥ 10,000,000	N/A
and	
<b><u>Minimum Liquidity</u></b>	<b><u>Minimum EBITDA</u></b>
≥ 25,000,000	N/A

(j) Net Worth. Section 6.14(b) Net Worth of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

b . Net Worth. Black Diamond and its Subsidiaries, on a Consolidated basis, will maintain a Net Worth, measured at each reporting period set forth in Section 6.7 Financial Statements and Reports, of not less than \$140,000,000 at the Fiscal Year End for 2016, plus an increase of \$2,000,000 at each Fiscal Year End thereafter.

(k) Maximum Capital Expenditures. Section 6.14(d) Maximum Capital Expenditures of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

d . Maximum Capital Expenditures. Black Diamond and its Subsidiaries, on a Consolidated basis, will not make any Capital Expenditures if, after giving effect thereto, the aggregate of all Capital Expenditures made by Borrowers, on a Consolidated basis, would exceed \$4,000,000 in any Fiscal Year; provided, however, that if during any Fiscal Year the amount of Capital Expenditures permitted for that year is not so utilized, such unutilized amount may be added to the maximum Capital Expenditures permitted under this Section 6.14(d) during the next succeeding Fiscal Year, but in no event shall the maximum Capital Expenditures during any Fiscal Year include unused amounts from any year prior to the immediately preceding Fiscal Year.

(l) Subordinated Debt. Section 6.22 Subordinated Debt of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

6.22 Subordinated Debt.

Payments of principal under the Subordinated Debt may be made only: (a) so long as the Loan Parties are in pro forma compliance with the financial covenants set forth in Section 6.14 Financial Covenants; (b) Borrowers do not draw on the Revolving Loan to repay such Subordinated Debt unless Black Diamond demonstrates to Lender to Lender's satisfaction (which determination shall be in Lender's sole discretion) that such use of the Revolving Loan will not impair Black Diamond's liquidity and availability under the Revolving Loan for funding Capital Expenditures, seasonal working capital and other corporate obligations and operational cash requirements; and (c) any such payment is not prohibited by the terms of such Subordinated Debt and any related subordination agreement.

4 . Conditions Precedent to Closing this Amendment. This Amendment shall not become effective until the following conditions have been completed and proof of their completion has been provided to Lender:

(a) On or prior to the execution and delivery of this Amendment, Borrowers shall have executed and delivered, or caused to be executed and delivered, to Lender, each in form and substance satisfactory to Lender, such other documents, instruments, resolutions, subordinations, and other agreements as Lender may require in its sole discretion, including, without limitation, the documents set forth on Schedule 1 hereto.

(b) Each of Borrowers shall perform all of the obligations of such Borrower under the Loan Documents or this Amendment to be performed contemporaneously with the execution and delivery of this Amendment.

(c) Borrowers shall pay Lender a renewal and extension fee in the amount of \$40,000 in cash. No portion of such fee shall be refunded in the event of early termination of the Loan Documents or any termination or reduction of the right of Borrowers to request advances under the Loan Documents. Lender is authorized and directed to disburse a sufficient amount of the Loan proceeds to pay this amendment fee in full.

(d) Borrowers shall pay all fees and expenses in accordance with Section 6.

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

5. Conforming Modifications. Each of the Loan Documents is modified to be consistent herewith and to provide that it shall be a default or an Event of Default thereunder if Borrowers shall fail to comply with any of the covenants of Borrowers herein or if any representation or warranty by Borrowers herein is materially incomplete, incorrect, or misleading as of the date hereof.

6. Fees and Expenses: Closing Fee

( a ) Fees and Expenses. In consideration of Lender's agreement to amend and modify the Loan and the Loan Documents, each of Borrowers has agreed to pay to Lender (i) all reasonable legal fees and expenses incurred by Lender in connection herewith or with the Loan and the Loan Documents accrued and unpaid as of the date hereof and (ii) all other reasonable costs and expenses incurred by Lender in connection with this Amendment.

(b) Method of Payment. The foregoing fees and expenses shall be paid by Borrowers to Lender on the date hereof or at such later date as such fees, costs and expenses are incurred by Lender; provided, however, that if such fees and expenses are not promptly paid, Lender is authorized and directed, upon execution of this Amendment and fulfillment of all conditions precedent hereunder, to disburse a sufficient amount of the Loan to pay these fees and expenses in full. Each of Borrowers acknowledges and agrees that such fees, costs, and expenses are fully earned and nonrefundable as of the date this Amendment is executed and delivered by the parties hereto, and that no portion of such fee shall be refunded in the event of early termination of the Loan Agreement or any termination or reduction of the right of any Borrower to request advances under the Loan Agreement or the Note.

7 . Borrowers Representations and Warranties. Each of Borrowers hereby affirms and again makes the representations and warranties set forth in Section 5 of the Loan Agreement as of the date of this Amendment, except to the extent that any such representations and warranties refer specifically to an earlier date.

8. Borrowers Covenants

(a) Borrowers shall execute, deliver, and provide to Lender such additional agreements, documents, and instruments as reasonably required by Lender to effectuate the intent of this Amendment.

(b) Each of Borrowers fully, finally, and forever releases and discharges Lender and its successors, assigns, directors, officers, employees, agents, and representatives from any and all actions, causes of action, claims, debts, demands, liabilities, obligations, and suits, of whatever kind or nature, in law or equity, that such Borrower has or in the future may have, whether known or unknown, in respect of the Loan, the Loan Documents, or the actions or omissions of Lender in respect of the Loan or the Loan Documents arising from events occurring prior to the date of this Amendment.

9. Loan Documents Remain in Full Force and Effect. The Loan Documents are ratified and affirmed by each of Borrowers and shall remain in full force and effect as modified hereby. Any property rights or rights to or interests in property granted as security in the Loan Documents shall remain as security for the Loan and the obligations of Borrowers in the Loan Documents.

10. Integrated Agreement; Amendment. This Amendment, together with the Loan Agreement and the other Loan Documents, constitutes the entire agreement between Lender and Borrowers concerning the subject matter hereof, and may not be altered or amended except by written agreement signed by Lender. PURSUANT TO UTAH CODE SECTION 25-5-4, EACH BORROWER IS NOTIFIED THAT THESE AGREEMENTS ARE A FINAL EXPRESSION OF THE AGREEMENT BETWEEN THE LENDER AND THE BORROWERS AND THESE AGREEMENTS MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY ALLEGED ORAL AGREEMENT.

11. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS (WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS) OF THE STATE OF UTAH.

12. Time. Time is of the essence with respect to this Amendment.

13. Counterpart Execution. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Amendment to physically form one document. Receipt by Lender of an executed copy of this Amendment by facsimile or electronic mail shall constitute conclusive evidence of execution and delivery of this Amendment by the signatory thereto.

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

This Amendment and the Loan Agreement (together with any other amendment thereto) shall be read and interpreted together as one agreement.

[Signature Pages Follow]

IN WITNESS WHEREOF, this Amendment has been executed and becomes effective as of the date first written above.

Lender:

**ZB, N.A. dba Zions First National Bank**

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

Borrowers:

**Black Diamond, Inc.**

By: /s/ Aaron J. Kuehne  
Name: Aaron J. Kuehne  
Title: Chief Financial Officer, Secretary  
and Treasurer

**Black Diamond Equipment, Ltd.**

By: /s/ Aaron J. Kuehne  
Name: Aaron J. Kuehne  
Title: Chief Financial Officer and Secretary

**Black Diamond Retail, Inc.**

By: /s/ Aaron J. Kuehne  
Name: Aaron J. Kuehne  
Title: Chief Financial Officer and Secretary

**Everest/Sapphire Acquisition, LLC**

By: /s/ Aaron J. Kuehne  
Name: Aaron J. Kuehne  
Title: Secretary and Treasurer

**BD North American Holdings, LLC**

By: /s/ Aaron J. Kuehne

Name: Aaron J. Kuehne

Title: Treasurer

**PIEPS Service, LLC**

By: /s/ Aaron J. Kuehne

Name: Aaron J. Kuehne

Title: Secretary and Treasurer

**BD European Holdings, LLC**

By: /s/ Aaron J. Kuehne

Name: Aaron J. Kuehne

Title: Secretary and Treasurer

THIRD AMENDMENT TO SECOND AMENDED AND RESTATED  
LOAN AGREEMENT  
Signature Pages

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SCHEDULE 1

Third Amendment  
Documentation List

1. Third Amendment to Second Amended and Restated Loan Agreement
  2. Third Amended and Restated Promissory Note
  3. Disbursement Instructions
  4. Secretary's Certificate
    - a. Black Diamond, Inc.
    - b. Black Diamond Equipment, Ltd.
    - c. Black Diamond Retail, Inc.
    - d. Everest/Sapphire Acquisition, LLC
    - e. BD North American Holdings, LLC
    - f. PIEPS Service, LLC
    - g. BD European Holdings, LLC
  5. Form W-9
    - a. Black Diamond, Inc.
    - b. Black Diamond Equipment, Ltd.
    - c. Black Diamond Retail, Inc.
    - d. Everest/Sapphire Acquisition, LLC
    - e. BD North American Holdings, LLC
    - f. PIEPS Service, LLC
    - g. BD European Holdings, LLC
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**THIRD AMENDED AND RESTATED PROMISSORY NOTE  
(Revolving Loan)**

March 3, 2017

Borrowers: Black Diamond, Inc.,  
Black Diamond Equipment, Ltd.,  
Black Diamond Retail, Inc.,  
Everest/Sapphire Acquisition, LLC,  
BD North American Holdings, LLC,  
PIEPS Service, LLC and  
BD European Holdings, LLC

Lender: ZB, N.A. dba Zions First National Bank

Amount: \$20,000,000

For value received, Borrowers promise to pay to the order of Lender on the Maturity Date (or such earlier date as prescribed by and in accordance with the Loan Agreement referenced below) at Corporate Banking Group, One South Main, Suite 200, Salt Lake City, Utah 84111, the sum of twenty million dollars (\$20,000,000.00) or such other principal balance as may be outstanding hereunder in lawful money of the United States with interest thereon calculated and payable as provided in this Third Amended and Restated Promissory Note (Revolving Loan) (this "Note") and in that certain Second Amended and Restated Loan Agreement dated October 31, 2014, by and among Borrowers, the other Loan Parties from time to time party thereto, and Lender, together with any exhibits, amendments, addenda, and modifications (as amended, supplemented, restated, amended and restated, or otherwise modified from time to time and together with any exhibits, schedules and addendums thereto, the "Loan Agreement").

Definitions

Terms used in the singular shall have the same meaning when used in the plural and vice versa. Capitalized terms used but not defined herein shall have the meanings given to such terms in the Loan Agreement.

Interest

Interest shall accrue on the outstanding principal balance hereunder according to the terms of the Loan Agreement.

Payment Terms

Payments shall be made on the Loan in immediately available funds according to the terms of the Loan Agreement.

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General

This Note is the Promissory Note referred to in the Loan Agreement and is entitled to the benefits thereof. This Note is made in accordance with, governed by, and subject to all terms and conditions of the Loan Agreement. This Note is secured by the Collateral in accordance with the Collateral Documents.

Upon an Event of Default, all outstanding principal shall bear interest at the Default Rate from the date when due until paid, both before and after judgment.

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

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

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

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

This Note amends, restates, replaces and supersedes in its entirety, but does not extinguish or novate, that certain Second Amended and Restated Promissory Note (Revolving Loan) dated October 31, 2014, executed by Borrowers in favor of Lender, and any previous renewals, modifications or amendments thereof (the "Prior Note"). All accrued but unpaid interest evidenced by the Prior Note shall continue to be due and payable until paid.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Third Amended and Restated Promissory Note (Revolving Loan) and it becomes effective as of the day and year first set forth above.

Borrowers:

**Black Diamond, Inc.**

By: /s/ Aaron J. Kuehne

Name: Aaron J. Kuehne

Title: Chief Financial Officer, Secretary  
and Treasurer

**Black Diamond Equipment, Ltd.**

By: /s/ Aaron J. Kuehne

Name: Aaron J. Kuehne

Title: Chief Financial Officer and Secretary

**Black Diamond Retail, Inc.**

By: /s/ Aaron J. Kuehne

Name: Aaron J. Kuehne

Title: Chief Financial Officer and Secretary

**Everest/Sapphire Acquisition, LLC**

By: /s/ Aaron J. Kuehne

Name: Aaron J. Kuehne

Title: Secretary and Treasurer

**BD North American Holdings, LLC**

By: /s/ Aaron J. Kuehne

Name: Aaron J. Kuehne

Title: Treasurer

**PIEPS Service, LLC**

By: /s/ Aaron J. Kuehne  
Name: Aaron J. Kuehne  
Title: Secretary and Treasurer

**BD European Holdings, LLC**

By: /s/ Aaron J. Kuehne  
Name: Aaron J. Kuehne  
Title: Secretary and Treasurer

**PIEPS Service, LLC**

By: \_\_\_\_\_  
Name: Aaron J. Kuehne  
Title: Secretary and Treasurer

**BD European Holdings, LLC**

By: \_\_\_\_\_  
Name: Aaron J. Kuehne  
Title: Secretary and Treasurer

THIRD AMENDED AND RESTATED  
PROMISSORY NOTE (Revolving Loan)  
Signature Pages

**BLACK DIAMOND, INC.**

**EXHIBIT 21.1**

**SUBSIDIARIES OF BLACK DIAMOND, INC.**

The following are subsidiaries of Black Diamond, Inc. as of December 31, 2016 and the jurisdictions in which they are organized.

<b><u>Company</u></b>	<b><u>State or Jurisdiction of Incorporation/Organization</u></b>
Everest/Sapphire Acquisition, LLC	Delaware
Black Diamond Equipment, Ltd.	Delaware
Black Diamond Retail, Inc.	Delaware
Black Diamond Equipment AG	Switzerland
Black Diamond Equipment Asia Ltd. (a/k/a Black Diamond Sporting Equipment (ZFTZ) Co. Ltd.)	China
BD European Holdings, LLC	Delaware
Ember Scandinavia AB	Sweden
Black Diamond Austria GmbH	Austria
PIEPS GmbH	Austria
PIEPS Service LLC	Delaware
BD North American Holdings, LLC	Delaware

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**BLACK DIAMOND, INC.**

**EXHIBIT 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**The Board of Directors and Stockholders**

**Black Diamond, Inc.:**

We consent to the incorporation by reference in the registration statement (No. 333-127686) on Form S-8 of Black Diamond, Inc. of our report dated March 6, 2017, with respect to the consolidated balance sheets of Black Diamond, Inc. as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive (loss) income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2016, and the effectiveness of internal control over financial reporting as of December 31, 2016, which report appears in the December 31, 2016 annual report on Form 10-K of Black Diamond, Inc.

/s/ KPMG LLP

Salt Lake City, UT

March 6, 2017

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**BLACK DIAMOND, INC.**

**EXHIBIT 31.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, Warren B. Kanders, certify that:

1. I have reviewed this annual report on Form 10-K 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 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;
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: March 6, 2017*

*By: /s/ Warren B. Kanders*

*Name: Warren B. Kanders*

*Title: Executive Chairman*

*(Principal Executive Officer)*

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**BLACK DIAMOND, INC.**

**EXHIBIT 31.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

I, Aaron J. Kuehne certify that:

1. I have reviewed this annual report on Form 10-K 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 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;
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: March 6, 2017*

*By: /s/ Aaron J. Kuehne*

*Name: Aaron J. Kuehne*

*Title: Chief Administrative Officer and  
Chief Financial Officer  
(Principal Financial Officer)*

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**BLACK DIAMOND, INC.**

**EXHIBIT 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**

I, Warren B. Kanders, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Black Diamond, Inc. on Form 10-K for the year ended December 31, 2016, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Black Diamond, Inc.

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

*Date: March 6, 2017*

*By: /s/ Warren B. Kanders*

*Name: Warren B. Kanders*

*Title: Executive Chairman*

*(Principal Executive Officer)*

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**BLACK DIAMOND, INC.**

**EXHIBIT 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**

I, Aaron J. Kuehne, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of Black Diamond, Inc. on Form 10-K for the year ended December 31, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Black Diamond, Inc.

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

*Date: March 6, 2017*

*By: /s/ Aaron J. Kuehne*

*Name: Aaron J. Kuehne*

*Title: Chief Administrative Officer and  
Chief Financial Officer  
(Principal Financial Officer)*

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