

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

FORM 10-Q

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

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

or

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

For the transition period from _____ to _____

Commission File Number: **001-34767**

BLACK DIAMOND, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

58-1972600

(I.R.S. Employer
Identification Number)

**2084 East 3900 South
Salt Lake City, Utah**

(Address of principal executive offices)

84124

(Zip code)

(801) 278-5552

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

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

As of October 30, 2014, there were 32,689,171 shares of common stock, par value \$0.0001, outstanding.

INDEX

BLACK DIAMOND, INC.

	Page
PART I	<u>FINANCIAL INFORMATION</u>
Item 1.	<u>Financial Statements (Unaudited)</u>
	<u>Condensed Consolidated Balance Sheets – September 30, 2014 and December 31, 2013</u> 3
	<u>Condensed Consolidated Statements of Comprehensive Income – Three months ended September 30, 2014 and 2013</u> 4
	<u>Condensed Consolidated Statements of Comprehensive Income (Loss) – Nine months ended September 30, 2014 and 2013</u> 5
	<u>Condensed Consolidated Statements of Cash Flows – Nine months ended September 30, 2014 and 2013</u> 6
	<u>Notes to Condensed Consolidated Financial Statements – September 30, 2014</u> 7
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 21
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 31
Item 4.	<u>Controls and Procedures</u> 31
PART II	<u>OTHER INFORMATION</u>
Item 1.	<u>Legal Proceedings</u> 32
Item 1A.	<u>Risk Factors</u> 32
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 33
Item 5.	<u>Other Information</u> 33
Item 6.	<u>Exhibits</u> 35
	<u>Signature Page</u> 36
	<u>Exhibit Index</u> 37

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Assets		
Current assets		
Cash	\$ 42,793	\$ 4,478
Accounts receivable, less allowance for doubtful accounts of \$584 and \$641, respectively	44,113	40,316
Inventories	67,914	54,054
Prepaid and other current assets	4,978	4,797
Income tax receivable	-	49
Deferred income taxes	2,534	2,687
Total current assets	<u>162,332</u>	<u>106,381</u>
Property and equipment, net	13,810	17,401
Definite lived intangible assets, net	26,730	35,530
Indefinite lived intangible assets	36,703	51,679
Goodwill	43,112	57,703
Deferred income taxes	45,207	50,666
Other long-term assets	2,436	2,063
Total assets	<u>\$ 330,330</u>	<u>\$ 321,423</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 26,286	\$ 27,349
Income tax payable	12,417	-
Current portion of long-term debt	7,340	1,910
Total current liabilities	<u>46,043</u>	<u>29,259</u>
Long-term debt	18,221	36,131
Deferred income taxes	4,377	6,786
Other long-term liabilities	1,565	1,997
Total liabilities	<u>70,206</u>	<u>74,173</u>
Stockholders' Equity		
Preferred stock, \$.0001 par value; 5,000 shares authorized; none issued	-	-
Common stock, \$.0001 par value; 100,000 shares authorized; 32,762 and 32,526 issued and 32,666 and 32,451 outstanding	3	3
Additional paid in capital	482,281	477,890
Accumulated deficit	(223,111)	(237,204)
Treasury stock, at cost	(186)	(2)
Accumulated other comprehensive income	1,137	6,563
Total stockholders' equity	<u>260,124</u>	<u>247,250</u>
Total liabilities and stockholders' equity	<u>\$ 330,330</u>	<u>\$ 321,423</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	September 30, 2014	September 30, 2013
Sales		
Domestic sales	\$ 21,233	\$ 17,803
International sales	33,628	26,378
Total sales	<u>54,861</u>	<u>44,181</u>
Cost of goods sold		
Cost of goods sold	32,140	28,722
Gross profit	<u>22,721</u>	<u>15,459</u>
Operating expenses		
Selling, general and administrative	20,393	19,263
Restructuring charge	2,180	-
Merger and integration	-	190
Total operating expenses	<u>22,573</u>	<u>19,453</u>
Operating income (loss)	<u>148</u>	<u>(3,994)</u>
Other (expense) income		
Interest expense, net	(704)	(637)
Other, net	(616)	288
Total other expense, net	<u>(1,320)</u>	<u>(349)</u>
Loss before income tax	(1,172)	(4,343)
Income tax benefit	(753)	(697)
Loss from continuing operations	<u>(419)</u>	<u>(3,646)</u>
Discontinued operations, net of tax	<u>20,822</u>	<u>2,340</u>
Net income (loss)	<u>20,403</u>	<u>(1,306)</u>
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustment	(5,026)	3,097
Unrealized income (loss) on hedging activities	1,651	(1,140)
Other comprehensive (loss) income	<u>(3,375)</u>	<u>1,957</u>
Comprehensive income	<u>\$ 17,028</u>	<u>\$ 651</u>
Loss from continuing operations per share:		
Basic	\$ (0.01)	\$ (0.11)
Diluted	(0.01)	(0.11)
Net income (loss) per share:		
Basic	\$ 0.63	\$ (0.04)
Diluted	0.63	(0.04)
Weighted average shares outstanding:		
Basic	32,585	32,023
Diluted	32,585	32,023

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	September 30, 2014	September 30, 2013
Sales		
Domestic sales	\$ 52,792	\$ 46,221
International sales	80,923	67,739
Total sales	<u>133,715</u>	<u>113,960</u>
Cost of goods sold		
	82,008	73,166
Gross profit	<u>51,707</u>	<u>40,794</u>
Operating expenses		
Selling, general and administrative	59,190	54,348
Restructuring charge	2,590	175
Merger and integration	-	416
Transaction costs	-	54
Total operating expenses	<u>61,780</u>	<u>54,993</u>
Operating loss	<u>(10,073)</u>	<u>(14,199)</u>
Other (expense) income		
Interest expense, net	(1,953)	(1,902)
Other, net	(424)	233
Total other expense, net	<u>(2,377)</u>	<u>(1,669)</u>
Loss before income tax	(12,450)	(15,868)
Income tax benefit	(4,186)	(4,190)
Loss from continuing operations	<u>(8,264)</u>	<u>(11,678)</u>
Discontinued operations, net of tax	<u>22,357</u>	<u>5,072</u>
Net income (loss)	<u>14,093</u>	<u>(6,606)</u>
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	(7,209)	1,106
Unrealized income (loss) on hedging activities	1,783	(450)
Other comprehensive (loss) income	(5,426)	656
Comprehensive income (loss)	<u>\$ 8,667</u>	<u>\$ (5,950)</u>
Loss from continuing operations per share:		
Basic	\$ (0.25)	\$ (0.37)
Diluted	(0.25)	(0.37)
Net income (loss) per share:		
Basic	\$ 0.43	\$ (0.21)
Diluted	0.43	(0.21)
Weighted average shares outstanding:		
Basic	32,525	31,875
Diluted	32,525	31,875

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	September 30, 2014	September 30, 2013
Cash Flows From Operating Activities:		
Net income (loss)	\$ 14,093	\$ (6,606)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation of property and equipment	3,357	3,619
Amortization of intangible assets	2,495	2,684
Impairment of long-lived assets	2,028	-
Gain on sale of Gregory Mountain Products	(39,491)	-
Accretion of notes payable	985	855
Loss on disposition of assets	18	59
Stock-based compensation	1,387	2,361
Deferred income taxes and income tax payable	15,161	(2,650)
Changes in operating assets and liabilities:		
Accounts receivable	(12,312)	(12,491)
Inventories	(24,962)	4,142
Prepaid and other current assets	1,846	1,592
Accounts payable and accrued liabilities	2,988	4,537
Other	1,407	-
Net cash used in operating activities	<u>(31,000)</u>	<u>(1,898)</u>
Cash Flows From Investing Activities:		
Proceeds from the sale of Gregory Mountain Products	81,140	-
Purchase of intangible assets	-	(750)
Proceeds from disposition of property and equipment	4	21
Purchase of property and equipment	(2,399)	(3,135)
Net cash provided by (used in) investing activities	<u>78,745</u>	<u>(3,864)</u>
Cash Flows From Financing Activities:		
Net repayments of revolving credit facilities	(3,125)	(4,926)
Repayments of long-term debt	(9,438)	(695)
Proceeds from issuance of long-term debt	-	10,142
Purchase of treasury stock	(184)	-
Proceeds from exercise of stock options	1,303	953
Excess tax benefits from share-based payment arrangements	1,701	-
Net cash (used in) provided by financing activities	<u>(9,743)</u>	<u>5,474</u>
Effect of foreign exchange rates on cash	313	(429)
Change in cash	38,315	(717)
Cash, beginning of period	4,478	5,111
Cash, end of period	<u>\$ 42,793</u>	<u>\$ 4,394</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid (received) for income taxes	\$ 450	\$ (242)
Cash paid for interest	\$ 1,700	\$ 1,658
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Property and equipment purchased with accounts payable	\$ 120	\$ 393

See accompanying notes to condensed consolidated financial statements.

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

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

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

On July 23, 2014, the Company and Gregory Mountain Products, LLC (“Gregory” or “GMP”), 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 “Business”) pursuant to the terms of that certain Asset Purchase Agreement (the “Purchase Agreement”), dated as of June 18, 2014, by and among the Company, Gregory and Samsonite. Under the terms of the Purchase Agreement, Samsonite paid \$84,135 in cash for Gregory’s assets comprising the 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.

Nature of Business

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

Use of Estimates

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

Significant Accounting Policies

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

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

Recent Accounting Pronouncements

Accounting Pronouncements Adopted During 2014

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

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

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

Accounting Pronouncements Not Yet Adopted

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

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

In June 2014, the FASB issued 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. The guidance is effective for fiscal years beginning after December 15, 2015, and may be applied prospectively or retrospectively. Early adoption is permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on the Company’s consolidated statements and related disclosures.

In August 2014, the FASB issued 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*. The guidance 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. The guidance is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early application is permitted. We do not believe the adoption of this guidance will have a significant impact the Company’s consolidated statements and related disclosures.

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

NOTE 2. DISCONTINUED OPERATIONS

As discussed above, during our third fiscal quarter ended September 30, 2014, the Company and Gregory, its wholly-owned subsidiary, completed the GMP Sale pursuant to the terms of the 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 \$19,933. Summarized results of discontinued operations are as follows:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30, 2014</u>	<u>September 30, 2013</u>	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Sales	\$ 2,075	8,595	20,684	28,671
Income from operations of GMP	1,696	2,223	4,138	7,480
Gain on sale of GMP	39,491	-	39,491	-
Income tax (expense) benefit	(20,365)	117	(21,272)	(2,408)
Income from discontinued operations, net of tax	<u>\$ 20,822</u>	<u>\$ 2,340</u>	<u>\$ 22,357</u>	<u>\$ 5,072</u>

In connection with the GMP Sale, 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 is allocated to discontinued operations in our condensed consolidated financial statements. Total interest expense allocated to discontinued operations for the three months ended September 30, 2014 and 2013 was \$35 and \$302, respectively, and for the nine months ended September 30, 2014 and 2013 was \$636 and \$697, respectively.

NOTE 3. INVENTORIES

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

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Finished goods	\$ 55,678	\$ 45,734
Work-in-process	1,182	891
Raw materials and supplies	11,054	7,429
	<u>\$ 67,914</u>	<u>\$ 54,054</u>

NOTE 4. PROPERTY AND EQUIPMENT

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

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Land	\$ 2,850	\$ 2,850
Building and improvements	4,056	4,999
Furniture and fixtures	4,748	4,680
Computer hardware and software	5,422	6,773
Machinery and equipment	11,705	13,868
Construction in progress	262	1,218
	<u>29,043</u>	<u>34,388</u>
Less accumulated depreciation	(15,233)	(16,987)
	<u>\$ 13,810</u>	<u>\$ 17,401</u>

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

NOTE 5. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

There was a decrease in goodwill during the nine months ended September 30, 2014, from \$57,703 to \$43,112, due to the GMP Sale and the impact of foreign currency exchange rates. The following table summarizes the changes in goodwill:

Balance at December 31, 2013	\$ 57,703
Decrease due to the GMP Sale	(12,620)
Impact of foreign currency exchange rates	(1,971)
Balance at September 30, 2014	\$ 43,112

Indefinite Lived Intangible Assets

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

Balance at December 31, 2013	\$ 51,679
Decrease due to the GMP Sale	(13,050)
Impact of foreign currency exchange rates	(1,926)
Balance at September 30, 2014	\$ 36,703

Definite Lived Intangible Assets, net

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

Gross balance at December 31, 2013	\$ 43,552
Decrease due to the GMP Sale	(6,233)
Impact of foreign currency exchange rates	(2,471)
Gross balance at September 30, 2014	\$ 34,848

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

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

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Customer lists and relationships	\$ 23,881	\$ 30,809
Product technologies	8,014	8,992
Trade name	2,006	2,246
Core technologies	947	1,505
	<u>34,848</u>	<u>43,552</u>
Less accumulated amortization	(8,118)	(8,022)
	<u>\$ 26,730</u>	<u>\$ 35,530</u>

NOTE 6. LONG-TERM DEBT

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

	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Revolving credit facilities (a)	\$ -	\$ 10,320
Foreign credit facilities (b)	7,308	997
5% Senior Subordinated Notes due 2017 (refer to Note 16)	18,139	17,154
Capital leases	-	47
Term notes (c)	114	9,523
	<u>25,561</u>	<u>38,041</u>
Less current portion	(7,340)	(1,910)
	<u>\$ 18,221</u>	<u>\$ 36,131</u>

(a) As of September 30, 2014, the Company had drawn \$0 on a \$30,000 revolving credit facility with Zions First National Bank (the "Lender") with a maturity date of March 8, 2016. On July 23, 2014, upon the closing of the Gregory transaction, the Company paid off amounts outstanding under the revolving credit facility with the Lender in full. At September 30, 2014, the Company was in compliance with all associated covenants.

On October 31, 2014, the Company together with its direct and indirect domestic subsidiaries entered into a second amended and restated loan agreement (the "Second Amended and Restated Loan Agreement") with the Lender, which matures on April 1, 2017. Under the Second Amended and Restated Loan Agreement, the Company has a \$30,000 revolving line of credit (the "Revolving Line of Credit") pursuant to a second amended and restated promissory note (revolving loan) (the "Revolving Line of Credit Promissory Note") which is inclusive of a \$10,000 accordion option (the "Accordion") available to the Company to increase the Revolving Line of Credit on a seasonal or permanent basis for funding general corporate needs including working capital, capital expenditures, permitted loans or investments in subsidiaries, and the issuance of letters of credit. Also certain additional changes were made to the original amended and restated loan agreement and the covenants contained therein.

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

(c) On July 23, 2014, upon the closing of the GMP Sale, the Company paid off amounts outstanding under the existing Term Facility with the Lender, which was \$8,954 as of June 30, 2014. On October 31, 2014, pursuant to the Second Amended and Restated Loan Agreement, the Company terminated its outstanding term loan facility. Other various term loans are payable to financial institutions and a government entity with interest rates ranging from 0.75% to 5.50% and monthly installments ranging from \$0 to \$3. The notes mature between January 2016 and March 2017, and are secured by certain equipment.

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

NOTE 7. OTHER LONG-TERM LIABILITIES

Other long-term liabilities were \$1,565 and \$1,997 as of September 30, 2014 and December 31, 2013, respectively, with \$1,517 and \$1,621 of the balance as of September 30, 2014 and December 31, 2013, respectively, relating to a pension liability with respect to the benefit plan maintained for the benefit of the Company's employees in Switzerland that, under U.S. GAAP, is considered to be a defined benefit plan. The Company also has an insurance policy whereby any underfunded amounts related to the pension liability are expected to be recoverable. The Company has recorded a receivable of \$1,517 and \$1,621 as other long-term assets for the underfunded amount as of September 30, 2014 and December 31, 2013, respectively.

NOTE 8. DERIVATIVE FINANCIAL INSTRUMENTS

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

At September 30, 2014, the Company's derivative contracts had a remaining maturity of one and a half years or less. 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 September 30, 2014 there was no such exposure to the counterparty. The Company's exposure of counterparty credit risk is limited to the aggregate unrealized gain of \$2,258 on all contracts at September 30, 2014. The Company's derivative counterparty has strong credit ratings and as a result, the Company does not require collateral to facilitate transactions.

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

	September 30, 2014	
	Notional Amount	Latest Maturity
Foreign exchange contracts - Japanese Yen	300,109	February-15
Foreign exchange contracts - Canadian Dollars	15,938	February-16
Foreign exchange contracts - British Pounds	3,618	February-16
Foreign exchange contracts - Euros	32,031	February-16
Foreign exchange contracts - Swiss Francs	40,183	February-16

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

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. For contracts that qualify as effective hedge instruments, the effective portion of gains and losses resulting from changes in fair value of the instruments are included in accumulated other comprehensive income and reclassified to sales in the period the underlying hedge item is recognized in earnings. Gains (losses) of \$284 and \$337 were reclassified to sales during the three months ended September 30, 2014 and 2013, respectively, and \$(337) and \$832 were reclassified to sales during the nine months ended September 30, 2014 and 2013, respectively.

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

As of December 31, 2013, the Company reported an accumulated derivative instrument loss of \$611. During the nine months ended September 30, 2014, the Company reported an adjustment to accumulated other comprehensive income of \$1,783, as a result of the change in fair value of these contracts and reclassifications to sales, resulting in an accumulated derivative instrument gain of \$1,172 reported as of September 30, 2014.

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

	<u>Classification</u>	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Derivative instruments in asset positions:			
Forward exchange contracts	Prepaid and other current assets	\$ 1,849	\$ 682
Forward exchange contracts	Other long-term assets	\$ 697	\$ 76
Derivative instruments in liability positions:			
Forward exchange contracts	Accounts payable and accrued liabilities	\$ 240	\$ 1,492
Forward exchange contracts	Other long-term liabilities	\$ 48	\$ 230

NOTE 9. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	<u>Foreign Currency Translation Adjustments</u>	<u>Unrealized Gains (Losses) on Cash Flow Hedges</u>	<u>Total</u>
Balance as of December 31, 2013	\$ 7,174	\$ (611)	\$ 6,563
Other comprehensive (loss) income before reclassifications	(7,209)	1,567	(5,642)
Amounts reclassified from other comprehensive (loss) income	-	216	216
Net current period other comprehensive (loss) income	(7,209)	1,783	(5,426)
Balance as of September 30, 2014	\$ (35)	\$ 1,172	\$ 1,137

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

<u>Affected line item in the Condensed Consolidated Statement of Comprehensive Income (Loss)</u>	<u>Gains (Losses) reclassified from AOCI to the Condensed Consolidated Statement of Comprehensive Income (Loss)</u>	
	<u>For the Three Months Ended September 30, 2014</u>	<u>For the Nine Months Ended September 30, 2014</u>
Sales	\$ 284	\$ (337)
Income tax expense (benefit)	102	(121)
Amount reclassified net of tax	\$ 182	\$ (216)

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

NOTE 10. FAIR VALUE OF MEASUREMENTS

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

Level 1- inputs to the valuation methodology are quoted market prices for identical assets or liabilities in active markets.

Level 2- inputs to the valuation methodology include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3- inputs to the valuation methodology are based on prices or valuation techniques that are unobservable.

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

	September 30, 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Forward exchange contracts	\$ -	\$ 2,546	\$ -	\$ 2,546
	<u>\$ -</u>	<u>\$ 2,546</u>	<u>\$ -</u>	<u>\$ 2,546</u>
Liabilities				
Forward exchange contracts	\$ -	\$ 288	\$ -	\$ 288
	<u>\$ -</u>	<u>\$ 288</u>	<u>\$ -</u>	<u>\$ 288</u>
	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Forward exchange contracts	\$ -	\$ 758	\$ -	\$ 758
	<u>\$ -</u>	<u>\$ 758</u>	<u>\$ -</u>	<u>\$ 758</u>
Liabilities				
Forward exchange contracts	\$ -	\$ 1,722	\$ -	\$ 1,722
	<u>\$ -</u>	<u>\$ 1,722</u>	<u>\$ -</u>	<u>\$ 1,722</u>

Non-recurring Fair Value Measurements

The Company has certain assets that are measured at fair value on a non-recurring basis when impairment indicators are present. The assets are adjusted to fair value only when the carrying values exceed the fair values. The categorization of the framework used to price the assets is considered a Level 3, due to the subjective nature of the unobservable inputs used to determine the fair value. The Company concluded based on its restructuring plan, that long-lived assets, which consisted primarily of property, plant and equipment, in certain asset groups required an impairment analysis. We determined that the carrying value of these long-lived asset groups as of September 30, 2014, were above their fair values of \$809. The Company utilized quoted values of similar assets and other estimated unobservable inputs to determine fair value of the property, plant and equipment. As a result, we recognized impairment charges of \$2,028 as of September 30, 2014, which related to property, plant and equipment.

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

NOTE 11. EARNINGS PER SHARE

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30, 2014</u>	<u>September 30, 2013</u>	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Weighted average shares outstanding - basic	32,585	32,023	32,525	31,875
Effect of dilutive stock awards	-	-	-	-
Weighted average shares outstanding - diluted	<u>32,585</u>	<u>32,023</u>	<u>32,525</u>	<u>31,875</u>
Loss from continuing operations per share:				
Basic	\$ (0.01)	\$ (0.11)	\$ (0.25)	\$ (0.37)
Diluted	(0.01)	(0.11)	(0.25)	(0.37)
Income from discontinued operations per share:				
Basic	\$ 0.64	\$ 0.07	\$ 0.69	\$ 0.16
Diluted	0.64	0.07	0.69	0.16
Net income (loss) per share:				
Basic	\$ 0.63	\$ (0.04)	\$ 0.43	\$ (0.21)
Diluted	0.63	(0.04)	0.43	(0.21)

For the three and nine months ended September 30, 2014, basic loss from continuing operations per share, income from discontinued operations per share, and net income per share were the same as diluted loss from continuing operations per share, income from discontinued operations per share, and net income per share, respectively, because all potentially dilutive securities were anti-dilutive due to the loss from continuing operations for the period. For the three and nine months ended September 30, 2014, options to purchase 1,486 and 2,138 shares of common stock, respectively, and 45 and 25 shares of restricted stock, respectively, were outstanding and anti-dilutive due to the loss from continuing operations for the three and nine months ended September 30, 2014. Additionally, options to purchase 1,659 and 897 shares of common stock and 12 and 4 shares of restricted stock were outstanding and anti-dilutive because the exercise prices were higher than the average market price of the Company's common stock for the three and nine months ended September 30, 2014, respectively, and 503 shares of unvested restricted stock were outstanding and excluded as their required performance or market conditions were not met.

For the three and nine months ended September 30, 2013, basic loss from continuing operations per share, income from discontinued operations per share, and net loss per share were the same as diluted loss from continuing operations per share, income from discontinued operations per share, and net loss per share, respectively, because all potentially dilutive securities were anti-dilutive due to the loss from continuing operations for the period. For the three and nine months ended September 30, 2013, options to purchase 2,294 and 1,845 shares of common stock, respectively, and 18 and 6 shares of restricted stock, respectively, were outstanding and anti-dilutive due to the loss from continuing operations for the period. Additionally, options to purchase 449 and 834 shares of common stock were outstanding and anti-dilutive because the exercise prices were higher than the average market price of the Company's common stock for the three and nine months ended September 30, 2013, respectively, and 572 shares of unvested restricted stock were outstanding and excluded as their required performance or market conditions were not met.

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

NOTE 12. STOCK-BASED COMPENSATION PLAN

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

During the nine months ended September 30, 2014, the Company issued 501 stock options under the 2005 Plan to employees of the Company. Of the 501 options issued, 30 will vest in four equal consecutive quarterly tranches from the date of grant. 300 will vest in four equal consecutive annual tranches starting December 31, 2015. The remaining 171 options will vest in three installments as follows: 68 shall vest on December 31, 2016, and the remaining shares shall vest equally on December 31, 2017 and December 31, 2018.

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

Options Granted During the Nine Months Ended September 30, 2014

Number of options	501
Option vesting period	1-5 Years
Grant price	\$8.87 - \$14.02
Dividend yield	0.00%
Expected volatility (a)	45.7% - 55.1%
Risk-free interest rate	1.63% - 2.31%
Expected life (years) (b)	5.31 - 6.95
Weighted average fair value	\$4.63 - \$7.82

- (a) Since the Company's historical volatility was not representative of the ongoing future business, the Company's historical volatility was based on a combination of the Company's volatility and the historical volatility of a peer group of companies within similar industries and similar size as the Company.
- (b) Because the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term for these grants, the Company utilized the simplified method in developing an estimate of the expected term of these options.

Using these assumptions, the fair value of all stock options granted during the nine months ended September 30, 2014 was \$2,610, which will be recognized over the vesting period of the options.

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 will vest and become nonforfeitable as follows: (A) 45 restricted shares will 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 will 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 will 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 will 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 vest over time were valued at \$7.74 per share, which includes a discount for the lock-up provision.

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

Market Condition Restricted Shares Granted on August 11, 2014

Number issued	45	80	80
Vesting period	\$15.00 stock price target	\$20.00 stock price target	\$22.00 stock price target
Grant price	\$8.87	\$8.87	\$8.87
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	38.2%	38.2%	38.2%
Risk-free interest rate	0.93%	1.62%	1.62%
Expected term (years)	1.32	2.64	2.89
Weighted average fair value	\$4.63	\$4.72	\$4.22

Using these assumptions, the fair value of the market condition restricted stock awards granted on August 11, 2014 was approximately \$923, which will be amortized over the expected life of the awards.

The total non-cash stock compensation expense related to restricted stock, stock options and stock awards recorded by the Company for the three months ended September 30, 2014 and 2013 was \$850 and \$1,719, respectively, and for the nine months ended September 30, 2014 and 2013 was \$1,387 and \$2,361, respectively. The fair value of unvested restricted stock awards is determined based on the market price of our shares of common stock on the grant date or using the Monte-Carlo pricing model. As of September 30, 2014, there were 1,282 unvested stock options and unrecognized compensation cost of \$3,756 related to unvested stock options, as well as 560 unvested restricted stock awards and unrecognized compensation cost of \$1,265 related to unvested restricted stock awards.

NOTE 13. RESTRUCTURING

The Company initiated a restructuring plan during 2014 to realign resources within the organization and anticipates completing the plan in 2015. Based on the Company's restructuring plan, we determined that long-lived assets in certain asset groups required an impairment analysis. As of the end of the third quarter of 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. We incurred \$2,180 and \$2,590 of restructuring charges for the three and nine months ending September 30, 2014, respectively. During the three months ended September 30, 2014, we incurred restructuring charges of \$2,028 related to impairment of long-lived assets, \$70 related to benefits provided to employees who were terminated due to the Company's reduction-in-force as part of its continued realignment of resources within the organization, and \$82 other restructuring costs. We estimate that we will incur restructuring costs related to employee-related costs and facility exit costs during the fourth quarter of 2014 and the year 2015.

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

Balance at December 31, 2013	\$	-
Charges to expense:		
Employee termination benefits		480
Asset impairment		2,028
Other costs		82
Total restructuring charges		<u>2,590</u>
Cash payments and non-cash charges:		
Cash payments		(445)
Asset impairment		<u>(2,028)</u>
Balance at September 30, 2014	\$	<u><u>117</u></u>

As of September 30, 2014, termination costs and restructuring costs remained in accrued liabilities and are expected to be paid during the remainder of 2014 and throughout 2015. During the three and nine months ended September 30, 2013, the Company incurred \$0 and \$175, respectively, related to the relocation of POC's Portsmouth, NH facility to the Company's U.S. distribution facilities in Salt Lake City, UT.

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

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. It is possible that, as additional information becomes available, the impact on the Company could have a different effect.

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

Total rent expense of the Company for the three months ended September 30, 2014 and 2013 was \$579 and \$582, respectively, and for the nine months ended September 30, 2014 and 2013 was \$1,770 and \$1,718, respectively.

NOTE 15. INCOME TAXES

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

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

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

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

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

NOLs available to offset taxable income expire beginning in 2020, subject to compliance with Section 382 of the Internal Revenue Code, as amended (the "Code") as indicated by the following schedule:

Net Operating Loss Carryforward Expiration Dates
December 31, 2013

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

NOTE 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 principal terms of the Merger Consideration Subordinated Notes are as follows: (i) the principal amount is due and payable on May 28, 2017 and is prepayable by the Company at any time; (ii) interest will accrue on the principal amount at the rate of 5% per annum and shall be payable quarterly in cash; (iii) the default interest rate shall accrue at the rate of 10% per annum during the occurrence of an event of default; and (iv) events of default, which can only be triggered with the consent of Kanders GMP Holdings, LLC, are: (a) the default by the Company on any payment due under a Merger Consideration Subordinated Note; (b) the Company's failure to perform or observe any other material covenant or agreement contained in the Merger Consideration Subordinated Notes; or (c) the Company's instituting or becoming subject to a proceeding under the Bankruptcy Code (as defined in the Merger Consideration Subordinated Notes). The Merger Consideration Subordinated Notes are junior to all senior indebtedness of the Company, except that payments of interest continue to be made under the Merger Consideration Subordinated Notes as long as no event of default exists under any senior indebtedness.

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

On April 7, 2011, Schiller Gregory Investment Company, LLC transferred its Merger Consideration Subordinated Note in equal amounts to the Robert R. Schiller Cornerstone Trust and the Deborah Schiller 2005 Revocable Trust. On June 24, 2013, the Robert R. Schiller Cornerstone Trust dated September 9, 2010 transferred its Merger Consideration Subordinated Note in the amount of \$3,769 to the Robert R. Schiller 2013 Cornerstone Trust dated June 24, 2013. During the three and nine months ended September 30, 2014, \$181 and \$544 in interest was paid to Kanders GMP Holdings, LLC, respectively, and \$95 and \$283 in interest, respectively, was paid to the Robert R. Schiller 2013 Cornerstone Trust and the Deborah Schiller 2005 Revocable Trust pursuant to the outstanding Merger Consideration Subordinated Notes.

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

On May 29, 2012 and August 13, 2012, five former employees of Gregory exercised certain sales rights and sold Merger Consideration Subordinated Notes in the aggregate principal amount of approximately \$365 to Kanders GMP Holdings, LLC and in the aggregate principal amount of approximately \$189 to Schiller Gregory Investment Company, LLC. During the three and nine months ended September 30, 2014, \$5 and \$14 in interest was paid to Kanders GMP Holdings, LLC, respectively, and \$2 and \$7 in interest, respectively, was paid to Schiller Gregory Investment Company, LLC, pursuant to these outstanding Merger Consideration Subordinated Notes.

NOTE 17. SUBSEQUENT EVENT

Amendment of Revolving Credit Facility

On October 31, 2014, the Company together with its direct and indirect domestic subsidiaries entered into a second amended and restated loan agreement (the "Second Amended and Restated Loan Agreement") with Zions First National Bank (the "Lender"), which matures on April 1, 2017. Under the Second Amended and Restated Loan Agreement, the Company has a \$30,000 revolving line of credit (the "Revolving Line of Credit") pursuant to a second amended and restated promissory note (revolving loan) (the "Revolving Line of Credit Promissory Note") which is inclusive of a \$10,000 accordion option (the "Accordion") available to the Company to increase the Revolving Line of Credit on a seasonal or permanent basis for funding general corporate needs including working capital, capital expenditures, permitted loans or investments in subsidiaries, and the issuance of letters of credit. Also pursuant to the Second Amended and Restated Loan Agreement, the Company terminated its outstanding term loan facility which previously allowed the Company to borrow up to \$10,000 and certain additional changes were made to the original amended and restated loan agreement and the covenants contained therein.

All debt associated with 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 or if the Company has cash or marketable securities equal to or greater than \$30,000. 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 the Total Senior Debt to Trailing Twelve Month EBITDA is greater than 1.00 and less than 2.00; and (iii) .4% per annum at all times that the Total Senior Debt to Trailing Twelve Month EBITDA is less than 1.00.

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

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

Forward-Looking Statements

Please note that in this Quarterly Report on Form 10-Q we may use words such as “appears,” “anticipates,” “believes,” “plans,” “expects,” “intends,” “future” and similar expressions which constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are made based on our expectations and beliefs concerning future events impacting the Company and therefore involve a number of risks and uncertainties. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements. Potential risks and uncertainties that could cause the actual results of operations or financial condition of the Company to differ materially from those expressed or implied by forward-looking statements in this Quarterly Report on Form 10-Q include, but are not limited to, the overall level of consumer spending on our products; general economic conditions and other factors affecting consumer confidence; disruption and volatility in the global capital and credit markets; the financial strength of the Company's customers; the Company's ability to implement its growth strategy, including its ability to organically grow each of its historical product lines, its new apparel line and its recently acquired businesses; the Company's ability to successfully integrate and grow acquisitions; the Company's exposure to product liability of product warranty claims and other loss contingencies; stability of the Company's manufacturing facilities and foreign suppliers; the Company's ability to protect trademarks, patents and other intellectual property rights; fluctuations in the price, availability and quality of raw materials and contracted products; foreign currency fluctuations; our ability to utilize our net operating loss carryforwards; and legal, regulatory, political and economic risks in international markets. More information on potential factors that could affect the Company's financial results is included from time to time in the Company's public reports filed with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. All forward-looking statements included in this Quarterly Report on Form 10-Q are based upon information available to the Company as of the date of this Quarterly Report on Form 10-Q, and speak only as the date hereof. We assume no obligation to update any forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q.

Overview

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

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

On July 23, 2014, the Company and Gregory Mountain Products, LLC (“Gregory” or “GMP”), 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 “Business”) pursuant to the terms of that certain Asset Purchase Agreement (the “Purchase Agreement”), dated as of June 18, 2014, by and among the Company, Gregory and Samsonite. Under the terms of the Purchase Agreement, Samsonite paid \$84,135 in cash for Gregory's assets comprising the 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 the unaudited condensed consolidated financial statements.

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

Critical Accounting Policies and Use of Estimates

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

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

Recent Accounting Pronouncements

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

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

Results of Operations

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

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

	Three Months Ended	
	September 30, 2014	September 30, 2013
Sales		
Domestic sales	\$ 21,233	\$ 17,803
International sales	33,628	26,378
Total sales	54,861	44,181
Cost of goods sold	32,140	28,722
Gross profit	22,721	15,459
Operating expenses		
Selling, general and administrative	20,393	19,263
Restructuring charge	2,180	-
Merger and integration	-	190
Total operating expenses	22,573	19,453
Operating income (loss)	148	(3,994)
Other (expense) income		
Interest expense, net	(704)	(637)
Other, net	(616)	288
Total other expense, net	(1,320)	(349)
Loss before income tax	(1,172)	(4,343)
Income tax benefit	(753)	(697)
Loss from continuing operations	(419)	(3,646)
Discontinued operations, net of tax	20,822	2,340
Net income (loss)	\$ 20,403	\$ (1,306)

Sales

Consolidated sales increased \$10,680, or 24.2%, to \$54,861 during the three months ended September 30, 2014, compared to consolidated sales of \$44,181 during the three months ended September 30, 2013. The increase in sales was primarily attributable to an increase in the quantity of new and existing mountain, climb, ski, and wheels products sold during the period, which included additional apparel sold by Black Diamond Equipment and the launch of POC's road cycling collection. We also experienced a decrease in sales of \$111 due to the weakening of foreign currencies against the U.S. dollar.

Consolidated domestic sales increased \$3,430, or 19.3%, to \$21,233 during the three months ended September 30, 2014, compared to consolidated domestic sales of \$17,803 during the three months ended September 30, 2013. The increase in domestic sales was primarily attributable to an increase in the quantity of new and existing mountain, climb, ski, and wheels products sold during the period, which included additional apparel sold by Black Diamond Equipment and the launch of POC's road cycling collection.

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

Consolidated international sales increased \$7,250, or 27.5%, to \$33,628 during the three months ended September 30, 2014, compared to consolidated international sales of \$26,378 during the three months ended September 30, 2013. The increase in international sales was primarily attributable to an increase in the quantity of new and existing mountain, climb, ski, and wheels products sold during the period, which included additional apparel sold by Black Diamond Equipment and the launch of POC's road cycling collection. We also experienced a decrease in sales of \$111 due to the weakening of foreign currencies against the U.S. dollar.

Cost of Goods Sold

Consolidated cost of goods sold increased \$3,418, or 11.9%, to \$32,140 during the three months ended September 30, 2014, compared to consolidated cost of goods sold of \$28,722 during the three months ended September 30, 2013. The increase in cost of goods sold was primarily attributable to an increase in sales. The consolidated cost of goods sold for the three months ended September 30, 2013, included the impact of the voluntary recall by PIEPS Holding GmbH ("PIEPS"), the Company's subsidiary, of all of its PIEPS VECTOR avalanche transceivers resulting in a charge of \$1,541 in cost of goods sold during such period.

Gross Profit

Consolidated gross profit increased \$7,262, or 47.0%, to \$22,721 during the three months ended September 30, 2014, compared to consolidated gross profit of \$15,459 during the three months ended September 30, 2013. Consolidated gross margin was 41.4% during the three months ended September 30, 2014, compared to a consolidated gross margin of 35.0% during the three months ended September 30, 2013, which included the impact of the voluntary recall of all of the PIEPS VECTOR avalanche transceivers of \$1,541. Consolidated gross margin during the three months ended September 30, 2014, increased compared to the prior year due to a favorable mix in product and channel distribution as well as a lower level of close-out and promotional activity.

Selling, General and Administrative

Consolidated selling, general, and administrative expenses increased \$1,130, or 5.9%, to \$20,393 during the three months ended September 30, 2014, compared to consolidated selling, general, and administrative expenses of \$19,263 during the three months ended September 30, 2013. The increase in selling, general and administrative expenses was attributable to the Company's investments in its strategic initiatives, such as Black Diamond Equipment apparel, the transition of certain distributors into our in-house operations for POC, and the launch of POC's road cycling collection. The stock based compensation expense was higher during the three months ended September 30, 2013, by \$869 compared to the three months ended September 30, 2014, as a result of the Company issuing more fully vested stock option awards in the prior year.

Restructuring Charges

Consolidated restructuring expense increased to \$2,180 during the three months ended September 30, 2014, compared to consolidated restructuring expense of \$0 during the three months ended September 30, 2013. \$2,028 of the restructuring expenses incurred during the three months ended September 30, 2014, relate to impairment of assets and \$70 related to benefits provided to employees who were terminated due to the Company's reduction-in-force as part of its continued realignment of resources within the organization.

Merger and Integration Costs

Consolidated merger and integration expense decreased to \$0 during the three months ended September 30, 2014, compared to consolidated merger and integration expense of \$190 during the three months ended September 30, 2013, which consisted of expenses related to the integration of POC Sweden AB and its subsidiaries (collectively, "POC Group") and PIEPS.

Interest Expense, net

Consolidated interest expense, net, increased \$67, or 10.5%, to \$704 during the three months ended September 30, 2014, compared to consolidated interest expense, net, of \$637 during the three months ended September 30, 2013. The increase in interest expense, net, was primarily attributable to higher average outstanding foreign credit debt amounts during the three months ended September 30, 2014, compared to the same period in 2013.

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

Other, net

Consolidated other, net, decreased to expense of \$616 during the three months ended September 30, 2014 compared to a consolidated other, net income of \$288 during the three months ended September 30, 2013. The decrease in other, net, was primarily attributable to remeasurement losses recognized on the Company's foreign denominated accounts receivable and accounts payable and losses on mark-to-market adjustments on non-hedged foreign currency contracts.

Income Taxes

Consolidated income tax benefit increased \$56, or 8.0%, to a benefit of \$753 during the three months ended September 30, 2014, compared to a consolidated income tax benefit of \$697 during the same period in 2013. The increase in tax benefit is due to the increase in the effective tax rate and decrease in loss before income tax recorded during the three months ended September 30, 2014, compared to the same period in 2013. The Company has recognized a benefit as it is more likely than not that this benefit will be realized during the year ended December 31, 2014.

Our effective income tax rate was 64.2% for the three months ended September 30, 2014, compared to 16.0% for the same period in 2013. Factors that could cause our annual effective tax rate to differ materially from our quarterly effective tax rates include changes in the geographic mix of taxable income and discrete events that may occur in various quarters. There were no meaningful discrete events recorded in the Company's effective income tax rate calculation for the three months ended September 30, 2014.

Discontinued Operations

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. Discontinued operations increased \$18,482 to \$20,822 during the three months ended September 30, 2014, compared to discontinued operations of \$2,340 during the three months ended September 30, 2013. The increase was due primarily to recording the gain on sale net of tax of \$19,558 in discontinued operations in our September 30, 2014 condensed consolidated financial statements as a result of the GMP Sale.

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

Consolidated Nine Months Ended September 30, 2014 Compared to Consolidated Nine Months Ended September 30, 2013

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

	Nine Months Ended	
	September 30, 2014	September 30, 2013
Sales		
Domestic sales	\$ 52,792	\$ 46,221
International sales	80,923	67,739
Total sales	<u>133,715</u>	<u>113,960</u>
Cost of goods sold		
	<u>82,008</u>	<u>73,166</u>
Gross profit	51,707	40,794
Operating expenses		
Selling, general and administrative	59,190	54,348
Restructuring charge	2,590	175
Merger and integration	-	416
Transaction costs	-	54
Total operating expenses	<u>61,780</u>	<u>54,993</u>
Operating loss	<u>(10,073)</u>	<u>(14,199)</u>
Other (expense) income		
Interest expense, net	(1,953)	(1,902)
Other, net	<u>(424)</u>	<u>233</u>
Total other expense, net	<u>(2,377)</u>	<u>(1,669)</u>
Loss before income tax	(12,450)	(15,868)
Income tax benefit	(4,186)	(4,190)
Loss from continuing operations	<u>(8,264)</u>	<u>(11,678)</u>
Discontinued operations, net of tax	<u>22,357</u>	<u>5,072</u>
Net income (loss)	<u>\$ 14,093</u>	<u>\$ (6,606)</u>

Sales

Consolidated sales increased \$19,755, or 17.3%, to \$133,715 during the nine months ended September 30, 2014 compared to consolidated sales of \$113,960 during the nine months ended September 30, 2013. The increase in sales was primarily attributable to an increase in the quantity of new and existing mountain, climb, ski, and wheels products sold during the period, which included the addition of apparel sold by Black Diamond Equipment and the launch of POC's road cycling collection. We also experienced an increase in sales of \$169 due to the strengthening of foreign currencies against the U.S. dollar during the nine months ended September 30, 2014.

Consolidated domestic sales increased \$6,571, or 14.2%, to \$52,792 during the nine months ended September 30, 2014 compared to consolidated domestic sales of \$46,221 during the nine months ended September 30, 2013. The increase in domestic sales was primarily attributable to an increase in the quantity of new and existing mountain, climb, ski, and wheels products sold during the period, which included the addition of apparel sold by Black Diamond Equipment and the launch of POC's road cycling collection.

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

Consolidated international sales increased \$13,184, or 19.5%, to \$80,923 during the nine months ended September 30, 2014 compared to consolidated international sales of \$67,739 during the nine months ended September 30, 2013. The increase in international sales was primarily attributable to an increase in the quantity of new and existing mountain, climb, ski, and wheels products sold during the period, which included the addition of apparel sold by Black Diamond Equipment and the launch of POC's road cycling collection. We also experienced an increase in sales of \$169 due to the strengthening of foreign currencies against the U.S. dollar during the nine months ended September 30, 2014.

Cost of Goods Sold

Consolidated cost of goods sold increased \$8,842, or 12.1%, to \$82,008 during the nine months ended September 30, 2014 compared to consolidated cost of goods sold of \$73,166 during the nine months ended September 30, 2013. The increase in cost of goods sold was primarily attributable to an increase in sales. The consolidated cost of goods sold for the nine months ended September 30, 2013, included the impact of the voluntary recall by PIEPS, the Company's subsidiary, of all of its PIEPS VECTOR avalanche transceivers resulting in a charge of \$1,541 in cost of goods sold during such period.

Gross Profit

Consolidated gross profit increased \$10,913 or 26.8%, to \$51,707 during the nine months ended September 30, 2014 compared to consolidated gross profit of \$40,794 during the nine months ended September 30, 2013. Consolidated gross margin was 38.7% during the nine months ended September 30, 2014 compared to a consolidated gross margin of 35.8% during the nine months ended September 30, 2013, which included the impact of the voluntary recall of all of the PIEPS VECTOR avalanche transceivers of \$1,541. Consolidated gross margin during the nine months ended September 30, 2014 increased compared to the prior year due to a favorable product mix in higher margin products and channel distribution as well as a lower level of close-out and promotional activity.

Selling, General and Administrative

Consolidated selling, general, and administrative expenses increased \$4,842, or 8.9%, to \$59,190 during the nine months ended September 30, 2014, compared to consolidated selling, general, and administrative expenses of \$54,348 during the nine months ended September 30, 2013. The increase in selling, general and administrative expenses was attributable to the Company's investments in its strategic initiatives, such as Black Diamond Equipment apparel, the transition of certain distributors into our in-house operations for POC, and the launch of POC's road cycling collection. The stock based compensation expense was higher during the nine months ended September 30, 2013, by \$974 compared to the nine months ended September 30, 2014, as a result of the Company issuing more fully vested stock option awards in the prior year.

Restructuring Charges

Consolidated restructuring expense increased \$2,415, or 1,380.0%, to \$2,590 during the nine months ended September 30, 2014 compared to consolidated restructuring expense of \$175 during the nine months ended September 30, 2013. The restructuring expenses incurred during the nine months ended September 30, 2014, relate to impairment of assets of \$2,028 and benefits provided to employees who were terminated due to the Company's reduction-in-force as part of its realignment of resources within the organization. The restructuring expenses incurred during the nine months ended September 30, 2013, related to the relocation of POC's Portsmouth, NH facility to the Company's U.S. distribution facilities in Salt Lake City, UT.

Merger and Integration Costs

Consolidated merger and integration expense decreased to \$0 during the nine months ended September 30, 2014 compared to consolidated merger and integration expense of \$416 during the nine months ended September 30, 2013, which consisted of expenses related to the integration of POC Group and PIEPS.

Transaction Costs

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

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

Interest Expense, net

Consolidated interest expense, net, increased \$51, or 2.7%, to \$1,953 during the nine months ended September 30, 2014 compared to consolidated interest expense, net, of \$1,902 during the nine months ended September 30, 2013. The increase in interest expense, net, was primarily attributable to higher average outstanding foreign credit debt amounts during the nine months ended September 30, 2014, compared to the same period in 2013.

Other, net

Consolidated other, net, decreased to expense of \$424 during the nine months ended September 30, 2014 compared to a consolidated other, net income of \$233 during the nine months ended September 30, 2013. The decrease in other, net, was primarily attributable to losses on mark-to-market adjustments on non-hedged foreign currency contracts partially off-set by remeasurement gains recognized on the Company's foreign denominated accounts receivable and accounts payable.

Income Taxes

Consolidated income tax benefit decreased \$4, or 0.1%, to a benefit of \$4,186 during the nine months ended September 30, 2014 compared to consolidated income tax benefit of \$4,190 during the same period in 2013. The decrease in tax benefit is due to the increase in the effective tax rate and the decrease in loss before income tax recorded during the nine months ended September 30, 2014, compared to the same period in 2013. The Company has recognized a benefit as it is more likely than not that this benefit will be realized during the year ended December 31, 2014.

Our effective income tax rate was 33.6% for the nine months ended September 30, 2014 compared to 26.4% for the same period in 2013. Factors that could cause our annual effective tax rate to differ materially from our quarterly effective tax rates include changes in the geographic mix of taxable income and discrete events that may occur in various quarters. There were no meaningful discrete events recorded in the Company's effective income tax rate calculation for the nine months ended September 30, 2014.

Discontinued Operations

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. Discontinued operations increased \$17,285, to \$22,357 during the nine months ended September 30, 2014, compared to discontinued operations of \$5,072 during the nine months ended September 30, 2013. The increase was due primarily to recording the gain on sale net of tax of \$19,558 in discontinued operations in our September 30, 2014 condensed consolidated financial statements as a result of the GMP Sale.

Liquidity and Capital Resources

Consolidated Nine months ended September 30, 2014 Compared to Consolidated Nine months ended September 30, 2013

The following presents a discussion of cash flows for the consolidated nine months ended September 30, 2014, compared with the consolidated nine months ended September 30, 2013. Our primary ongoing funding requirements are for working capital, expansion of our operations and general corporate needs, as well as investing activities associated with the expansion into new product categories. We plan to fund our future expansion of operations and investing activities through a combination of our future operating cash flows, revolving credit facilities, and the net proceeds from the GMP Sale. We believe that our liquidity requirements for at least the next 12 months will be adequately covered by existing cash, cash provided by operations and our existing revolving credit facilities. At September 30, 2014, we had total cash of \$42,793, compared with a cash balance of \$4,478 at December 31, 2013, which was substantially all controlled by the Company's U.S. entities. The increase in cash as of September 30, 2014 was mainly due to the sale of Gregory. At September 30, 2014, the Company had \$1,908 of the \$42,793 in cash held by foreign entities; however, this cash is available for repatriation without significant tax consequence.

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

	Nine Months Ended	
	September 30, 2014	September 30, 2013
Net cash used in operating activities	\$ (31,000)	\$ (1,898)
Net cash provided by (used in) investing activities	78,745	(3,864)
Net cash (used in) provided by financing activities	(9,743)	5,474
Effect of foreign exchange rates on cash	313	(429)
Change in cash	38,315	(717)
Cash, beginning of period	4,478	5,111
Cash, end of period	<u>\$ 42,793</u>	<u>\$ 4,394</u>

Net Cash From Operating Activities

Consolidated net cash used in operating activities was \$31,000 during the nine months ended September 30, 2014, compared to consolidated net cash used in operating activities of \$1,898 during the nine months ended September 30, 2013. The increase in net cash used by operating activities during 2014 is primarily due to an increase in net operating assets or non-cash working capital of \$30,220 during the nine months ended September 30, 2014, compared to the same period in 2013. The increase in the Company's non-cash working capital was primarily driven by an increase in its inventory levels in preparation of its fall/winter 2014 selling season.

Free cash flow, defined as net cash used in operating activities less capital expenditures, was free cash flows used of \$33,399 during the nine months ended September 30, 2014 compared to free cash flows used of \$5,033 during the same period in 2013. The Company believes that the non-GAAP measure, free cash flow, provides an understanding of the capital required by the Company to expand its asset base. A reconciliation of free cash flows to comparable GAAP financial measures is set forth below:

	Nine Months Ended	
	September 30, 2014	September 30, 2013
Net cash used in operating activities	\$ (31,000)	\$ (1,898)
Purchase of property and equipment	(2,399)	(3,135)
Free cash flow	<u>\$ (33,399)</u>	<u>\$ (5,033)</u>

Net Cash From Investing Activities

Consolidated net cash provided by investing activities increased by \$82,609 to \$78,745 during the nine months ended September 30, 2014, compared to consolidated net cash used in investing activities of \$3,864 during the nine months ended September 30, 2013. The increase in investing activities in the current year relates to the \$81,140 of net proceeds we received for the sale of Gregory. Investing activities during the nine months ended September 30, 2013 included the Company's acquisition of Gregory's Japanese distribution assets from Kabushiki Kaisha A&F, the prior distributor of Gregory's products in Japan, for \$750. These activities, as well as a decrease in capital expenditures generated an increase in net cash provided by investing activities compared to the nine months ended September 30, 2013.

Net Cash From Financing Activities

Consolidated net cash used in financing activities increased by \$15,217 to \$9,743 during the nine months ended September 30, 2014, compared to consolidated cash provided by financing activities of \$5,474 during the nine months ended September 30, 2013. The increase in net cash used in investing activities relates to the debt payments made using the proceeds from the GMP Sale.

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

Net Operating Loss

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

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

On July 23, 2014, the Company completed the GMP Sale and expects to utilize approximately \$31,360 of its net operating loss carryforwards in the transaction, leaving a balance of approximately \$179,000 for future utilization.

Revolving Credit Facility

On October 31, 2014, the Company together with its direct and indirect domestic subsidiaries entered into a second amended and restated loan agreement (the “Second Amended and Restated Loan Agreement”) with Zions First National Bank (the “Lender”), which matures on April 1, 2017. Under the Second Amended and Restated Loan Agreement, the Company has a \$30,000 revolving line of credit (the “Revolving Line of Credit”) pursuant to a second amended and restated promissory note (revolving loan) (the “Revolving Line of Credit Promissory Note”) which is inclusive of a \$10,000 accordion option (the “Accordion”) available to the Company to increase the Revolving Line of Credit on a seasonal or permanent basis for funding general corporate needs including working capital, capital expenditures, permitted loans or investments in subsidiaries, and the issuance of letters of credit. Also pursuant to the Second Amended and Restated Loan Agreement, the Company terminated its outstanding term loan facility which previously allowed the Company to borrow up to \$10,000 and certain additional changes were made to the original amended and restated loan agreement and the covenants contained therein.

All debt associated with 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 calculated in the Second Amended and Restated Loan Agreement).

5% Senior Subordinated Notes due May 28, 2017

As part of the consideration payable to the stockholders of Gregory when the Company acquired Gregory, the Company issued \$14,517, \$7,539, and \$554 in 5% Unsecured Subordinated Notes due May 28, 2017 (the “Merger Consideration Subordinated Notes”) to Kanders GMP Holdings, LLC, Schiller Gregory Investment Company, LLC, and five former employees of Gregory, respectively. Mr. Warren B. Kanders, the Company’s Executive Chairman and a member of its Board of Directors, is a majority member and a trustee of the manager of Kanders GMP Holdings, LLC. The sole manager of Schiller Gregory Investment Company, LLC is Mr. Robert R. Schiller, the Company’s Executive Vice Chairman and a member of its Board of Directors. The principal terms of the Merger Consideration Subordinated Notes are as follows: (i) the principal amount is due and payable on May 28, 2017 and is prepayable by the Company at any time; (ii) interest will accrue on the principal amount at the rate of 5% per annum and shall be payable quarterly in cash; (iii) the default interest rate shall accrue at the rate of 10% per annum during the occurrence of an event of default; and (iv) events of default, which can only be triggered with the consent of Kanders GMP Holdings, LLC, are: (a) the default by the Company on any payment due under a Merger Consideration Subordinated Note; (b) the Company’s failure to perform or observe any other material covenant or agreement contained in the Merger Consideration Subordinated Notes; or (c) the Company’s instituting or becoming subject to a proceeding under the Bankruptcy Code (as defined in the Merger Consideration Subordinated Notes). The Merger Consideration Subordinated Notes are junior to all senior indebtedness of the Company, except that payments of interest continue to be made under the Merger Consideration Subordinated Notes as long as no event of default exists under any senior indebtedness.

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

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

On April 7, 2011, Schiller Gregory Investment Company, LLC transferred its Merger Consideration Subordinated Note in equal amounts to the Robert R. Schiller Cornerstone Trust and the Deborah Schiller 2005 Revocable Trust. On June 24, 2013, the Robert R. Schiller Cornerstone Trust dated September 9, 2010 transferred its Merger Consideration Subordinated Note in the amount of \$3,769 to the Robert R. Schiller 2013 Cornerstone Trust dated June 24, 2013. During the three and nine months ended September 30, 2014, \$181 and \$544 in interest was paid to Kanders GMP Holdings, LLC, respectively, and \$95 and \$283 in interest, respectively, was paid to the Robert R. Schiller 2013 Cornerstone Trust and the Deborah Schiller 2005 Revocable Trust pursuant to the outstanding Merger Consideration Subordinated Notes.

On May 29, 2012 and August 13, 2012, five former employees of Gregory exercised certain sales rights and sold Merger Consideration Subordinated Notes in the aggregate principal amount of approximately \$365 to Kanders GMP Holdings, LLC and in the aggregate principal amount of approximately \$189 to Schiller Gregory Investment Company, LLC. During the three and nine months ended September 30, 2014, \$5 and \$14 in interest was paid to Kanders GMP Holdings, LLC, respectively, and \$2 and \$7 in interest, respectively, was paid to Schiller Gregory Investment Company, LLC, pursuant to these outstanding Merger Consideration Subordinated Notes.

Off-Balance Sheet Arrangements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

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

BLACK DIAMOND, INC.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Legal Proceedings

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

Litigation

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

Product Liability

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

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

ITEM 1A. RISK FACTORS

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

BLACK DIAMOND, INC.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

The Company did not sell any securities during the quarter ended September 30, 2014 that were not registered under the Securities Act of 1933, as amended.

Issuer Repurchases of Equity Securities

The table below summarizes the number of shares of our common stock that were withheld to satisfy the tax withholding obligations for our stock-based compensation restricted stock that vested during the three months ended September 30, 2014.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet to Purchaed Under the Plans or Programs
July 1 to 31, 2014	-	\$ -	-	-
August 1 to 31, 2014	21,576	\$ 8.52	-	-
September 1 to 30, 2014	-	\$ -	-	-
Total	21,576			

(1) Represents the surrender of shares of common stock to the Company to satisfy the tax withholding obligations associated with the vesting of restricted shares of common stock.

ITEM 5. OTHER INFORMATION

Second Amended and Restated Loan Agreement

On October 31, 2014, the Company together with its direct and indirect domestic subsidiaries entered into a second amended and restated loan agreement (the “Second Amended and Restated Loan Agreement”) with Zions First National Bank (the “Lender”), which matures as of April 1, 2017. Under the Second Amended and Restated Loan Agreement, the Company has a \$30,000 revolving line of credit (the “Revolving Line of Credit”) pursuant to a second amended and restated promissory note (revolving loan) (the “Revolving Line of Credit Promissory Note”) which is inclusive of a \$10,000 accordion option (the “Accordion”) available to the Company to increase the Revolving Line of Credit on a seasonal or permanent basis for funding general corporate needs including working capital, capital expenditures, permitted loans or investments in subsidiaries, and the issuance of letters of credit. Also pursuant to the Second Amended and Restated Loan Agreement, the Company terminated its outstanding term loan facility which previously allowed the Company to borrow up to \$10,000 and certain additional changes were made to the original amended and restated loan agreement and the covenants contained therein.

All debt associated with 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 or if the Company has cash or marketable securities equal to or greater than \$30,000.

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 the Total Senior Debt to Trailing Twelve Month EBITDA is greater than 1.00 and less than 2.00; and (iii) .4% per annum at all times that the Total Senior Debt to Trailing Twelve Month EBITDA is less than 1.00.

The Second Amended and Restated Loan Agreement contains certain financial covenants including restrictive debt covenants that require the Company and its subsidiaries to maintain an EBITDA based minimum Trailing Twelve Month EBITDA (except not applicable for periods that the Company maintains cash or a combination of cash or marketable securities of not less than \$30,000 prior to exercise of the Accordion and \$40,000 at all times after an exercise of the Accordion), a minimum net worth, a positive amount of asset coverage and limitations on capital expenditures, all as calculated in the Second Amended and Restated Loan Agreement.

BLACK DIAMOND, INC.

In addition, 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 Second Amended and Restated Loan Agreement. 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 Second Amended and Restated Loan Agreement; and default on any debt or agreement in excess of certain amounts.

Copies of the Second Amended and Restated Loan Agreement and the Revolving Line of Credit Promissory Note are attached to this Quarterly Report on Form 10-Q as Exhibits 10.3 and 10.4, respectively, and are incorporated herein by reference as though fully set forth herein. The foregoing summary description of the Second Amended and Restated Loan Agreement and the Revolving Line of Credit Promissory Note is not intended to be complete and is qualified in its entirety by the complete text of the Second Amended and Restated Loan Agreement and the Revolving Line of Credit Promissory Note.

BLACK DIAMOND, INC.

ITEM 6. EXHIBITS

Exhibit	Description
10.1	Employment Agreement, dated as of August 11, 2014, between Black Diamond, Inc. and Zeena Freeman (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 15, 2014 and incorporated herein by reference).
10.2	Letter Agreement, dated as of August 11, 2014, between Black Diamond, Inc. and Peter Metcalf (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 15, 2014 and incorporated herein by reference).
10.3	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. *
10.4	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. *
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *
*	Filed herewith

BLACK DIAMOND, INC.

SIGNATURES

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

BLACK DIAMOND, INC.

Date: November 4, 2014

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

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

BLACK DIAMOND, INC.

EXHIBIT INDEX

Exhibit	Description
10.3	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. *
10.4	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. *
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document *
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *
*	Filed herewith

SECOND AMENDED AND RESTATED LOAN AGREEMENT

Between

ZIONS FIRST NATIONAL BANK
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
BD EUROPEAN HOLDINGS, LLC
Co-Borrowers

Effective Date: October 31, 2014

SECOND AMENDED AND RESTATED LOAN AGREEMENT

This Second Amended and Restated Loan Agreement is made and entered into as of October 31, 2014 (the "Effective Date") by and among Zions First National Bank, a national banking association, as Lender, and 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; POC USA, 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 as Borrowers, and the other Loan Parties from time to time party hereto.

RECITALS

- A. Lender and Borrowers have entered into that certain Amended and Restated Loan Agreement dated as of March 8, 2013, as amended by that certain First Amendment to Amended and Restated Loan Agreement dated as of February 28, 2014 (collectively, the "A&R Loan Agreement") pursuant to which, among other things, Lender extended to Borrowers (i) a revolving line of credit in the maximum principal amount of \$30,000,000 as evidenced by that certain Amended and Restated Promissory Note (Revolving Loan) dated as of March 8, 2013 (the "A&R Promissory Note") and (ii) a term loan in the original principal amount of \$10,000,000 as evidenced by that certain Amended and Restated Promissory Note (Term Loan) dated as of February 28, 2014.
- B. Lender and Borrowers now desire to enter into this Second Amended and Restated Loan Agreement for the purpose of amending and restating the A&R Loan Agreement in its entirety.

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

1. Definitions

1.1 Definitions

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

"Accordion Increase Loan Fee" means a one-time loan fee equal to \$20,000 to be paid by the Borrowers to Lender in respect of the increased availability under the Revolving Loan.

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

“Administrator” shall have the meaning set forth in Section 10.18 Jury Trial Waiver, Arbitration, and Class Action.

“Affiliate” means, with respect to a specified Person, another Person (i) which directly or indirectly controls or is controlled by or is under common control with the Person specified, (ii) which is a Subsidiary of the Person specified, or (iii) which directly or indirectly beneficially owns or holds 25% or more of any voting class of any equity interest of the Person specified. As used in this definition, “control” or “controlled” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting equity interests, by contract, or otherwise.

“Agreement” means this Loan Agreement, as amended, supplemented, restated, amended and restated, or otherwise modified from time to time and together with any exhibits, schedules and addendums hereof and thereto.

“Applicable Margin” means, for any day, the applicable percentage set forth as follows:

Tier	Senior Net Debt to Trailing Twelve Month EBITDA Ratio	Applicable Percentage	Non-Use Fee
1	Greater than 2.00	4.00%	0.60%
2	Greater than or equal to 1.00, but less than or equal to 2.00	3.00%	0.50%
3	Less than 1.00	2.00%	0.40%

The Applicable Margin shall be adjusted from time to time upon delivery to Lender of the quarterly financial statements of Black Diamond required to be delivered pursuant to Section 6.7 accompanied by a written calculation of the ratio of Senior Net Debt to Trailing Twelve Month EBITDA certified on behalf of the Borrowers by a Responsible Officer of the Borrowers as of the end of the fiscal quarter for which such financial statements are delivered. If such calculation indicates that the Applicable Margin shall increase or decrease, then on the first day of the calendar month following the date of delivery of such financial statements and written calculation the Applicable Margin shall be adjusted in accordance therewith; provided, however, that if the Borrowers shall fail to deliver any such financial statements for any such fiscal quarter by the date required pursuant to Section 6.7, then, at Lender’s election, effective as of the first day of the calendar month following the end of the fiscal quarter during which such financial statements were to have been delivered, and continuing through the first day of the calendar month following the date (if ever) when such financial statements and such written calculation are finally delivered, the Applicable Margin shall be conclusively presumed to equal Tier 1 specified in the pricing table set forth above.

In the event that any financial statement delivered pursuant to Sections 6.7 is inaccurate, and such inaccuracy, if corrected, would have led to the imposition of a higher Applicable Margin for any period than the Applicable Margin applied for that period, then (i) the Borrowers shall immediately deliver to Lender a corrected financial statement with an accompanying corrected written calculation certified by a Responsible Officer of the Borrowers for that period, (ii) the Applicable Margin shall be determined based on the corrected calculation for that period, and (iii) the Borrowers shall immediately pay to Lender the accrued additional interest owing as a result of such increased Applicable Margin for that period. This paragraph shall survive the termination of this Agreement until the payment in full in cash of the aggregate outstanding principal balance of the Loans.

“Arbitration Order” shall have the meaning set forth in Section 10.18 Jury Trial Waiver, Arbitration, and Class Action.

“Asset Coverage” means (i) 70% of the sum of the net book value of the accounts receivable, inventory and property, plant and equipment, less (ii) Total Senior Net Liabilities of Borrowers on a Consolidated basis, as reflected on Black Diamond’s Consolidated Financial Statements.

“Asset Protection Trust” shall have the meaning set forth in Section 6.27 Creation of Trusts: Transfers to Trusts.

“Auto-Extension Letter of Credit” shall have the meaning set forth in Section 2.2e Letters of Credit.

“A&R Loan Agreement” shall have the meaning set forth in the recitals of this Agreement.

“A&R Promissory Note” shall have the meaning set forth in the recitals of this Agreement.

“Banking Business Day” means any day not a Saturday, Sunday, legal holiday in the State of Utah, or day on which national banks in the State of Utah are authorized to close and, when used with respect to all notices and determinations in connection with, and payments of principal and interest on, advances of the Loan bearing interest at a LIBOR Rate, any day on which dealings in dollar deposits are also carried on in the London Interbank market and banks are open for business in London.

“BDEH” means BD European Holdings, LLC, a limited liability company organized and existing under the laws of the State of Delaware.

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

“BDNA” means BD North American Holdings, LLC, a limited liability company organized and existing under the laws of the State of Delaware.

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

“Black Diamond” means Black Diamond, Inc., a corporation organized and existing under the laws of the State of Delaware.

“Borrowers” means, collectively, Black Diamond, BDEL, BD-Retail, Everest, BDNA, POC, Pieps Service, BDEH and any domestic Subsidiaries of Borrowers formed by Borrowers as provided in Section 6.21 Subsidiaries or acquired pursuant to a Permitted Acquisition, or any of them.

“Capital Expenditures” means expenditures for fixed or capital assets as determined in accordance with Accounting Standards.

“Code” means the Internal Revenue Code of 1986, as amended.

“Collateral” means any and all property owned, leased or operated by a Person covered by the Collateral Documents and any and all other property of any Loan Party, existing upon or acquired after the Effective Date, that may after the occurrence of a Collateral Triggering Event be or become subject to a security interest or Lien in favor of Lender to secure the Obligations.

“Collateral Documents” means, collectively, all security agreements, assignments, pledges, control agreements, financing statements, deeds of trust, mortgages, and other documents creating, granting, evidencing or perfecting a Lien upon the Collateral as security for payment of the Obligations under the Loan Documents, and all amendments, modifications, addendums, and replacements thereof, whether presently existing or created in the future.

“Collateral Triggering Event” means the occurrence and continuance beyond any applicable cure or grace periods of any Event of Default.

“Compliance Certificate” means a certificate executed by the Loan Parties, as described in Section 6.7 Financial Statements and Reports, substantially in the form attached hereto as Exhibit A.

“Consolidated” or “on a Consolidated basis” means, with respect to calculations, amounts, reports, statements, or certificates required hereunder, such calculations, amounts, reports, statements or certificates of a Person and their Subsidiaries.

“Consolidated Financial Statements” means the Consolidated financial statements of Black Diamond prepared in accordance with Accounting Standards.

“Covenant Liquidity” means unencumbered cash or marketable securities in one or more deposit or approved investment accounts owned by Borrowers and maintained with or managed by Lender or Lender’s Affiliates.

“Debt” means, with respect to any Person and without duplication, (i) indebtedness or liability for borrowed money; (ii) obligations evidenced by bonds, debentures, notes, or other similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses; (iii) obligations for the deferred purchase price of property or services (excluding trade obligations incurred in the ordinary course of business not more than 120 days past due); (iv) obligations as lessee under capital leases; (v) current liabilities in respect of unfunded vested benefits under Plans covered by ERISA; (vi) obligations under acceptance facilities; (vii) any Disqualified Equity Interests of such Person; (viii) the face amount of all letters of credit issued for the account of such Person and without duplication, all drafts drawn thereunder and all reimbursement or payment obligations with respect to letters of credit, surety bonds, and other similar instruments issued by such Person; (ix) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (x) the principal balance outstanding under any synthetic lease, off-balance sheet loan or similar off balance sheet financing product; (xi) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business), and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person, or otherwise to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto; (xii) obligations as lessee under any operating lease; and (xiii) obligations secured by any mortgage, deed of trust, lien, pledge, or security interest or other charge or encumbrance on property, whether or not such Person has assumed or become liable for the payment of any such obligation.

“Default” means an event which, with the passage of time or giving of notice or both, without waiver or timely cure, would constitute an Event of Default.

“Default Rate” means 3.0% per annum above the LIBOR Rate plus the Tier 1 Applicable Margin.

“Dispute” shall have the meaning set forth in Section 10.18 Jury Trial Waiver, Arbitration, and Class Action Waiver.

“Disqualified Equity Interests” means any Equity Interest which, by its terms (or by the terms of any security or other Equity Interest into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (a) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is 91 days following the final maturity date of the Loan (excluding any provisions requiring redemption upon a “change of control” or similar event; provided that such “change of control” or similar event results in the prior payment in full in cash of the Obligations (other than contingent indemnification obligations to the extent no claim giving rise thereto has been asserted), the termination of all commitments to lend hereunder and the termination of this Agreement), (b) is convertible into or exchangeable for (1) debt securities or (2) any Equity Interest referred to in (a) above, in each case, at any time on or prior to the date that is 91 days following the final maturity date of the Loan, or (c) is entitled to receive scheduled dividends or distributions in cash prior to the time that the Obligations (other than contingent indemnification obligations to the extent no claim giving rise thereto has been asserted) are paid in full in cash.

“Distributions” means any payment to any shareholder of the Loan Parties for dividends, repurchases, redemptions, retirements or reacquisitions of capital stock, whether in cash or assets.

“Dry Hole Expenses” means verifiable expenses for legal, accounting, investment banking, financial advisory, consulting and other third-party services that would otherwise qualify as Transaction Expenses except that such expenses related to transactions that failed to close, not to exceed an aggregate amount of \$500,000 during any Trailing Twelve Month period.

“EBITDA” means earnings (excluding extraordinary gains and losses realized other than in the ordinary course of business and excluding the sale or writedown of intangible or capital assets) before Interest Expense, Income Tax Expense, depreciation, amortization, other non-cash charges (including stock-based compensation and inventory increases required in purchase accounting), Transaction Expenses incurred on or prior to September 30, 2014, Dry Hole Expenses incurred on or prior to September 30, 2014, and other non-recurring expenses approved by Lender in its sole discretion, in each case as determined in accordance with Accounting Standards.

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

“Environmental Health and Safety Law” means any legal requirement that governs the Loan Parties or the Real Property that requires or relates to:

- a. advising appropriate authorities, employees, or the public of intended or actual releases of Hazardous Materials, violations of discharge limits or other prohibitions, and of the commencement of activities, such as resource extraction or construction, that do or could have significant impact on the environment;
- b. preventing or reducing to acceptable levels the release of Hazardous Materials;
- c. reducing the quantities, preventing the release, or minimizing the hazardous characteristics of wastes that are generated;
- d. assuring that products are designed, formulated, packaged, and used so that they do not present unreasonable risks to human health or the environment when used or disposed of;
- e. protecting resources, species, or ecological amenities;
- f. use, storage, transportation, sale, or transfer of Hazardous Materials or other potentially harmful substances;
- g. cleaning up Hazardous Materials that have been released, preventing the threat of release, and/or paying the costs of such clean up or prevention; or

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

“Equity Interests” means shares of capital stock, partnership interests, membership interests or units in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

“ERISA” shall have the meaning set forth in Section 5.8 Compliance with ERISA.

“ERISA Affiliate” shall have the meaning set forth in Section 5.8 Compliance with ERISA.

“Event of Default” shall have the meaning set forth in Section 7.1 Events of Default.

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

“Excluded Taxes” means any of the following Taxes imposed on or with respect to any Lender or required to be withheld or deducted from a payment to any Lender under this Agreement: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Lender being organized under the laws of, or having its principal office or its applicable lending office located in the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes; (b) U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in the Loan pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan or (ii) such Lender changes its lending office, except to the extent that such Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from any Loan Party with respect to such withholding Tax pursuant to Section 2.9a Payment Free of Taxes (provided that such Lender has complied with Section 2.9d Status of Lenders); (c) Taxes attributable to such Lender’s failure to comply with Section 2.9d Status of Lenders; and (d) any U.S. federal withholding Taxes imposed under FATCA.

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

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof, and any agreements entered into pursuant to Section 1471(b)(1) of the Code.

“FASB” shall have the meaning set forth in Section 5.8 Compliance with ERISA.

“Fiscal Year” means the fiscal year of Black Diamond.

“Fiscal Year End” means December 31 for any year.

“FHLB Rate” means, as of any date of determination, the rate per annum quoted by Lender as its Thirty Day FHLB rate based upon the FHLB Seattle rate as quoted in Bloomberg, or on the FHLB Seattle internet web site at www.FHLBsea.com, or other comparable service selected by Lender. This definition of “FHLB Rate” is to be strictly interpreted and is not intended to serve any purpose other than providing an index to determine the interest rate used herein. It is not the lowest rate at which Lender may make loans to any of its customers, now or in the future. If the FHLB Rate becomes unavailable during the term of this Agreement, Lender may designate a substitute index after notifying Borrowers.

“Foreign Lender” means any Lender that is not a U.S. Person.

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

“Hedging Transaction” means and includes any transaction now existing or hereafter entered into between any of the Loan Parties and Lender or an Affiliate of Lender which is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures, including without limitation the transactions entered into pursuant to the Hedging Transaction Documents.

“Hedging Transaction Documents” means and includes all ISDA Master Agreements and Schedules thereto, and all Confirmations (as such term is defined by any ISDA Master Agreement) between any of the Loan Parties and Lender or an Affiliate of Lender in connection with any Hedging Transactions, together with all renewals, extensions, modifications, and consolidations of or substitutions for any of the foregoing “Income Tax Expense” means expenditures and accruals for federal and state income taxes and foreign income taxes, each determined in accordance with Accounting Standards.

“Indemnified Taxes” means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Loan Parties under any Loan Document and (b) to the extent not otherwise described in (a), Other Taxes.

“Intercompany Loans” means any loan or extension of credit from the Loan Parties or non-Loan Party Subsidiaries to any Loan Party or non-Loan Party Subsidiary, now existing or in the future, including, without limitation, those set forth on Schedule 1.1 hereto.

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

“Joinder Agreement” means an agreement whereby a company which is the subject of a Permitted Acquisition or which otherwise becomes a Subsidiary of any Loan Party agrees to become a Borrower and be bound by the terms and conditions of the Loan Documents, in substantially the form of Exhibit D.

“Laws” means any law, statute, rule, regulation or order of any domestic or foreign government, or any instrumentality or agency thereof having jurisdiction over the conduct of any Loan Party’s business or the ownership of its properties.

“LC Sublimit” means, at any time, a portion of the Revolving Loan amount available from time to time for the issuance of Letters of Credit equal to the lesser of (a) the undrawn amount under the Revolving Loan (including amounts frozen for outstanding Letters of Credit) at the time of determination and (b) \$5,000,000.

“Lender” means Zions First National Bank, a national banking association, its successors, and assigns.

“Letter of Credit” means any standby or commercial letter of credit issued by Lender under this Agreement pursuant to Section 2.2e Letters of Credit for the account of Borrower.

“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.

“Lien” means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge, security interest, assignment, deposit arrangement, or other preferential arrangement of any nature, in, on, of or with respect to such asset, (b) the interest of a vendor or lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset, (c) under the Uniform Commercial Code of any jurisdiction, any financing statement filed identifying or including such asset as collateral, and (d) without limiting the foregoing, in the case of Equity Interests, any purchase option, call or similar right of a third party with respect to such Equity Interests.

“Loan” means the Revolving Loan.

“Loan Documents” means this Agreement, Promissory Note, any Hedging Transaction Documents, all other agreements, documents or instruments governing, evidencing, securing, guaranteeing or otherwise pertaining to the Obligations, and all other agreements and documents contemplated by any of the aforesaid documents. Any reference in this Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements supplements or other modifications, addendums and replacements thereto, whether presently existing or created in the future, and shall refer to this Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative.

“Loan Parties” means Borrowers, each domestic Subsidiary of any of the foregoing, and each Person who becomes a party to this Agreement as a borrower.

“Material Adverse Effect” means a material adverse effect on Black Diamond’s and its Subsidiaries’ financial condition, conduct of their business, or ability to perform their obligations under the Loan Documents, in each case taken as a whole.

“Maturity Date” means April 1, 2017.

“Maximum Availability” means, at the time of determination, an amount equal to the Revolving Loan amount minus the aggregate principal amount of all advances outstanding under the Revolving Loan (including amounts frozen for outstanding Letters of Credit).

“Minimum EBITDA Period” means (i) at any time prior to the Permanent Accordion Increase Date other than during a Seasonal Accordion Increase Period, the period commencing the date upon which Covenant Liquidity is less than \$30,000,000 and ending the date upon which Covenant Liquidity equals or exceeds \$30,000,000 and (ii) any period following the Permanent Accordion Increase Date.

“Multi-Employer Plan” shall have the meaning set forth in Section 5.8 Compliance with ERISA.

“Negative Pledge” shall have the meaning set forth in Section 6.15 Negative Pledge.

“Net Proceeds” means, with respect to any event, (a) the cash proceeds received in respect of such event, including (i) any cash received in respect of any non-cash proceeds (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but excluding any interest payments), but only as and when received, (ii) in the case of a casualty, insurance proceeds and (iii) in the case of a condemnation or similar event, condemnation awards and similar payments, net of (b) the sum of (i) all reasonable fees and out-of-pocket expenses paid to third parties (other than Affiliates) in connection with such event, (ii) in the case of a sale, transfer or other disposition of an asset (including pursuant to a sale and leaseback transaction or a casualty or a condemnation or similar proceeding), the amount of all payments required to be made as a result of such event to repay Debt (other than the Loan) secured by such asset or otherwise subject to mandatory prepayment as a result of such event, and (iii) the amount of all taxes paid (or reasonably estimated to be payable) and the amount of any reserves established to fund contingent liabilities reasonably estimated to be payable, in each case during the year that such event occurred or the next succeeding year and that are directly attributable to such event (as determined reasonably and in good faith by the Loan Parties).

“Net Worth” means total assets minus total liabilities.

“Obligations” means and includes without limitation (but without duplication): (i) any and all obligations, indebtedness and liabilities of any of the Loan Parties, whether individual, joint and several, absolute or contingent, direct or indirect, liquidated or unliquidated, now or hereafter existing, in favor of Lender, including without limitation all unpaid principal of and accrued and unpaid interest (including any interest accruing after the filing of any petition in bankruptcy or the commencement of any proceeding relating to any Loan Party, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) on the Loan, all accrued and unpaid fees and all expenses (including all fees and expenses of counsel to Lender incurred and payable by the Loan Parties pursuant to this Agreement or any other Loan Document), reimbursements, indemnities and other obligations of the Loan Parties to Lender or any indemnified party arising under the Loan Documents; (ii) any and all obligations of any of the Loan Parties, whether individual, joint and several, absolute or contingent, direct or indirect, liquidated or unliquidated, now or hereafter existing, in favor of Lender with respect to any treasury management services, including, without limitation, controlled disbursements, automated clearinghouse transactions, interstate depository network services, credit or debit or purchasing cards, or other cash management services; and (iii) any and all obligations of any of the Loan Parties to Lender or its Affiliates arising under or in connection with any Hedging Transaction now existing or hereafter entered into between any such Loan Party and Lender or its Affiliates, in each case, together with all renewals, extensions, modifications or refinancings thereof.

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

“Other Connection Taxes” means, with respect to any recipient of a payment under any Loan Document, Taxes imposed as a result of a present or former connection between such recipient and the jurisdiction imposing such Tax (other than connections arising from such recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, sold or assigned of any interest in, engaged in any other transaction pursuant to or enforced any Loan Document).

“Other Taxes” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes or any other excise or property Taxes, charges or similar levies that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are imposed with respect to an assignment.

“PBGC” shall have the meaning set forth in Section 5.8 Compliance with ERISA.

“Permanent Accordion Increase Date” means the date upon which all of the following conditions are satisfied: (i) Black Diamond and its Subsidiaries, on a Consolidated basis, achieve a Trailing Twelve Month EBITDA of not less than \$11,000,000 for the most recent fiscal quarter then ending, (ii) Borrowers provide Lender not less than 5 days’ prior written notice that they wish to have permanent access to the maximum principal amount under the Revolving Loan of up to \$30,000,000, and (iii) the Accordion Increase Loan Fee has been paid to Lender.

“Permitted Acquisitions” shall have the meaning set forth in Section 6.17 Mergers, Consolidations, Acquisitions, Sale of Assets.

“Permitted Business” means any business in which the Loan Parties are engaged on the Effective Date or any other business in the outdoor recreation industry, including without limitation, climbing, hiking, skiing, cycling and camping products, accessories and apparel, and any business reasonably similar, ancillary, related or complementary thereto, or a reasonable extension, development or expansion thereof.

“Permitted Joint Venture” shall have the meaning set forth in Section 6.18 Joint Ventures and Investments.

“Permitted Liens” shall have the meaning set forth in Section 6.15 Negative Pledge.

“Person” means any natural person, any unincorporated association, any corporation, firm, any joint venture, any partnership, any limited liability company, any association, any enterprise, any trust or other legal entity or organization, or any government or political subdivision or any agency, department or instrumentality thereof.

“Prepayment Event” means (a) any sale, transfer or other disposition of any property or asset of any Loan Party (other than sales of inventory in the ordinary course of business) to the extent such asset or property has a fair value immediately prior to such event in excess of (i) \$100,000 for any single sale, transfer or disposition or (ii) \$250,000 in the aggregate with all other such sales, transfers and dispositions; (b) any casualty or other insured damage to, or any taking under power of eminent domain or by condemnation or similar proceeding of, any property or asset of any Loan Party in respect of which any Loan Party, individually or in the aggregate, shall receive Net Proceeds in excess of \$100,000; or (c) the occurrence of any Change of Control.

“PIEPS Service” means PIEPS Service, LLC, a limited liability company organized and existing under the laws of the State of Delaware.

“Plan” shall have the meaning set forth in Section 5.8 Compliance with ERISA.

“POC” means POC USA, LLC, a limited liability company organized and existing under the laws of the State of Delaware.

“Promissory Note” means the Revolving Note.

“Real Property” means any and all real property or improvements thereon owned or leased by any Loan Party or in which any Loan Party has any other interest of any nature whatsoever.

“Reimbursement Agreement” shall have the meaning set forth in Section 2.2e Letters of Credit.

“Reportable Event” shall have the meaning set forth in Section 5.8 Compliance with ERISA.

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

“Revolving Loan” means the revolving loan described in Section 2.2 Revolving Loan.

“Revolving Note” means, individually and collectively, the revolving line of credit promissory note to be executed by Borrowers and delivered to Lender pursuant to Section 2.2c Revolving Note hereto, and any and all renewals, extensions, modifications, and replacements thereof.

“Seasonal Accordion Increase Period” means, solely to the extent (i) with respect to the first such period, the Accordion Increase Loan Fee has been paid to Lender, (ii) Covenant Liquidity is greater than \$40,000,000 and (iii) prior to the Permanent Accordion Increase Date, the period commencing July 1st of each Fiscal Year and ending on the earlier of (a) December 31st of such Fiscal Year and (b) the date upon which Covenant Liquidity is less than \$40,000,000.

“Senior Net Debt” means Borrowers’ Debt minus cash on hand, cash equivalents, marketable securities, and Subordinated Debt.

“Subordinated Debt” means those certain 5% Unsecured Subordinated Notes not to exceed an aggregate amount of up to \$23,000,000, executed by Black Diamond dated as of: (i) May 28, 2010 in favor of Kanders GMP Holdings, LLC, Robert R. Schiller Cornerstone Trust, and Deborah Schiller 2005 Revocable Trust; (ii) May 29, 2012 in favor of Kanders GMP Holdings and Schiller Gregory Investment Company, LLC; and (iii) August 13, 2012 in favor of Kanders GMP Holdings and Schiller Gregory Investment Company, LLC.

“Subsidiaries” means any existing or future domestic or foreign corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares or securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned by any Borrower, or the management of which is otherwise controlled by any Borrower, directly, or indirectly through one or more intermediaries. As used in this definition, “control” or “controlled” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting equity interests, by contract, or otherwise.

“Sweep Account” means any account or accounts of Borrowers established with Lender pursuant to the Sweep Account Agreement, now or in the future.

“Sweep Account Agreement” means any agreement between Borrowers and Lender establishing a sweep account arrangement, and all amendments, modifications and replacements thereof.

“Taxes” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed, levied, withheld or assessed by any governmental authority, including any interest, additions to tax or penalties applicable thereto.

“Total Senior Net Liabilities” means total liabilities minus the sum of: cash on hand, cash equivalents, marketable securities, Subordinated Debt, and deferred tax liabilities.

“Trailing Twelve Month” means the 12 calendar month period immediately preceding the date of calculation.

“Transaction Expenses” means reasonable and customary costs and fees paid or accrued in connection with the closing of any acquisitions, including all legal, accounting, banking and underwriting fees and expenses, commissions, discounts and other issuance expenses (including, for the avoidance of doubt, financial consultants engaged for the purpose of determining and implementing a best practices strategy with respect to the integration of Black Diamond into the overall Black Diamond operations, accounting systems, culture and so forth).

“U.S. Person” means any Person that is a “United States Person” as defined in Section 7701(a)(30) of the Code.

1.2 Terms Generally

The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

2. The Loan

2.1 Intentionally Omitted

2.2 Revolving Loan

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 \$30,000,000 pursuant to this Section 2.2; provided, however, other than during a Seasonal Accordion Increase Period, Lender shall loan up to no more than \$20,000,000 at any one time outstanding prior to the Permanent Accordion Increase Date.

b . Nature and Duration of Revolving Loan. The Revolving Loan shall be a revolving loan payable in full upon the date and upon the terms and conditions provided in this Agreement and in the Revolving Note. Lender and Borrowers intend the Revolving Loan to be in the nature of a line of credit under which Borrowers may repeatedly draw funds on a revolving basis in accordance with the terms and conditions of this Agreement and the Revolving Note. If, at any time prior to the Maturity Date, the Revolving Note shall have a zero balance owing, the Revolving Note shall not be deemed satisfied or terminated and shall remain in full force and effect for future draws unless terminated or suspended upon other grounds. The right of Borrowers to draw funds and the obligation of Lender to advance funds under the Revolving Loan shall not accrue until all of the conditions set forth in Section 4. Conditions to Loan Disbursements have been fully satisfied, and shall terminate: (i) upon occurrence and during the continuation of a Default or Event of Default, or (ii) upon the maturity of the Revolving Loan, unless the Revolving Loan is renewed or extended by Lender in which case such termination shall occur upon the maturity of the final renewal or extension of the Revolving Loan. Upon such termination, any and all amounts owing to Lender pursuant to the Revolving Note and this Agreement shall thereupon be due and payable in full.

c . Revolving Note. The Revolving Loan shall be evidenced by a Second Amended and Restated Promissory Note (Revolving Loan) (the "Revolving Note") which shall amend and restate the A&R Promissory Note in its entirety. The Revolving Note shall be executed and delivered to Lender upon execution and delivery of this Agreement. Proceeds of the Revolving Loan may be disbursed by Lender by wire transfer.

d . Notice and Manner of Borrowing. Borrowers shall give Lender at least one Banking Business Days prior written notice of any advances requested under the Revolving Loan no later than 12:00 p.m. Mountain Time of the Banking Business Day on which the requested advance is to be made.

Additionally, at the election of Borrowers, the Revolving Loan may be linked to the Sweep Account pursuant to the Sweep Account Agreement. Borrowers and Lender may each unilaterally terminate the Sweep Account at any time. To the extent, if any, the terms of the Sweep Account are inconsistent with or contradict the terms of the Loan Documents, the terms of the Loan Documents shall govern. All references in the Sweep Account Agreement to a “Commercial Loan Line” or similar references to a line of credit are amended to refer to the Revolving Loan.

If such election is made, (i) Lender is authorized and directed to disburse funds under the Revolving Loan for deposit into the Sweep Account on each Banking Business Day as needed to cover all checks and other charges against the Sweep Account; (ii) disbursements shall be made up to the Maximum Availability at the time of determination; (iii) upon occurrence of a Default or Event of Default, Lender may, in its sole discretion, cease all disbursements under the Revolving Note into the Sweep Account; and (iv) Lender is authorized and directed to disburse all collected funds in the Sweep Account on each Banking Business Day to Lender to be applied on the Revolving Loan.

It is acknowledged that posting of credits and debits to and from the Sweep Account are made on the same Banking Business Day the transactions occur and that the posting of credits and debits to and from the Revolving Loan are made one Banking Business Day after the transactions occur but are deemed effective as of the prior Banking Business Day.

e . Letters of Credit. Borrowers may request that Lender or Lender’s affiliates issue Letters of Credit against the Revolving Loan. Any Letter of Credit issued hereunder shall be in form and content acceptable to Lender. All requests for issuance of Letters of Credit shall require two Banking Business Days’ prior notice, and shall, unless otherwise agreed by Lender, have an expiry date which is the earlier of one year after its issuance or the maturity date of the Revolving Note provided that the expiry date of any Letter of Credit may be up to 12 months later than the maturity date of the Revolving Loan if Borrowers agree at the time of issuance that, after the payment of all of the obligations of Borrowers hereunder, Borrowers will provide Lender with cash collateral in the amount of 105% of the stated amount of the applicable Letter of Credit. Lender may require Borrowers to execute Lender’s standard application and reimbursement agreement for Letters of Credit (the “Reimbursement Agreement”), provided that, in the event of any conflict between the terms of the Reimbursement Agreement and this Agreement, the terms of this Agreement shall apply, including terms with respect to the disbursement of funds hereunder to reimburse Lender for drawings on Letters of Credit.

If any Borrower so requests, Lender shall, subject to the other conditions set forth in this Section 2.2e and so long as no Default or Event of Default has occurred and is continuing and there is availability therefor under the Loan, issue Letters of Credit under this Agreement that have automatic extension provisions (each, an “Auto-Extension Letter of Credit”); provided that any such Auto-Extension Letter of Credit must (i) permit Lender to prevent any such extension at least once in each twelve-month period (commencing with the date of issuance of such Letter of Credit) by giving prior notice to the beneficiary thereof not later than a day in each such twelve-month period to be agreed upon at the time such Letter of Credit is issued, and (ii) not be permitted to have an expiry date later than the maturity date of the Revolving Loan unless Borrowers satisfy the requirements set forth in this Section 2.2e. Unless otherwise directed by Lender in writing, Borrowers shall not be required to make a specific request to Lender for any such extension. In no event shall the aggregate amount frozen for outstanding Letters of Credit exceed the LC Sublimit at any time.

Borrowers shall pay quarterly, in advance all fees and charges for issuance of Letters of Credit, including: (i) fees customarily charged by Lender, (ii) for standby Letters of Credit, an issuance fee equal to the Applicable Margin then in effect of the face amount of each such Letter of Credit, and (iii) any fees set forth in this Agreement or the Reimbursement Agreement. Upon issuance of a Letter of Credit against the Revolving Loan, an amount of the Revolving Loan equal to the amount of the Letter of Credit shall be frozen and unavailable for disbursement upon request of Borrowers so long as the Letter of Credit is outstanding or subject to payment. Upon payment by Lender of any drawing on any Letter of Credit issued against the Revolving Loan, Lender shall disburse funds under the Revolving Loan to reimburse Lender for the amount of the drawing and, for the avoidance of doubt, the LC Sublimit shall be correspondingly increased to reflect the reduction of the outstanding Letter of Credit obligations.

f . Non-Use Fee. Borrowers shall pay to Lender a non-use fee based on the unused portion of the maximum commitment amount of the Revolving Loan at the time of determination, calculated on the average unused daily balance of the Revolving Loan for each calendar quarter or portion thereof based on a 360 day year and actual days elapsed based on the applicable per annum percentage stipulated in the definition of Applicable Margin. For purposes of calculating the unused portion of the Revolving Loan, outstanding Letters of Credit issued hereunder shall be considered usage of the Revolving Loan. The fee shall be payable quarterly, in arrears, and shall be due no later than the fifth Banking Business Day after receipt by Borrowers of a statement therefor from Lender.

g . Maximum Availability. Notwithstanding anything to the contrary in the Loan Documents, no advances shall be made under the Revolving Loan if any such advance exceeds the Maximum Availability at the time of determination. If at any time the Maximum Availability is less than \$0, Borrowers shall immediately make payment to Lender in a sufficient amount to have the Maximum Availability equal to an amount not less than \$0.

h . Payments on Revolving Loan. Principal and interest under the Revolving Loan shall be payable as follows: Interest shall be paid monthly in arrears on the first day of each calendar month beginning November 1, 2014. All principal, unpaid interest and all other amounts due under the Revolving Loan shall be paid in full on the Maturity Date, unless required to be paid or prepaid at an earlier date in accordance with this Agreement.

2.3 Interest on Loan

a . Interest Rate on Loan. Interest on the Loan shall be calculated on the basis of a 360 day year and actual days elapsed as follows: The LIBOR Rate from time to time in effect, adjusted as of the day that is two Banking Business Days prior to the first day of each calendar month, plus the Applicable Margin.

b. Interest Rate Unavailable or Unacceptable.

(i) Notwithstanding the foregoing, if the adoption of any applicable law, rule, or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank, or comparable agency charged with the interpretation or administration thereof, or compliance by Lender with any request or directive (whether or not having the force of law) of any such authority, central bank, or comparable agency, shall make it unlawful or impossible for Lender to maintain balances based on the LIBOR Rate then in effect, then upon notice to Borrowers by Lender, the outstanding principal amount of the balances based on the LIBOR Rate then in effect, together with interest accrued thereon, shall be repaid immediately upon demand of Lender if such change or compliance with such request, in the judgment of Lender, requires immediate repayment or, if such repayment is not required, at the election of Borrowers shall be converted to a balance based on the FHLB Rate plus the Applicable Margin.

(ii) Notwithstanding anything to the contrary herein, if Lender determines (which determination shall be conclusive) that (A) quotations of interest rates referred to in the definition of the LIBOR Rate then in effect are not being provided in the relevant amounts or for the relevant maturities for purposes of determining such LIBOR Rate, or (B) the LIBOR Rate then in effect does not accurately cover the cost to Lender of making or maintaining advances based on such LIBOR Rate, then Lender may give notice thereof to Borrowers, whereupon until Lender notifies Borrowers that the circumstances giving rise to such suspension no longer exist the interest rate applicable to the outstanding principal balances based on the LIBOR Rate then in effect shall be converted to balances based on the FHLB Rate plus the Applicable Margin.

c . Accrual of Interest. Interest on the Loan shall accrue from the date of disbursement of any principal amount or portion thereof until paid, both before and after judgment, in accordance with the terms set forth herein.

d . Default Rate. Upon the occurrence and during the continuation of an Event of Default, at the election of Lender, the Loan and all other Obligations hereunder shall bear interest at the Default Rate, both before and after judgment, until paid.

2.4 Prepayments; Account Debit

a . Optional Prepayments. Borrowers may not prepay in full or in part any balances unless Borrowers shall make Lender whole and Borrowers shall pay to Lender all costs incurred by Lender in connection with such prepayment and compensate Lender for any loss and any breakage costs arising from the re-employment of funds at rates lower than the rate provided herein, cost to Lender of such funds, any interest or fees payable by Lender to lenders of funds obtained by it in order to make or maintain the Loan and any related costs.

b. Mandatory Payments of Loan.

(i) In the event and on each occasion that any Net Proceeds are received by or on behalf of any Loan Party in respect of any Prepayment Event, Borrowers shall promptly, but in any event within five Banking Business Days after such Net Proceeds are received by such Person, make a payment on the Loan in an aggregate amount equal to 100% of such Net Proceeds (without resulting in any permanent reduction in the Revolving Loan commitment hereunder, except in the case of a Change of Control); provided that, in the case of any event described in clauses (a) or (b) of the definition of the term "Prepayment Event," if Borrowers shall deliver to Lender a certificate of the president, chief executive officer, chief financial officer or controller of Borrowers to the effect that Borrowers intend to apply the Net Proceeds from such event (or a portion thereof specified in such certificate), within 180 days after receipt of such Net Proceeds, to acquire equipment or other tangible assets to be used in the business of Borrowers, and certifying that no Event of Default has occurred and is continuing, then no prepayment shall be required pursuant to this paragraph in respect of the Net Proceeds specified in such certificate; provided, further, that to the extent of any such Net Proceeds therefrom that have not been so applied by the end of such 180 day period, a prepayment shall be required in an amount equal to such Net Proceeds that have not been so applied. Except as specifically set forth herein, nothing contained in this paragraph shall be or be deemed to be a consent to any Prepayment Event.

(ii) Prior to the Permanent Accordion Increase Date, Borrowers shall promptly, but in any event within fifteen Banking Business Days after the end of such Seasonal Accordion Increase Period, prepay the Loan in an amount equal to 100% of the outstanding amounts under the Loan in excess of \$20,000,000 at the end of any Seasonal Accordion Increase Period.

c . Account Debit . Borrowers hereby irrevocably authorizes Lender to charge any of Borrowers' deposit accounts maintained with Lender for the amounts from time to time necessary to pay any then due Obligations; provided that Borrowers acknowledge and agree that Lender shall not be under an obligation to do so and Lender shall not incur any liability to Borrowers or any other Person for Lender's failure to do so.

d . Application of Payments. All payments on the Loan shall be applied (i) first, to reimbursable fees, late charges, costs and expenses payable by Borrowers under this Agreement or any of the other Loan Documents, (ii) second, to accrued interest and (iii) the remainder, if any, to principal.

2.5 Recovery of Additional Costs

If the imposition of or any change in any law, rule, regulation or treaty, the issuance of any request, rule, guideline or directive, or the interpretation or application of any thereof by any court or administrative or governmental authority (including any request or policy not having the force of law and any changes imposed by (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines or directives issued under or in connection with such act and (ii) the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III) shall impose, modify, or make applicable any taxes (except federal, state, or local income or franchise taxes imposed on Lender), reserve requirements, capital adequacy requirements, Federal Deposit Insurance Corporation (FDIC) deposit insurance premiums or assessments, or other obligations which would (a) increase the cost to Lender for extending, maintaining or funding the Loan, (b) reduce the amounts payable to Lender under the Loan, or (c) reduce the rate of return on Lender's capital as a consequence of Lender's obligations with respect to the Loan, then Borrowers agree to pay Lender such additional amounts as will compensate Lender therefor, within five Banking Business Days after Lender's demand for such payment. Lender's demand shall be accompanied by an explanation of such imposition or charge and a calculation in reasonable detail of the additional amounts payable by Borrowers, which explanation and calculations shall be conclusive in the absence of manifest error.

2.6 Funding Fee

Upon execution and delivery of this Agreement, Borrowers shall pay to Lender a loan fee equal to \$40,000 in respect of the Revolving Loan. Prior to the first to occur of (i) the commencement of the first Seasonal Accordion Increase Period, if any, or (ii) the Permanent Accordion Increase Date, Borrowers shall pay to Lender the Accordion Increase Loan Fee. No portion of such loan fees 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.

2.7 Late Fee

If any payment hereunder is more than ten days past due, Lender may charge, and Borrowers shall pay upon demand, a late fee equal to 5% of the amount of such payment or \$50, whichever is greater, to compensate Lender for administrative expenses and other costs of delinquent payments, and such late fee shall be in addition to and not as a waiver of, Lender's remedies arising from Borrowers' failure to make such payment. The amount of any late fee shall be added to the principal balance of the Loan and shall accrue interest hereunder at the Default Rate until paid in full.

2.8 Consideration Among Co-Borrowers

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

2.9 Taxes

a . Payments Free of Taxes. Any and all payments by or on account of any obligation of any Loan Party under any Loan Document shall be made free and clear of and without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of a Loan Party) requires the deduction or withholding of any Tax from any such payment, then (i) the applicable Loan Party shall be entitled to make such deduction or withholding, (ii) the applicable Loan Party shall timely pay the full amount deducted or withheld to the relevant governmental authority in accordance with applicable law, and (iii) if such Tax is an Indemnified Tax, then the sum payable by the applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including deductions or withholdings applicable to additional amounts payable under this Section) the applicable recipient of such payment receives an amount equal to the sum it would have received had no such deduction or withholding been made.

b . Payment of Other Taxes by Borrowers. The Loan Parties shall timely pay to the relevant governmental authority in accordance with applicable law, or at the option of Lender timely reimburse it for the payment of, any Other Taxes.

c . Indemnification by Borrowers. The Loan Parties shall jointly and severally indemnify each Lender, within 10 Banking Business Days after written demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed on or attributable to amounts payable under this Section) paid or payable by the applicable recipient of such payment or required to be withheld or deducted from a payment to such recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant governmental authority. A certificate showing in reasonable detail the calculation of the amount of such payment or liability delivered to the Loan Parties by a Lender shall be conclusive absent manifest error.

d. Status of Lenders.

(i) Any Lender that is entitled to an exemption from, reduction of or withholding of any Tax with respect to payments made under any Loan Document shall deliver to Borrowers, at the time or times reasonably requested by Borrowers, such properly completed and executed documentation reasonably requested by Borrowers as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by Borrowers, shall deliver such other documentation prescribed by applicable law or reasonably requested by Borrowers as will enable Borrowers to determine whether or not such Lender is subject to backup withholding or information reporting requirements.

(ii) Without limiting the generality of the foregoing, if any Borrower is a US Person:

(1) any Lender that is a U.S. Person shall deliver to Borrowers on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of Borrowers), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. federal backup withholding tax;

(2) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to Borrowers (in such number of copies as shall be requested by Borrowers) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of Borrowers), whichever of the following is applicable: (I) an IRS Form W-8BEN establishing an exemption from U.S. federal withholding Tax, (II) an IRS Form W-8ECI, (III) to the extent a Foreign Lender is not the beneficial owner of a payment received under any Loan Document, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN, IRS Form W-9, and/or other certification documents from each beneficial owner, or (IV) executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit Borrowers to determine the withholding or deduction required to be made; and

(3) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to Borrowers at the time or times prescribed by law and at such time or times reasonably requested by Borrowers such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by Borrowers as may be necessary for Borrowers to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount, if any, to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(iii) Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any material respect, it shall update such form or certification or promptly notify Borrowers in writing of its legal inability to do so

e . Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.9 (including by the payment of additional amounts pursuant to this Section 2.9), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant governmental authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (e) (plus any penalties, interest or other charges imposed by the relevant governmental authority) in the event that such indemnified party is required to repay such refund to such governmental authority. Notwithstanding anything to the contrary in this paragraph (e), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (e) the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other person.

3. Security for Loan

3.1 Collateral

The Obligations shall be unsecured so long as no Collateral Triggering Event has occurred. Upon the occurrence of a Collateral Triggering Event, each Loan Party shall at the election of Lender either (i) immediately grant a security interest in and Lien against all of its respective assets, including, without limitation, a pledge of 100% of such Loan Party's Equity Interests in each of its domestic Subsidiaries and 66% of such Loan Party's voting Equity Interests and 100% of such Loan Party's non-voting Equity Interests in each of its foreign Subsidiaries, or (ii) grant a security interest in and Lien against no less than \$30,000,000 of the Loan Parties' cash or cash equivalents, in each case, to secure the Obligations. At such time, the Loan Parties shall execute any and all Collateral Documents Lender deems necessary to grant such security interests in the Collateral and shall take such actions as Lender requests to permit Lender to perfect its security interests in the Collateral.

Each Loan Party acknowledges its intention that the Loan is a "Related Debt" as defined in the Hedging Transaction Documents, and agrees that the intention and interpretation of said interest rate management transaction is that the Loan is a "Related Debt" thereunder. The priority of the interests in the Collateral securing the Loan and any Hedging Transactions shall be *pari passu*.

4. Conditions to Loan Disbursements

4.1 Conditions to Initial Loan Disbursements

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

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

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

c. As of the Effective Date, the following shall be true and correct: (i) all representations and warranties made by Borrowers in the Loan Documents are true and correct in all material respects as of the date of such disbursement; and (ii) no Default or Event of Default has occurred which has not been waived or timely cured.

d. Lender has received certificates of insurance pursuant to Section 6.8 Insurance reasonably acceptable to Lender.

e. Lender has received a certificate of the corporate secretary, an assistant secretary or equivalent partner, manager or member, as applicable, of Borrowers, in a form and content reasonably acceptable to Lender, attaching or including as applicable: (i) certified copies of all Organizational Documents of Borrowers, (ii) resolutions of the board of directors or managers, as applicable, and of the shareholders or members, as applicable, of Borrowers authorizing and approving the execution, delivery and performance of each Loan Document to which such Person is a party; (iii) good standing certificates or their equivalents from the respective states of organization and the respective states in which the principal places of business of each is located, each to be dated a recent date prior to the Effective Date; and (iv) signature and incumbency certificates of the Responsible Officers of Borrowers executing the Loan Documents.

f. Lender shall have received the initial funding fee referenced in Section 2.6 Funding Fee and all fees and other amounts due and payable on or prior to the Effective Date, including, reimbursement or payment of all reasonable legal fees and expenses of Lender's counsel, and all reasonable out-of-pocket expenses required to be reimbursed or paid by Borrowers under the Loan Documents

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

4.2 Conditions to Subsequent Loan Disbursements

After the Effective Date, Lender's obligation to make any disbursements of the Loan, and to issue, extend or renew any Letter of Credit, shall be subject to the satisfaction or waiver of the following conditions precedent:

a. Any such disbursement, or the face amount of any such Letter of Credit to be issued, extended or renewed, as the case may be, shall not exceed the Maximum Availability at the time of determination.

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

c. At the time of each such disbursement of the Loan, or the issuance, extension or renewal of such Letter of Credit, and also immediately after giving effect thereto, (i) there shall exist no Default or Event of Default, and (ii) all representations and warranties of the Loan Parties contained herein or in the other Loan Documents shall be true and correct in all material respects (except that to the extent any such representation or warranty contains any materiality qualifier, such representation or warranty shall be true and correct in all respects) with the same effect as though such representations and warranties had been made on and as of the date of such disbursement of the Loan or issuance, extension or renewal of any Letter of Credit, except to the extent that such representations and warranties expressly relate to an earlier specified date, in which case such representations and warranties shall have been true and correct in all material respects (except that if any such representation or warranty contains any materiality qualifier, such representation or warranty shall be true and correct in all respects) as of such earlier date.

d. The acceptance of the benefits of each disbursement of the Loan or issuance, extension or renewal of any Letter of Credit shall constitute a representation and warranty by the Loan Parties to Lender that all of the applicable conditions specified in this Section 4.2 have been satisfied as of the times referred to in this Section.

4.3 No Default, Adverse Change, False or Misleading Statement

Lender's obligation to advance any funds at any time pursuant to this Agreement and the Promissory Note shall, at Lender's sole discretion, terminate upon the occurrence of any Event of Default or any event which could have a Material Adverse Effect. Upon the exercise of such discretion, Lender shall be relieved of all further obligations under the Loan Documents.

5. Representations and Warranties

Each Loan Party as to itself represents and warrants to Lender as follows:

5.1 Organization and Qualification

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

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

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

Each of Everest, BDNA, POC, PIEPS Service and BDEH is a limited liability company duly organized and existing in good standing under the laws of the State of Delaware, and that, if required, it is qualified and in good standing as a foreign limited liability company in the State of Utah.

Each other Loan Party not listed above is a corporation or limited liability company, as applicable, duly organized and validly existing in good standing under the laws of the State of its organization.

Each Loan Party is duly qualified to do business and is in good standing as a foreign corporation or limited liability company, as applicable, in each jurisdiction where the conduct of its business requires qualification, except where the failure to be so qualified would not reasonably be expected to have a Material Adverse Effect.

Each Loan Party has the requisite power and authority to own its property and to conduct the business in which it engages and to enter into and perform its Obligations under the Loan Documents.

Each Loan Party has delivered to Lender or Lender's counsel accurate and complete copies of its Organizational Documents which are operative and in effect as of the Effective Date.

5.2 Authorization

The execution, delivery and performance by such Loan Party of the Loan Documents and the transactions contemplated thereby have been duly authorized by all necessary corporate or limited liability company action on the part of such Loan Party and are not inconsistent with such Loan Party's Organizational Documents or any resolution of the shareholders or board of directors or members or managers, as applicable, of such Loan Party, do not and will not contravene any provision of, or constitute a default under, any indenture, mortgage, contract, or other instrument to which such Loan Party is a party or by which it is bound, where such contravention or default would reasonably be expected to have a Material Adverse Effect, and that upon execution and delivery thereof, the Loan Documents will constitute legal, valid, and binding agreements and Obligations of such Loan Party, enforceable in accordance with their respective terms except as enforceability may be limited by bankruptcy, insolvency or other laws affecting creditors generally and limitations on the availability of equitable remedies.

5.3 Corporate Relationships

The shareholders or members, as applicable, of each Loan Party (other than Black Diamond) and their respective number and percentage of issued and outstanding Equity Interests in each Loan Party are as set forth on Schedule 5.3 hereto.

5.4 No Governmental Approval Necessary

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

5.5 Accuracy of Financial Statements

The Consolidated audited financial statements of Black Diamond and its Subsidiaries heretofore delivered to Lender have been prepared in accordance with Accounting Standards.

The Consolidated unaudited financial statements of Black Diamond and its Subsidiaries heretofore delivered to Lender fairly present in all material respects Black Diamond's and its Subsidiaries' financial condition as of the date thereof and the results of its operations for the period or periods covered thereby and are consistent in all material respects with other financial statements previously delivered to Lender.

Since the dates of the most recent Consolidated audited and Consolidated unaudited financial statements delivered to Lender, there has been no event which would have a Material Adverse Effect on the financial condition of Black Diamond and its Subsidiaries, taken as a whole.

5.6 No Pending or Threatened Litigation

Except as disclosed in Black Diamond's periodic filings with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, there are no demands, judgments, actions, suits, orders, decrees, arbitrations or proceedings pending or, to such Loan Party's knowledge, threatened against or affecting any of the Loan Parties in any court or before any governmental commission, board, or authority which, if adversely determined, would have a Material Adverse Effect.

5.7 Full and Accurate Disclosure

This Agreement, the financial statements referred to herein, any loan application submitted to Lender, and all other statements furnished by the Loan Parties to Lender under any of the Loan Documents or in connection herewith contain no untrue statement of a material fact and do not omit to state a material fact necessary to make the statements contained therein or herein not misleading in any material respect. Each Loan Party has not failed to disclose in writing to Lender any fact that would have a Material Adverse Effect.

5.8 Compliance with ERISA

Each Loan Party is in compliance in all material respects with all applicable provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, and the regulations and published interpretations thereunder. Neither a Reportable Event as set forth in Section 4043 of ERISA or the regulations thereunder ("Reportable Event") nor a prohibited transaction as set forth in Section 406 of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended, has occurred and is continuing with respect to any employee benefit plan (other than a multiemployer pension plan as defined under Sections 3(37) or 4001(a)(3) of ERISA or a "Taft Hartley" employee welfare benefit plan established, maintained, or to which contributions have been made by such Loan Party or any trade or business (whether or not incorporated) which together with such Loan Party would be treated as a single employer under Section 4001 of ERISA ("ERISA Affiliate") for its employees which is covered by Title I or Title IV of ERISA ("Plan"); no notice of intent to terminate a Plan has been filed nor has any Plan been terminated which is subject to Title IV of ERISA; no circumstances exist that constitute grounds under Section 4042 of ERISA entitling the Pension Benefit Guaranty Corporation ("PBGC") to institute proceedings to terminate, or appoint a trustee to administer a Plan, nor has the PBGC instituted any such proceedings; neither any Loan Party nor any ERISA Affiliate has completely or partially withdrawn under Section 4201 or 4204 of ERISA from any Plan described in Section 4001(a)(3) of ERISA which covers any employees of the Loan Parties or any ERISA Affiliate ("Multi-employer Plan"); each Loan Party and each ERISA Affiliate has met its minimum funding requirements under ERISA with respect to all of its Plans and the present fair market value of all Plan assets equals or exceeds the present value of all vested benefits under or all claims reasonably anticipated against each Plan, as determined on the most recent valuation date of the Plan and in accordance with the provisions of ERISA and the regulations thereunder and the applicable statements of the Financial Accounting Standards Board for calculating the potential liability of any Loan Party or any ERISA Affiliate under any Plan; neither any Loan Party nor any ERISA Affiliate has incurred any liability to the PBGC (except payment of premiums, which is current) under ERISA.

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

5.9 Compliance with USA Patriot Act

No Loan Party is subject to any law, regulation, or list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list) that prohibits or limits Lender from making any advance or extension of credit to the Loan Parties or from otherwise conducting business with the Loan Parties.

5.10 Compliance with All Other Applicable Law

Each Loan Party has complied in all material respects with all applicable Laws, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

5.11 Environmental Representations and Warranties

Except as set forth on Schedule 5.11, no Hazardous Materials are now located on, in, or under the Real Property, nor is there any Environmental Condition on, in, or under the Real Property and neither the Loan Parties nor, to the Loan Parties' knowledge, after due inquiry and investigation, any other Person has ever caused or permitted any Hazardous Materials to be placed, held, used, stored, released, generated, located or disposed of on, in or under the Real Property, or any part thereof, nor caused or allowed an Environmental Condition to exist on, in or under the Real Property, except in the ordinary course of the Loan Parties' businesses under conditions that are generally recognized to be appropriate and safe and that are in compliance with all applicable Environmental Health and Safety Laws. No investigation, administrative order, consent order and agreement, litigation or settlement with respect to Hazardous Materials and/or an Environmental Condition is proposed, threatened, anticipated or in existence with respect to the Real Property.

Except as set forth on Schedule 5.11, the Loan Parties have no knowledge of the existence of any report, document, or other evidence of any Hazardous Materials or Environmental Condition with respect to the Real Property.

5.12 Operation of Business

Except as set forth on Schedule 5.12, to their knowledge, each Loan Party possesses all material licenses, permits, franchises, patents, copyrights, trademarks, and trade names, or rights thereto, to conduct its business substantially as now conducted and as presently proposed to be conducted, and to their knowledge, the Loan Parties are not in violation of any valid rights of others which would have a Material Adverse Effect on the Loan Parties with respect to any of the foregoing.

5.13 Payment of Taxes

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

5.14 Solvency

Both before and immediately after the consummation of all transactions contemplated by the Loan Documents, and immediately after the making of each advance on the Loan thereafter, and after giving effect to the application of the proceeds of the Loan, (a) the fair value of the assets of each Loan Party will exceed its Debts, (b) the present fair saleable value of the assets of each Loan Party will be greater than the amount that will be required to pay the probable liability of its Debts, as such Debts can reasonably be expected to become absolute and matured, (c) each Loan Party will be able to pay its Debts as such Debts can reasonably be expected to become absolute and matured, and (d) each Loan Party will not have unreasonably small capital with which to conduct its business and its business as is proposed, contemplated or about to be conducted.

5.15 Employee Matters

Except as set forth on Schedule 5.15 hereto, (a) none of the Loan Parties are subject to any collective bargaining agreement, (b) no petition for certification or union election is pending with respect to the employees of the Loan Parties, and to the knowledge of the Loan Parties, no union or collective bargaining unit has sought such certificates or recognition with respect to the employees of any Loan Party and (c) there are no strikes, slowdowns, work stoppages or controversies pending or, to the knowledge of the Loan Parties, threatened between any Loan Party and their employees, other than employee grievances arising in the ordinary course of business which could not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

5.16 Brokerage

There are no rights to or claims for broker's, finder's, due diligence, structuring, debt or equity placement fees, commissions, or similar compensation payable with respect to the consummation of the transactions contemplated in the Loan Documents.

6. Covenants

The Loan Parties make the following agreements and covenants, which shall continue so long as this Agreement is in effect and so long as the Loan Parties are indebted to Lender for the Obligations.

6.1 Use of Proceeds

The Loan Parties shall use the proceeds of the Loan for general corporate purposes, including funds for working capital, capital expenditures, loans and/or investments in wholly-owned foreign Subsidiaries and the issuance of letters of credit.

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

6.2 Continued Compliance with ERISA

The Loan Parties covenant that, with respect to all Plans (as defined in Section 5.8 Compliance with ERISA) which the Loan Parties or any ERISA Affiliate currently maintains or to which the Loan Parties or any ERISA Affiliate is a sponsoring or participating employer, fiduciary, party in interest or disqualified person or which the Loan Parties or any ERISA Affiliate may hereafter adopt, the Loan Parties and each ERISA Affiliate shall continue to comply in all material respects with all applicable provisions of the Internal Revenue Code and ERISA and with all representations made in Section 5.8 Compliance with ERISA, including, without limitation, conformance with all notice and reporting requirements, funding standards, prohibited transaction rules, multi-employer plan rules, necessary reserve requirements, and health care continuation, coverage and portability requirements, except where the failure to so comply would not have a Material Adverse Effect on Black Diamond and its Subsidiaries, taken as a whole.

6.3 Continued Compliance with USA Patriot Act

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

6.4 Continued Compliance with Applicable Law

Each Loan Party shall conduct its business in a lawful manner and in material compliance with all applicable Laws; shall maintain in good standing all licenses and organizational or other qualifications reasonably necessary to its business and existence; and shall not engage in any business not authorized by and not in accordance with its Organizational Documents and other governing documents.

6.5 Prior Consent for Amendment or Change

Except as set forth in Schedule 6.5 or changes that would not have any material adverse effect on Lender, the Loan Parties shall not modify, amend, waive, or otherwise alter, or fail to enforce, their respective Organizational Documents or other governing documents without Lender's prior written consent.

6.6 Payment of Taxes and Obligations

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

6.7 Financial Statements and Reports

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

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

- a. Annual audited Consolidated Financial Statements of Black Diamond for each Fiscal Year, to be delivered to Lender within 105 days after such Fiscal Year End. Borrowers shall also submit to Lender copies of any management letters or other reports submitted by independent certified public accountants in connection with the examination of the financial statements of Borrowers made by such accountants.
- b. Quarterly Consolidated Financial Statements of Black Diamond for each fiscal quarter of Black Diamond, to be delivered to Lender within 45 days after the end of the fiscal quarter. The quarterly financial statements shall include a certification by a Responsible Officer of Black Diamond that the quarterly financial statements fairly present Borrowers' financial condition in all material respects as of the date thereof and the results of the operations of the period covered thereby and are consistent, except as disclosed in the footnotes thereto, in all material respects with other financial statements previously delivered to Lender.
- c. Together with each of the annual and quarterly Consolidated Financial Statements required to be delivered to Lender pursuant to the provisions of paragraphs (a) and (b) above, Borrowers shall submit to Lender a Compliance Certificate certifying that Borrowers are in compliance with all terms and conditions of this Agreement, including compliance with the financial covenants provided in Section 6.14 Financial Covenants. Each Compliance Certificate shall include the data and calculations supporting all financial covenants, whether in compliance or not, and shall be signed by a Responsible Officer of Black Diamond.

d. Financial forecasts for each Fiscal Year, with projections broken down by each fiscal quarter, to be delivered to Lender within 60 days after each Fiscal Year End.

e. Brokerage statements of the Loan Parties covering the current period in respect of all brokerage accounts owned by the Loan Parties, to be delivered to Lender within 10 days after the end of each fiscal quarter of Black Diamond.

f. Promptly after discovery thereof, the Loan Parties will notify Lender of any breach of any covenants contained in Section 6 Covenants and of the occurrence of any Default or Event of Default hereunder.

g. The Loan Parties will furnish to Lender as soon as available copies of any other information pertinent to any provision of this Agreement or to the Loan Parties' business which Lender may reasonably request.

6.8 Insurance

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

6.9 Inspection

The Loan Parties shall at any reasonable time during normal business hours and from time to time permit Lender or any representative of Lender to examine and make copies of and abstracts from the records and books of account of, and visit and inspect the properties and assets of, the Loan Parties, and to discuss the affairs, finances, and accounts of the Loan Parties with any of the Loan Parties' officers and directors and with the Loan Parties' independent accountants; provided, however, that Lender shall take reasonable steps to ensure the confidentiality of any documents or information that may be disclosed pursuant to this Section 6.9, including maintaining the confidentiality thereof as required by laws, rules and regulations, including the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended.

6.10 Operation of Business

The Loan Parties shall maintain all material licenses, permits, franchises, patents, copyrights, trademarks, and trade names, or rights thereto, that the Loan Parties reasonably determine are necessary in the operation of their business. The Loan Parties shall continue to engage in a Permitted Business.

6.11 Maintenance of Records and Properties

The Loan Parties shall keep adequate records and books of account in which complete entries will be made in accordance with Accounting Standards. The Loan Parties shall maintain, keep and preserve all of their material properties (tangible and intangible) necessary or useful in the proper conduct of its business in good working order and condition, ordinary wear and tear excepted. Notwithstanding anything in this Agreement to the contrary, the Loan Parties shall be free to close any of their respective offices or open any offices as they, in their reasonable business judgment, determine is appropriate.

6.12 Notice of Claims

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

6.13 Environmental Covenants

The Loan Parties covenant that they will:

- a. Not permit the presence, use, disposal, storage or release of any Hazardous Materials on, in, or under the Real Property, except in the ordinary course of the Loan Parties' business under conditions that are generally recognized to be appropriate and safe and that are in compliance with all applicable Environmental Health and Safety Laws.
- b. Not permit any substance, activity or Environmental Condition on, in, under or affecting the Real Property which is in violation of any Environmental Health and Safety Laws.
- c. Comply in all material respects with the provisions of all Environmental Health and Safety Laws.
- d. Notify Lender promptly of any discharge of Hazardous Materials, Environmental Condition, or environmental complaint or notice received from any governmental agency or any other party.
- e. Upon any discharge of Hazardous Materials or upon the occurrence of any Environmental Condition, promptly contain and remediate the same in compliance with all Environmental Health and Safety Laws, promptly pay any fine or penalty assessed in connection therewith, and promptly notify Lender of such events.
- f. Permit Lender to inspect the Real Property for Hazardous Materials and Environmental Conditions, and to inspect all books, correspondence, and records pertaining thereto, and upon the occurrence and continuation of an Event of Default, to conduct tests thereon.

g. Provide a Phase 1 report (including all validated and unvalidated data generated for such reports) of a qualified independent environmental engineer reasonably acceptable to Lender, reasonably satisfactory to Lender in scope, form, and content, and provide to Lender such other and further assurances reasonably satisfactory to Lender, that the Loan Parties are in compliance with these covenants concerning Hazardous Materials and Environmental Conditions, and that any past violation thereof has been corrected in compliance with all applicable Environmental Health and Safety Laws. Lender shall be entitled to one report every two years at the Loan Parties' expense if Lender has a good faith reason to believe that there is an Environmental Condition affecting the Real Property. Upon the occurrence of a Collateral Triggering Event, such report shall be provided to Lender from time to time upon request of Lender and at the Loan Parties' expense.

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

6.14 Financial Covenants

Except as otherwise provided herein, each of the accounting terms used in this Section 6.14 shall have the meanings used in accordance with Accounting Standards. Each of the financial covenants listed below shall be tested on a quarterly basis.

a. Minimum EBITDA. During a Minimum EBITDA Period, Black Diamond and its Subsidiaries, on a Consolidated basis, shall maintain Trailing Twelve Month EBITDA of not less than (i) \$6,000,000 for each fiscal quarter ending on or prior to December 31, 2015 and \$7,000,000 for each fiscal quarter thereafter, in each case, to the extent prior to the Permanent Accordion Increase Date and (ii) \$11,000,000 for the fiscal quarter immediately prior to, and for each fiscal quarter following, the Permanent Accordion Increase Date. 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.

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 \$240,000,000 through the Fiscal Year End for 2014, plus an increase of \$2,000,000 during each Fiscal Year thereafter.

c. Asset Coverage. Black Diamond and its Subsidiaries, on a Consolidated basis, measured at each reporting period set forth in Section 6.7 Financial Statements and Reports, shall maintain a positive amount of Asset Coverage. Asset Coverage 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.

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 \$6,500,000 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 6.14d 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.

6.15 Negative Pledge

The Loan Parties will not, and will not allow any non-Loan Party Subsidiary to, create, incur, assume, or suffer to exist any mortgage, deed of trust, pledge, lien, security interest, hypothecation, assignment, or other preferential arrangement, charge, or encumbrance (including, without limitation, any conditional sale, other title retention agreement, or finance lease) of any nature, upon or with respect to any of its domestic or foreign properties or assets, now owned or hereafter acquired, or sign or file, under the Uniform Commercial Code of any jurisdiction, a financing statement under which any Loan Party appears as debtor, or sign any security agreement authorizing any secured party thereunder to file such financing statement, except (all of the following, collectively, "Permitted Liens") (a) those contemplated by this Agreement; (b) liens arising in the ordinary course of business (such as liens of carriers, warehousemen, mechanics, repairmen, and materialmen) and other similar liens imposed by law for sums not yet due and payable or, if due and payable, those being contested in good faith by appropriate proceedings and for which appropriate reserves are maintained in accordance with Accounting Standards; (c) easements, rights of way, restrictions, minor defects or irregularities in title or other similar liens which alone or in the aggregate do not interfere in any material way with the ordinary conduct of the business of the Loan Parties; (d) liens for taxes and assessments not yet due and payable or, if due and payable, those being contested in good faith by appropriate proceedings and for which appropriate reserves are maintained in accordance with Accounting Standards; (e) Permitted Liens set forth on Schedule 6.15 hereto; (f) liens securing Debt not to exceed an aggregate outstanding amount of \$3,000,000, except as authorized by prior written consent of Lender; (g) pledges or deposits in the ordinary course of business in connection with workers' compensation, employment and unemployment insurance and other social security legislation, other than any lien imposed by ERISA; (h) deposits to secure the performance of bids, trade contracts and leases (other than Debt), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, or arising as a result of process payments under government contracts to the extent required or imposed by applicable laws, all to the extent incurred in the ordinary course of business; and (i) liens granted by a Loan Party in favor of a licensor under any intellectual property license agreement entered into by such Loan Party, as licensee, in the ordinary course of such Loan Party's business; *provided*, that such liens do not encumber any property other than the intellectual property licensed by such Loan Party pursuant to the applicable license agreement and the property manufactured or sold by such Borrower utilizing such intellectual property.

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

6.16 Restriction on Debt

The Loan Parties will not, and will not allow any non-Loan Party Subsidiary to, create, incur, assume, or suffer to exist any Debt except as permitted by this Section 6.16.

Permitted exceptions to this covenant are: (a) the Loan; (b) Intercompany Loans; (c) obligations under Hedging Transaction Documents with Lender or its affiliates; (d) Debt, not to exceed an aggregate outstanding principal amount of \$3,000,000, which amount includes secured debt as authorized under Sections 6.15(e) and (f) of this Agreement; (e) the Subordinated Debt; (f) any foreign currency or interest rate hedge in the ordinary course of business; (g) Existing Debt; and (h) contingent obligations of (A) the Loan Parties or any non-Loan Party Subsidiaries in respect of Debt otherwise permitted hereunder of the Loan Parties or any non-Loan Party Subsidiaries, and (B) the Loan Parties or any non-Loan Party Subsidiaries for customary and commercially reasonable indemnification obligations incurred in good faith in connection with any Permitted Acquisitions or otherwise in connection with contractual obligations entered into in the ordinary course of business.

6.17 Mergers, Consolidations, Acquisitions, Sale of Assets

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

“Permitted Acquisitions” means mergers, consolidations or acquisitions meeting the following requirements:

- a. At the time of completion of the Permitted Acquisition, no Default or Event of Default which has not been waived or timely cured, exists.
- b. Prior to closing of the Permitted Acquisition, Borrowers shall present information concerning the business conducted by the potential Permitted Acquisition to Lender and Lender shall respond to the Loan Parties as to whether or not the potential Permitted Acquisition is deemed to be a Permitted Business within five Banking Business Days.
- c. Prior to the closing of the Permitted Acquisition, the Loan Parties shall have provided Lender with a pro forma compliance certificate in the form provided in Section 6.7 Financial Statements and Reports, showing that upon completion of the Permitted Acquisition, the Loan Parties will be in compliance with the financial covenants provided in Section 6.14 Financial Covenants. The method and information used in the calculation of the financial covenants for the pro forma compliance certificate shall be reasonably acceptable to Lender.

d. If the Permitted Acquisition is a merger or a consolidation, either (i) one of the Loan Parties will be the surviving entity, (ii) the acquired company will become a majority-owned Subsidiary of one of the Loan Parties, or (iii) the Loan Parties will comply with Section 6.17f.

e. If the Permitted Acquisition is an acquisition of ownership interests in a company, the acquired company will be a majority-owned Subsidiary of one of the Loan Parties.

f. If the Permitted Acquisition is an acquisition of a majority of the ownership interests in a company or is a merger where a Borrower is not the surviving company and the company is not a foreign Subsidiary, the Loan Parties must comply with Section 6.21 Subsidiaries.

g. The aggregate amount of consideration paid by the Loan Parties for all Permitted Acquisitions shall not exceed \$10,000,000.

6.18 Joint Ventures and Investments

No Loan Party will make any capital contribution to or investment in, or purchase any stock or other Equity Interest of, any other Person, except in connection with Permitted Acquisitions or any joint venture meeting the following requirements (the "Permitted Joint Ventures"):

a. At the time of completion of the proposed Permitted Joint Venture, no Default or Event of Default which has not been waived or timely cured, exists.

b. At no time shall the Loan Parties own less than 45% of the interests in the proposed Permitted Joint Venture. If at any time the Loan Parties own more than 50% of the interests in the proposed Permitted Joint Venture, such Permitted Joint Venture must comply with Section 6.21 Subsidiaries.

c. At all times the Loan Parties shall have control of the proposed Permitted Joint Venture. For purposes of this Section control means the Loan Parties have a "financial controlling interest" determined in accordance with Accounting Standards.

d. The aggregate amount of consideration paid by the Loan Parties for the proposed Permitted Joint Venture and all other Permitted Joint Ventures during the preceding three year period shall not exceed \$3,000,000.

6.19 Change in Control

a. No Change of Control of Black Diamond shall occur.

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

b. Black Diamond shall own, either directly or indirectly, all of the equity interests of each of the other Loan Parties.

6.20 Loans and Distributions

The Loan Parties shall not (i) declare or pay any dividends, (ii) purchase, redeem, retire or otherwise acquire for value any of its Equity Interests now or hereafter outstanding, (iii) make any distribution of assets to its stockholders, investors, or equity holders, whether in cash, assets, or in obligations of any Loan Party, (iv) allocate or otherwise set apart any sum for the payment of any dividend or distribution on, or for the purchase, redemption, or retirement of any shares of its Equity Interests, or (v) make any other distribution by reduction of capital or otherwise in respect of any shares of its Equity Interests; provided, however the Loan Parties may make dividends, redemptions, repurchases and distributions as described in the foregoing clauses (i) through (v): (a) so long as the Loan Parties are in pro forma compliance with the financial covenants set forth in Section 6.14 Financial Covenants, and (b) Borrowers do not draw on the Revolving Loan to make such dividends, redemptions, repurchases and distributions 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.

The Loan Parties shall not make any loans or pay any advances of any nature whatsoever to any Person, except advances in the ordinary course of business to (i) vendors, suppliers, and contractors, (ii) employees, not to exceed \$500,000 in the aggregate at any one time outstanding, and (iii) Intercompany Loans. The Loan Parties shall notify Lender in writing within ten days after amending or creating a new Intercompany Loan, which amendment or new Intercompany Loan agreement shall be substantially in the form of Exhibit C.

6.21 Subsidiaries

Any Loan Party may directly or indirectly create or form any Subsidiaries (other than pursuant to Permitted Acquisitions, which are governed by Section 6.17 Mergers, Consolidations, Acquisitions, Sale of Assets, and Permitted Joint Ventures, which are governed by Section 6.18 Joint Ventures) as long as such Loan Party and the other specified parties comply with the remainder of this Section. If any Loan Party, directly or indirectly, creates, forms or acquires any domestic Subsidiary on or after the Effective Date, such Loan Party will, and will cause such Subsidiary to, not more than 30 days after the consummation of the creation, formation or acquisition of such Subsidiary, (a) deliver to Lender a summary providing a reasonably detailed description of such Subsidiary and the current terms and conditions of the proposed creation, formation or acquisition of such Subsidiary in writing, and (b) cause such Subsidiary to (i) join in the obligations of Borrowers under the Loan Documents as a co-borrower by executing a Joinder Agreement, and (ii) deliver such other documentation and take such other actions as reasonably required by Lender in connection with the foregoing. The Loan Parties hereby consent and agree to the addition of any such Subsidiary as an additional Borrower hereunder through the execution of the Joinder Agreement.

6.22 Subordinated Debt

The Loan Parties represent and warrant to Lender and hereby confirm that each of the Subordination Agreements attached hereto as Exhibit E remain in full force and effect as of the Effective Date without any amendment or modification thereto.

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 and (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.

6.23 Prior Consent for Name or Organizational Change

The Loan Parties shall not change their name or convert to a different form of legal entity without Lender's prior written consent, which such consent shall not be unreasonably withheld, delayed or conditioned.

6.24 Maintenance of Existence

Each Loan Party shall maintain and preserve (a) its existence and good standing in the jurisdiction of its organization, and (b) its qualification and good standing in each jurisdiction where the nature of its business makes such qualification necessary unless such failure under this clause (b) would not reasonably be expected to have a Material Adverse Effect.

6.25 Further Assurances

Each Loan Party shall take such actions as Lender may reasonably request from time to time (i) including the executing and delivery of an amendment to this Agreement in form substance reasonably satisfactory to Lender to effectuate the increase of the Revolving Loan under the foregoing clause following the Permanent Accordion Increase Date and (ii) to ensure that the Obligations of each Loan Party hereunder and under the other Loan Documents are secured by the Collateral upon and following a Collateral Triggering Event.

6.26 Collateral Triggering Event

Upon the happening of any Collateral Triggering Event, the Loan Parties shall grant Lender a security interest in and Lien against their respective property in support of the Obligations pursuant to and in accordance with Section 3.1.

6.27 Creation of Trusts; Transfers to Trusts

The Loan Parties shall not create as settlor any trust, or transfer any assets into any trust, without giving written notice to Lender at least ninety (90) days prior to such creation or transfer. Such notice shall describe in reasonable detail the trust to be created and/or the asset transfer to be made. Failure by any such settlor to provide that notice shall be an Event of Default under the Loan Documents.

The Loan Parties shall not create as settlor any actual or purported spendthrift trust, asset protection trust or any other trust intended by its terms or purpose (or having the effect) to protect assets from creditors or to limit the rights of existing or future creditors (an "Asset Protection Trust") without the prior written consent of Lender. Lender may withhold that consent in its sole discretion. Creation of any Asset Protection Trust, and each transfer of assets thereto, by any such settlor without the Lender's prior written consent:

- a. Shall be an Event of Default under the Loan Documents;
- b. Shall have the effect of, and shall be deemed as a matter of law, regardless of that settlor's solvency, of having been made by that settlor with the actual intent of hindering and delaying and defrauding Lender as that settlor's creditor; and

- c. Shall constitute a fraudulent transfer that is unenforceable and void (not merely voidable) as against Lender.

With respect to each such fraudulent transfer, Lender shall have all the rights and remedies provided by state fraudulent transfer laws, or otherwise provided at law or equity. Lender shall have the right to obtain an ex parte court order directing the trustee of the Asset Protection Trust to give Lender written notice a reasonable time (of not less than ten (10) Banking Business Days) prior to making any distribution from said trust. Nothing in this paragraph shall limit or affect any rights or remedies otherwise provided to Lender by law, equity or any contract.

7. Default

7.1 Events of Default

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

- a. Default in the payment when due of any amount payable by the Loan Parties hereunder or under the Loan Documents.
- b. Any representation, warranty, or financial statement made by or on behalf of any Loan Party in any of the Loan Documents, or any document contemplated by the Loan Documents, is materially false or materially misleading when made or deemed made.
- c. Default in the performance or observance by any Loan Party of any term, covenant or agreement contained in this Agreement or any other Loan Document.
- d. Any indebtedness of the Loan Parties or Subsidiaries in an aggregate amount in excess of one million five hundred thousand dollars (\$1,500,000) under any note, indenture or any other debt instrument is accelerated, excluding this Loan.
- e. Default or an event which, with the passage of time or the giving of notice or both, would constitute a default, by the Loan Parties or Subsidiaries, having an aggregate liability to the Loan Parties in excess of one million five hundred thousand dollars (\$1,500,000), occurs on any note, indenture, contract, agreement or any other debt instrument.
- f. Any Loan Party (i) ceases or fails to be solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due; (ii) voluntarily ceases to conduct its business in the ordinary course; (iii) commences any bankruptcy proceeding with respect to itself; or (iv) takes any action to effectuate or authorize any of the foregoing.

g. (i) Any involuntary bankruptcy proceeding is commenced or filed against any Loan Party, or any writ, judgment, warrant of attachment, warrant of execution or similar process is issued or levied against a substantial part of any Loan Party's properties, and such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, warrant of execution or similar process shall not be released, vacated or fully bonded within 60 days after commencement, filing or levy; (ii) any Loan Party admits the material allegations of a petition against it in any bankruptcy proceeding, or an order for relief (or similar order under non-U.S. law) is ordered in any bankruptcy proceeding; or (iii) any Loan Party acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor) or other similar Person for itself or a substantial portion of its property or business.

h. Any judgment or regulatory fine is entered against any Loan Party which could be reasonably expected to have a Material Adverse Effect.

i. Following a Collateral Triggering Event, the Collateral Documents shall cease to be in full force and effect; or any Loan Party, any officer, director or manager of any Loan Party, or the members or shareholders of any Loan Party or any person by, through or on behalf of any Loan Party or said officers, directors, managers, members or shareholders shall contest the validity or enforceability of any Collateral Document or any other Loan Document.

j. Default occurs or the Loan Parties fail to comply with any term in any Hedging Transaction Document.

7.2 Cure Periods

Borrowers shall not be entitled to any notice of an Event of Default. Borrowers shall not have any right to cure any Event of Default under Section 7.1(a), (f), (g), (h), (i), or (j). For any other Event of Default, Borrowers may cure such default within ten (10) Banking Business Days of the occurrence of the default, or if it is commercially unreasonable to cure such default within ten Banking Business Days and with Lender's consent, within such longer period of time as is reasonably necessary to accomplish the cure, provided (i) Borrowers promptly commence such cure, (ii) such cure period does not exceed 90 days under any circumstances, and (iii) Borrowers shall pay to Lender all of Lender's reasonable costs to confirm that the Event of Default has been cured. If an Event of Default is cured, provided Borrowers immediately pay all of Lender's reasonable enforcement costs, including attorneys' fees, incurred through the date Lender received notice of the cure, Lender shall cease its enforcement actions and remedies, including any acceleration remedy provided herein or elsewhere in the Loan Documents, and the parties shall proceed under the Loan Documents as if no default has occurred. Notwithstanding Lender's obligation to terminate its remedies upon a cure as set forth above, Lender shall have no obligation to suspend or delay its enforcement of its rights and remedies under the Loan Documents and at law during any applicable cure period after the expiration of the initial ten Banking Business Days. In no event shall Borrowers have the right to cure Events of Default more than three times during the term of this Agreement.

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

7.3 No Waiver of Event of Default

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

8. Remedies

8.1 Remedies upon Event of Default

Upon the occurrence of an Event of Default, and at any time thereafter, all or any portion of the Obligations due or to become due from the Loan Parties to Lender, whether arising under this Agreement, the Promissory Note, or otherwise, at the option of Lender and without notice to the Loan Parties of the exercise of such option (and automatically upon any Event of Default under Sections 7f or 7g), shall accelerate and become at once due and payable in full, and Lender shall have all rights and remedies created by or arising from the Loan Documents, and all other rights and remedies existing at law, in equity, or by statute.

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

8.2 Rights and Remedies Cumulative

The rights and remedies conferred herein and in the other Loan Documents are cumulative and not exclusive of any other rights or remedies and shall be in addition to every other right, power, and remedy that Lender may have, whether specifically granted herein or hereafter existing at law, in equity, or by statute. Any and all such rights and remedies (subject to any applicable cure period to which the Loan Parties are entitled) may be exercised from time to time and as often and in such order as Lender may deem expedient, whether or not the Obligations shall be due and payable and whether or not Lender shall have instituted any suit for collection, foreclosure, or other action under or in connection with the Loan Documents.

8.3 No Waiver of Rights

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

9. Reserved

10. General Provisions

10.1 Governing Agreement

Except with respect to any Hedging Transaction Documents, in the event of conflict or inconsistency between this Agreement and the other Loan Documents, the terms, provisions and intent of this Agreement shall govern.

10.2 Loan Parties' Obligations Cumulative

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

10.3 Co-Borrowers

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

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

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

Each of the Borrowers hereby agrees to indemnify Lender and to hold Lender harmless, pursuant to Section 10.12 Indemnification, from and against any and all liabilities and damages (including contract, tort and equitable claims) which may be awarded against Lender, and for all reasonable attorneys fees, legal expenses and other expenses incurred in defending such claims, arising from or related in any manner to the joint nature of the borrowings hereunder or the status of Borrowers as co-borrowers.

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

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

10.4 Payment of Expenses and Attorney's Fees

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

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

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

10.5 Right to Perform for Borrowers

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

10.6 Assignability

No Loan Party may assign or transfer any of the Loan Documents and any such purported assignment or transfer is void. Lender may assign or transfer any of the Loan Documents with the consent of Borrowers, which consent shall not be unreasonably withheld or delayed; provided, however, that no consent of Borrowers shall be required (a) so long as an Event of Default has occurred and is continuing; (b) for Lender to pledge or assign a security interest in all or any portion of its rights under this Agreement, the Promissory Note or any other Loan Document to secure obligations of Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank or Federal Home Loan Bank; or (c) for Lender to assign or transfer any of the Loan Documents to an Affiliate of Lender. Funding of the Loan may be provided by an Affiliate of Lender.

10.7 Third Party Beneficiaries

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

10.8 Governing Law

The Loan Documents shall be governed by and construed in accordance with the laws of the State of Utah, excluding conflict of law provisions that would result in the application of any law other than the laws of the State of Utah, and except to the extent that any such document expressly provides otherwise.

10.9 Severability of Invalid Provisions

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

10.10 Interpretation of Agreement

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

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

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

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

10.12 Indemnification

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

10.13 Environmental Indemnification

Each Loan Party shall indemnify Lender for any and all claims and liabilities, and for damages which may be awarded or incurred by Lender, and for all reasonable attorney fees, legal expenses, and other out-of-pocket expenses arising from or related in any manner, directly or indirectly, to (i) Hazardous Materials located on, in, or under the Real Property; (ii) any Environmental Condition on, in, or under the Real Property; (iii) any material violation of or non compliance with any Environmental Health and Safety Law; (iv) any material breach or violation of Section 5.11 Environmental Representations and Warranties and/or Section 6.13 Environmental Covenants; and/or (v) any activity or omission, whether occurring on or off the Real Property, whether prior to or during the term of the loans secured hereby, and whether by the Loan Parties or any other Person, relating to Hazardous Materials or an Environmental Condition. The indemnification obligations of the Loan Parties under this Section shall survive any reconveyance, release, or foreclosure of the Real Property, any transfer in lieu of foreclosure, and satisfaction of the obligations secured hereby.

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

10.14 Interest on Expenses and Indemnification, Order of Application

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

All payments and recoveries shall be applied to payment of the foregoing obligations, the Promissory Note, and all other amounts owing to Lender by Borrowers in such order and priority as set forth in this Agreement.

10.15 Limitation of Consequential Damages

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

10.16 Waiver and Release of Claims

Each Loan Party hereby (i) represents that neither the Loan Parties nor any Affiliate or principal of the Loan Parties have any defenses to or setoffs against any obligations owing by the Loan Parties, or by the Loan Parties' Affiliates or principals, to Lender or Lender's Affiliates, nor any claims against Lender or Lender's Affiliates for any matter whatsoever, related or unrelated to the Loan Documents or any Obligations, and (ii) releases Lender and Lender's Affiliates, officers, directors, employees, representatives and agents from all claims, causes of action, and costs, in law or equity, known or unknown, whether or not matured or contingent, existing as of the date hereof that the Loan Parties have or may have by reason of any matter of any conceivable kind or character whatsoever, related or unrelated to the Loan, including the subject matter of the Loan Documents. The foregoing release does not apply, however, to claims for future performance of express contractual obligations that mature after the date hereof that are owing to the Loan Parties by Lender or Lender's Affiliates. The Loan Parties acknowledge that Lender has been induced to enter into or continue the obligations by, among other things, the waivers and releases in this Section.

10.17 Revival Clause

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

10.18 Jury Trial Waiver, Arbitration, and Class Action Waiver

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

a. Jury Trial Waiver. As permitted by applicable law, the Loan Parties and Lender each waive their respective rights to a trial before a jury in connection with any Dispute (as "Dispute" is hereinafter defined), and Disputes shall be resolved by a judge sitting without a jury. If a court determines that this provision is not enforceable for any reason and at any time prior to trial of the Dispute, but not later than 30 days after entry of the order determining this provision is unenforceable, any party shall be entitled to move the court for an order compelling arbitration and staying or dismissing such litigation pending arbitration ("Arbitration Order").

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

Arbitration shall be commenced by filing a petition with, and in accordance with the applicable arbitration rules of, JAMS or National Arbitration Forum (“Administrator”) as selected by the initiating party. If the parties agree, arbitration may be commenced by appointment of a licensed attorney who is selected by the parties and who agrees to conduct the arbitration without an Administrator. Disputes include matters relating to a deposit account, application for or denial of credit, enforcement of any of the obligations the parties have to each other, compliance with applicable laws and/or regulations, performance or services provided under any agreement by any party, including but not limited to the validity, enforceability, meaning, or scope of this arbitration provision, and including a dispute based on or arising from an alleged tort or matters involving either the Loan Parties’ or Lender’s employees, agents, Affiliates, or assigns of a party. However, Disputes do not include the validity, enforceability, meaning, or scope of this arbitration provision and such matters may be determined only by a court. If a third party is a party to a Dispute, the Loan Parties and Lender each will consent to including the third party in the arbitration proceeding for resolving the Dispute with the third party. Venue for the arbitration proceeding shall be at a location determined by mutual agreement of the parties or, if there is no agreement, in Salt Lake City, Utah.

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

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

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

c . Class Action Waiver. The Loan Parties and Lender each waive the right to litigate in court or arbitrate any claim or Dispute as a class action, either as a member of a class or as a representative, or to act as a private attorney general.

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

10.19 Consent to Utah Jurisdiction and Exclusive Jurisdiction of Utah Courts

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

10.20 Joint and Several Liability

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

10.21 Savings Clause

In any action or proceeding involving any state corporate law or any state, federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Loan Party, or the validity and enforceability of any security interest, lien or other encumbrance, would otherwise be held or determined to be avoidable, invalid or unenforceable but for the application of this Section, then, notwithstanding any other provision of the Loan Documents to the contrary, without any further action by the Loan Parties or Lender, the amount of such obligations shall be automatically limited and reduced to the highest amount that would not cause such obligations to be voidable, invalid or unenforceable, and any such security interest, lien or encumbrance shall be limited to the maximum extent not subject to being voidable, invalid or enforceable, and the Loan Documents shall be deemed automatically amended accordingly.

This Section is intended solely to preserve the rights of Lender to the maximum extent not subject to avoidance, invalidity or unenforceability, and no Loan Party or other Person shall have any right or claim under this Section.

10.22 No Partnership or Joint Venture

This Agreement is not intended to create and shall not be interpreted to create any partnership or joint ventures between or among Lender and the Loan Parties.

10.23 Notices

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

Mailing addresses:

Lender:

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

With a copy to:

Holland & Hart LLP
222 South Main Street, Suite 2200
Salt Lake City, Utah 84101
Attention: Scott R. Irwin, Esq.

With respect to all Borrowers:

c/o Black Diamond, Inc.
2084 East 3900 South
Salt Lake City, Utah 84124
Attention: President

With a copy to:

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

10.24 Duplicate Originals; Counterpart Execution

Two or more duplicate originals of the Loan Documents may be signed by the parties, each duplicate of which shall be an original but all of which together shall constitute one and the same instrument. Any of the Loan Documents may be executed in several counterparts, without the requirement that all parties sign each counterpart. Each of such counterparts shall be an original, but all counterparts together shall constitute one and the same instrument. Receipt by Lender and the Loan Parties of an executed copy of this Agreement by facsimile or electronic mail shall constitute conclusive evidence of execution and delivery of this Agreement by the signatory thereto.

10.25 Disclosure of Financial and Other Information

The Loan Parties hereby consent to Lender disclosing to any other lender who may participate in the Loan any and all information, knowledge, reports, and records, including, without limitation, financial statements, relating in any manner whatsoever to the Loan and the Loan Parties; provided, however, that Lender shall take reasonable steps to ensure the confidentiality of any documents or information that may be disclosed pursuant to this Section 10.25, including maintaining the confidentiality thereof as required by laws, rules and regulations, including the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended.

10.26 Integrated Agreement and Subsequent Amendment

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

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

This Agreement restates, replaces and supersedes in its entirety, but does not extinguish or novate, the A&R Loan Agreement.

[Signatures Pages Follow]

IN WITNESS WHEREOF, this Agreement has been executed and becomes effective as of the Effective Date.

Lender:

Zions First National Bank

By: /s/ Michael R. Brough

Name: Michael R. Brough

Title: Senior Vice President

Borrowers:

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

Black Diamond, Inc.

By: /s/ Aaron J. Kuehne

Name: Aaron J. Kuehne

Title: Chief Financial Officer, Secretary
and Treasurer

Everest/Sapphire Acquisition, LLC

By: /s/ Aaron J. Kuehne

Name: Aaron J. Kuehne

Title: Secretary and Treasurer

LOAN AGREEMENT
Signature Pages

BD North American Holdings, LLC

By: /s/ Aaron J. Kuehne

Name: Aaron J. Kuehne

Title: Treasurer

POC USA, 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: /s/ Aaron J. Kuehne

Name: Aaron J. Kuehne

Title: Secretary and Treasurer

LOAN AGREEMENT
Signature Pages

**SECOND AMENDED AND RESTATED PROMISSORY NOTE
(Revolving Loan)**

October 31, 2014

Borrowers: 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

Lender: Zions First National Bank

Amount: \$30,000,000

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 thirty million dollars (\$30,000,000.00) 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 Second Amended and Restated Promissory Note (Revolving Loan) (this “Note”) and in that certain Second Amended and Restated Loan Agreement of even date herewith 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.

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 Amended and Restated Promissory Note (Revolving Loan) dated March 8, 2013 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 Second Amended and Restated Promissory Note (Revolving Loan) and it becomes effective as of the day and year first set forth above.

Borrowers:

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

Black Diamond, Inc.

By: /s/ Aaron J. Kuehne

Name: Aaron J. Kuehne

Title: Chief Financial Officer, Secretary and Treasurer

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

SECOND AMENDED AND RESTATED
PROMISSORY NOTE (REVOLVING
LOAN)

Signature Pages

POC USA, 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: /s/ Aaron J. Kuehne
Name: Aaron J. Kuehne
Title: Secretary and Treasurer

SECOND AMENDED AND RESTATED
PROMISSORY NOTE (REVOLVING
LOAN)
Signature Pages

BLACK DIAMOND, INC.

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Peter R. Metcalf, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Black Diamond, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2014

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

BLACK DIAMOND, INC.

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Aaron J. Kuehne, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Black Diamond, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2014

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

BLACK DIAMOND, INC.

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

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

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: November 4, 2014

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

BLACK DIAMOND, INC.

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

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

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Date: November 4, 2014

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