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: **March 31, 2018**

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**

CLARUS CORPORATION

(Exact name of registrant as specified in its charter)

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

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 May 2, 2018, there were 30,041,265 shares of common stock, par value $0.0001, outstanding.

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CLARUS CORPORATION

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CLARUS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except per share amounts)

	March 31, 2018	December 31, 2017
Assets		
Current assets		
Cash	$ 2,196	$ 1,856
Accounts receivable, less allowance for doubtful accounts of $608 and $382, respectively	36,252	35,817
Inventories	53,122	58,138
Prepaid and other current assets	4,397	3,633
Income tax receivable	43	-
Total current assets	96,010	99,444
Property and equipment, net	24,383	24,345
Other intangible assets, net	22,346	23,238
Indefinite lived intangible assets	41,938	41,843
Goodwill	17,745	17,745
Other long-term assets	812	834
Total assets	$ 203,234	$ 207,449
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 19,761	$ 19,456
Income tax payable	245	328
Current portion of long-term debt	40	-
Total current liabilities	20,046	19,784
Long-term debt	14,812	20,842
Deferred income taxes	3,675	3,666
Other long-term liabilities	103	175
Total liabilities	38,636	44,467
Stockholders' Equity		
Preferred stock, $.0001 par value; 5,000 shares authorized; none issued	-	-
Common stock, $.0001 par value; 100,000 shares authorized; 32,917 and 32,917 issued and 30,041 and 30,041 outstanding, respectively	3	3
Additional paid in capital	485,784	485,285
Accumulated deficit	(309,987)	(310,390)
Treasury stock, at cost	(12,415)	(12,415)
Accumulated other comprehensive income	1,213	499
Total stockholders' equity	164,598	162,982
Total liabilities and stockholders' equity	$ 203,234	$ 207,449

See accompanying notes to consolidated financial statements.

CLARUS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Sales		
Domestic sales	$ 25,654	$ 21,337
International sales	27,613	20,219
Total sales	53,267	41,556
Cost of goods sold	35,440	29,256
Gross profit	17,827	12,300
Operating expenses		
Selling, general and administrative	17,128	12,535
Restructuring charge	40	41
Transaction costs	165	-
Total operating expenses	17,333	12,576
Operating income (loss)	494	(276)
Other (expense) income		
Interest expense, net	(254)	(983)
Other, net	121	14
Total other expense, net	(133)	(969)
Income (loss) before income tax	361	(1,245)
Income tax (benefit) expense	(42)	210
Net income (loss)	403	(1,455)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustment	625	264
Unrealized income (loss) on hedging activities	89	(327)
Other comprehensive income (loss)	714	(63)
Comprehensive income (loss)	$ 1,117	$ (1,518)
Net income (loss) per share:		
Basic	$ 0.01	$ (0.05)
Diluted	0.01	(0.05)
Weighted average shares outstanding:		
Basic	30,041	30,015
Diluted	30,157	30,015

See accompanying notes to condensed consolidated financial statements.

CLARUS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended	
	March 31, 2018	March 31, 2017
Cash Flows From Operating Activities:		
Net income (loss)	$ 403	$ (1,455)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation of property and equipment	1,073	558
Amortization of intangible assets	969	266
Accretion of notes payable	-	833
Amortization of debt issuance costs	17	-
(Gain) loss on disposition of assets	(2)	123
Gain from removal of accumulated translation adjustment	(131)	(20)
Stock-based compensation	499	33
Deferred income taxes	(150)	69
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	(147)	(1,479)
Inventories	5,430	2,051
Prepaid and other assets	(528)	106
Accounts payable and accrued liabilities	(10)	744
Income taxes	(127)	189
Other	(41)	(37)
Net cash provided by operating activities	7,255	1,981
Cash Flows From Investing Activities:		
Proceeds from disposition of property and equipment	2	-
Purchase of property and equipment	(853)	(426)
Net cash used in investing activities	(851)	(426)
Cash Flows From Financing Activities:		
Net repayments of revolving credit facilities	(6,104)	-
Repayments of long-term debt and capital leases	(10)	(22,713)
Purchase of treasury stock	-	(14)
Net cash used in financing activities	(6,114)	(22,727)
Effect of foreign exchange rates on cash	50	15
Change in cash	340	(21,157)
Cash, beginning of period	1,856	94,738
Cash, end of period	$ 2,196	$ 73,581
Supplemental Disclosure of Cash Flow Information:		
Cash paid (received) for income taxes	$ 237	$ (53)
Cash paid for interest	$ 264	$ 208
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Property and equipment purchased with accounts payable	$ 247	$ 87
Property and equipment acquired through a capital lease	$ 123	$ -

See accompanying notes to condensed consolidated financial statements.

CLARUS CORPORATION
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 Clarus Corporation and subsidiaries (which may be referred to as the "Company," "Clarus," "we," "us" or "our") as of and for the three months ended March 31, 2018 and 2017, 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 only of normal recurring adjustments, except otherwise disclosed) necessary for a fair presentation of the unaudited condensed consolidated financial statements have been included. The results of the three months ended March 31, 2018 are not necessarily indicative of the results to be obtained for the year ending December 31, 2018. 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, 2017, filed with the Securities and Exchange Commission (the "Commission").

Clarus, incorporated in Delaware in 1991, acquired Black Diamond Equipment, Ltd. (which may be referred to as "Black Diamond Equipment" or "BDEL") and Gregory Mountain Products, LLC (which may be referred to as "Gregory Mountain Products", "Gregory" or "GMP") in May 2010 and changed its name to Black Diamond, Inc. in January 2011. In July 2012, we acquired POC Sweden AB and its subsidiaries (collectively, "POC") and in October 2012, we acquired PIEPS Holding GmbH and its subsidiaries (collectively, "PIEPS").

On July 23, 2014, the Company completed the sale of certain assets to Samsonite LLC comprising Gregory Mountain Product's business. On October 7, 2015, the Company sold its equity interests in POC.

On August 14, 2017, the Company changed its name from Black Diamond, Inc. to Clarus Corporation and its stock ticker symbol from "BDE" to "CLAR" on the NASDAQ stock exchange. On August 21, 2017, the Company acquired Sierra Bullets, L.L.C. ("Sierra").

Nature of Business

Headquartered in Salt Lake City, Utah, Clarus, a company focused on the outdoor and consumer industries, is seeking opportunities to acquire and grow businesses that can generate attractive shareholder returns. The Company has substantial net operating tax loss carryforwards which it is seeking to redeploy to maximize shareholder value in a diverse array of businesses. Clarus' primary business is as a leading developer, manufacturer and distributor of outdoor equipment and lifestyle products focused on the climb, ski, mountain, and sport categories. The Company's products are principally sold under the Black Diamond®, Sierra® and PIEPS® brand names through specialty and online retailers, distributors and original equipment manufacturers throughout the U.S. and internationally.

Through our Black Diamond and PIEPS brands, we offer a broad range of products including: high performance apparel (such as jackets, shells, pants and bibs); rock-climbing equipment (such as carabiners, protection devices, harnesses, belay devices, helmets, and ice-climbing gear); technical backpacks and high-end day packs; tents; trekking poles; headlamps and lanterns; and gloves and mittens. We also offer advanced skis, ski poles, ski skins, and snow safety products, including avalanche airbag systems, avalanche transceivers, shovels, and probes. Through our Sierra brand, we manufacture a wide range of high performance bullets for both rifles and pistols that are used for precision target shooting, hunting and military and law enforcement purposes.

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 purchase price allocation, excess or obsolete inventory, and valuation of deferred tax assets. We base our estimates on historical experience and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Significant Accounting Policies

Revenue Recognition

On January 1, 2018, the Company adopted new guidance on revenue from customers using the modified retrospective method applied to revenues that were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under the new guidance, while prior period amounts are not adjusted and continue to be reported in accordance with Accounting Standards Codification ("ASC") Topic 605.

There was no cumulative effect adjustment recorded to opening retained earnings as of January 1, 2018, upon adoption of Topic 606. However, the new revenue standard provides new guidance that resulted in immaterial reclassifications between Prepaid and other current assets, Sales, Cost of goods sold, and Accounts payable and accrued liabilities associated with accounting for revenue with a right of return. The impact of the reclassifications to revenues and expenses for the quarter ended March 31, 2018, was also immaterial as a result of applying Topic 606. We do not expect an impact to our net income on an ongoing basis as a result of the adoption of the new standard.

The Company recognizes revenue when a contract exists with a customer which specifies the goods and services to be provided at an agreed upon sales price and when the performance obligation is satisfied by transferring the goods or service to the customer. The performance obligation is considered complete when products are shipped or delivered to the customer depending on the terms of the contract. Sales are made on normal and customary short- term credit terms or upon delivery of point of sale transactions.

The Company enters into contractual arrangement with customers in the form of individual customer orders which specify the goods, quantity, pricing, and associated order terms. The Company does not have long-term contracts which are satisfied over time. Due to the nature of the contracts, no significant judgment exists in relation to the identification of the customer contract, satisfaction of the performance obligation, or transaction price. The Company expenses incremental costs of obtaining a contract due to the short term nature of the contracts.

The Company's contract terms or historical business practices can give rise to variable consideration such as term discounts and customer cooperative payments. We estimate the expected term discounts based on an analysis of historical experience and record cash discounts as a reduction to revenue. Through cooperative advertising programs, the Company reimburses its wholesale customers for some of their costs of advertising the Company's products. The Company records such costs as a reduction of revenue, where the fair value cannot be reasonably estimated or where costs exceed the fair value of the services.

At the time of revenue recognition, we also provide for estimated sales returns and miscellaneous claims from customers as reductions to revenues. The estimates are based on historical rates of product returns and claims. The Company accrues for such estimated returns and claims with an estimated accrual and associated reduction of revenue. Additionally, the Company records an other current asset for inventory which it expects to be returned with a corresponding reduction of cost of goods sold. Such balances as of March 31, 2018 and January 1, 2018 are immaterial. The Company also offers assurance-type warranties relating to its products sold to end customers that are accounted for under ASC 460 Guarantees.

Charges for shipping and handling fees billed to customers are included in net sales and the corresponding shipping and handling expenses are included in cost of sales in the accompanying consolidated statements of comprehensive income (loss).

Sales commissions are expensed as incurred. These costs are recorded in Selling, general and administrative. Taxes collected from customers and remitted to government authorities are reported on the net basis and are excluded from sales.

The Company has a wide variety of technical outdoor equipment and lifestyle products focused on the climb, ski, mountain, and sport categories that are sold to a variety of customers in multiple end markets. While there are multiple products sold, the nature of products are similar in terms of the nature of the revenue recognition policies. See Note 15 Segment Information for disaggregated revenue by segment.

Contract liabilities are recorded as a component of accounts payable and accrued liabilities when customers remit contractual cash payments in advance of us satisfying performance obligations which are satisfied at a future point of time. Contract liabilities totaled $85 and $360 at March 31, 2018 and January 1, 2018, respectively. Contract liabilities are derecognized when the performance obligation is satisfied. Revenue recognized from satisfaction of performance obligations relating to the advanced payments during the first quarter of 2018 totaled $291.

The accounts receivable trade balance related to customers totaled $36,342, less allowance of $608, and $35,940, less allowance of $382, as of March 31, 2018 and January 1, 2018, respectively.

Accounting Pronouncements adopted during 2018

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

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which clarifies the treatment of several cash flow categories. In addition, ASU 2016-15 clarifies that when cash receipts and cash payments have aspects of more than one class of cash flows and cannot be separated, classification will depend on the predominant source or use. This ASU is effective for annual and interim reporting periods beginning after December 15, 2017 with early adoption permitted. Accordingly, the Company adopted this ASU on January 1, 2018 and determined that the adoption of this guidance did not impact the Company's consolidated financial statements and related disclosures.

In May 2017, the FASB issued ASU 2017-09, *Compensation – Stock Compensation (Topic 718) Scope of Modification Accounting*, which clarifies that an entity should account for the effects of a modification unless the fair value, vesting terms and classification as liability or equity of the modified and original awards do not change on the modification date. This ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The amendments in this update are applied using a prospective transition method. Accordingly, the Company adopted this ASU on January 1, 2018 and determined that the adoption of this guidance did not impact the Company's consolidated financial statements and related disclosures.

In March 2018, the FASB issued ASU 2018-5 *Income Tax (Topic 740) Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118* (SAB 118) which adds various paragraphs pursuant to the issuance of SAB 118. This guidance provides for the application of ASC 740, Income Taxes, in the reporting period in which the Tax Cuts and Jobs Act (the "Tax Act") was signed into law and establishes a measurement period that should not extend beyond one year from the Tax Act enactment date (December 22, 2017) to obtain the appropriate documentation and complete the accounting under ASC 740 for certain income tax effects of the Tax Act which were incomplete at December 31, 2017. This ASU became effective when issued in March 2018. The Company believes that all material adjustments have been identified and recorded relating to the Tax Act in 2017. Accordingly, the Company believes that adoption of this guidance will not have a material impact on the Company's consolidated financial statements and related disclosures.

Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*, which revises the accounting related to lessor and lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset ("ROU") for all leases with terms greater than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The provisions of ASU 2016-02 are effective for fiscal years beginning after December 15, 2018, and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements with certain practical expedients available. Early adoption is permitted. Since the effective date will not be until January 1, 2019, there is no immediate impact on the financial statements. Leases previously defined as capital leases will continue to be defined as a capital lease with no material changes to the accounting methodology. The Company currently maintains two capital leases. The Company is performing an assessment of its leases and has begun preparations for implementation and restrospective application to the earliest reporting period. Under the new guidance, leases previously defined as operating leases will be defined as financing leases and capitalized if the term is greater than one year. As a result, financing leases will be recorded as an asset and a corresponding liability at the present value of the total lease payments. The asset will be decremented over the life of the lease on a pro-rata basis resulting in lease expense while the liability will be decremented using the interest method (ie. principal and interest). As such, the Company expects the new guidance will materially impact the asset and liability balances of the Company's consolidated financial statements and related disclosures at the time of adoption. The majority of our current operating leases have been negotiated to expire after the adoption date. Consequently, for the leases with terms that go beyond the adoption date, the amounts we expect to recognize as additional liabilities and corresponding ROU assets based upon the present value of the remaining rental payments should approximate $2,400.

(in thousands, except per share amounts)

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The standard simplifies the accounting for goodwill impairment by requiring a goodwill impairment to be measured using a single step impairment model, whereby the impairment equals the difference between the carrying amount and the fair value of the specified reporting units in their entirety. This eliminates the second step of the current impairment model that requires companies to first estimate the fair value of all assets in a reporting unit and measure impairments based on those fair values and a residual measurement approach. It also specifies that any loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. We will adopt this standard no later than the effective date of January 1, 2020 on a prospective basis. The impact of the new standard will be dependent on the specific facts and circumstances of future individual impairments, if any.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. This standard enables entities to better portray the economics of their risk management activities in the financial statements and enhances the transparency and understandability of hedge results through improved disclosures. This ASU is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early application is permitted. We intend to adopt the new guidance in the first quarter of 2019. The Company is still evaluating the impact of the adoption and implementation of this standard on its consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220) Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* which allows for a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Act. However, because the amendments only relate to the reclassification of the income tax effects of the Tax Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. This ASU is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period. We intend to adopt the new guidance in the first quarter of 2019. The Company does not believe the adoption and implementation of this standard will have a significant impact on its consolidation financial statements.

NOTE 2. ACQUISITION

On August 21, 2017, the Company, through Everest/Sapphire Acquisition, LLC (“Everest/Sapphire”), a Delaware limited liability company and wholly owned subsidiary of Clarus, acquired 100% of the outstanding membership interests of Sierra, a manufacturer of a wide range of bullets primarily for both rifles and pistols, pursuant to the terms of the purchase and sale agreement dated August 21, 2017 (the “Purchase Agreement”), by and among Everest/Sapphire, Sierra, BHH Management, Inc., a California corporation (“BHH”), Lumber Management, Inc., a Delaware corporation (“LMI” and, together with BHH, each a “Seller” and, collectively, the “Sellers”), and BHH, in its capacity as the representative of Sellers. Under the terms of the Purchase Agreement, Everest/Sapphire acquired Sierra for an aggregate purchase price of $79,000, plus or minus a preliminary working capital adjustment, in accordance with and subject to the terms and conditions set forth in the Purchase Agreement. The Company has not finalized the working capital adjustment as of March 31, 2018. We expect the information needed to finalize our working capital adjustment which could affect the recorded purchase consideration and goodwill during the three-month period ending June 30, 2018.

Pro Forma Results

The following unaudited pro forma results of operations for the three months ended March 31, 2017 give pro forma effect as if the acquisition and borrowings used to finance the acquisition had occurred on January 1, 2016, after giving effect to certain adjustments including the amortization of intangible assets, depreciation of fixed assets, the Sellers’ management fees, interest expense and taxes and assumes the purchase price was allocated to the assets purchased and liabilities assumed based on their fair market values at the date of purchase.

	Three Months Ended March 31, 2017	
Sales	$	51,037
Net income	$	811
Net income per share - basic	$	0.03
Net income per share - diluted	$	0.03

The unaudited pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred had the transaction been consummated as of January 1, 2016. Furthermore, such unaudited pro forma information is not necessarily indicative of future operating results of the combined companies, and should not be construed as representative of the operating results of the combined companies for any future dates or periods.

(in thousands, except per share amounts)

NOTE 3. INVENTORIES

Inventories, as of March 31, 2018 and December 31, 2017, were as follows:

	March 31, 2018	December 31, 2017
Finished goods	$ 40,238	$ 46,729
Work-in-process	6,129	5,194
Raw materials and supplies	6,755	6,215
	$ 53,122	$ 58,138

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment, net as of March 31, 2018 and December 31, 2017, were as follows:

	March 31, 2018	December 31, 2017
Land	$ 3,160	$ 3,160
Building and improvements	6,800	6,800
Furniture and fixtures	4,140	3,822
Computer hardware and software	4,975	4,897
Machinery and equipment	20,500	19,764
Construction in progress	741	721
	40,316	39,164
Less accumulated depreciation	(15,933)	(14,819)
	$ 24,383	$ 24,345

NOTE 5. OTHER INTANGIBLE ASSETS

Goodwill

There was no change in goodwill during the three months ended March 31, 2018. The following table summarizes goodwill by segment:

	Black Diamond	Sierra	Total
Balance at December 31, 2017	$ -	$ 17,745	$ 17,745
Balance at March 31, 2018	$ -	$ 17,745	$ 17,745

Indefinite Lived Intangible Assets

The Company owns certain tradenames and trademarks which provide Black Diamond Equipment, PIEPS and Sierra with the exclusive and perpetual rights to manufacture and sell their respective products. Tradenames and trademarks are not amortized, but reviewed annually for impairment or upon the existence of a triggering event. There was an increase in tradenames and trademarks during the three months ended March 31, 2018, due to the impact of foreign currency exchange rates. The following table summarizes the changes in indefinite lived intangible assets:

(in thousands, except per share amounts)

Balance at December 31, 2017	$	41,843
Impact of foreign currency exchange rates		95
Balance at March 31, 2018	$	41,938

Other Intangible Assets, net

Intangible assets are amortizable over their estimated useful lives. There was an increase in gross other intangible assets subject to amortization during the three months ended March 31, 2018 due to the impact of foreign currency exchange rates. The following table summarizes the changes in gross other intangible assets:

Gross balance at December 31, 2017	$	33,062
Impact of foreign currency exchange rates		137
Gross balance at March 31, 2018	$	33,199

Other intangible assets, net of amortization as of March 31, 2018 and December 31, 2017, were as follows:

		March 31, 2018		December 31, 2017
Customer lists and relationships	$	26,243	$	26,166
Product technologies		4,909		4,849
Trade name / trademark		1,100		1,100
Core technologies		947		947
		33,199		33,062
Less accumulated amortization		(10,853)		(9,824)
	$	22,346	$	23,238

NOTE 6. LONG-TERM DEBT

Long-term debt, net as of March 31, 2018 and December 31, 2017, was as follows:

		March 31, 2018		December 31, 2017
Revolving credit facility (a)	$	14,738	$	20,842
Capital lease		114		-
		14,852		20,842
Less current portion		(40)		-
	$	14,812	$	20,842

(a) As of March 31, 2018, the Company had drawn $14,738 on a $38,750 revolving credit facility with ZB, N.A. dba Zions First National Bank with a maturity date of August 21, 2022.

(in thousands, except per share amounts)

NOTE 7. DERIVATIVE FINANCIAL INSTRUMENTS

The Company's primary exchange rate risk management objective is to mitigate the uncertainty of anticipated cash flows attributable to changes in foreign currency exchange rates. The Company primarily focuses on mitigating changes in cash flows resulting from sales denominated in currencies other than the U.S. dollar. The Company manages this risk primarily by using currency forward and option contracts. If the anticipated transactions are deemed probable, the resulting relationships are formally designated as cash flow hedges. The Company accounts for these contracts as cash flow hedges and tests effectiveness by determining whether changes in the expected cash flow of the derivative offset, within a range, changes in the expected cash flow of the hedged item.

At March 31, 2018, the Company's derivative contracts had a remaining maturity of less than one year. The counterparty to these transactions had both long-term and short-term investment grade credit ratings. The maximum net exposure of the Company's credit risk to the counterparty is generally limited to the aggregate unrealized loss of all contracts with that counterparty, which is $697 as of March 31, 2018. The Company's exposure of counterparty credit risk is limited to the aggregate unrealized gain on all contracts. At March 31, 2018, there was no such exposure to the counterparty. 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 March 31, 2018 and December 31, 2017:

	March 31, 2018	
	Notional Amount	Latest Maturity
Foreign exchange contracts - Canadian Dollars	11,981	February 2019
Foreign exchange contracts - British Pounds	1,290	February 2019
Foreign exchange contracts - Euros	14,899	February 2019

	December 31, 2017	
	Notional Amount	Latest Maturity
Foreign exchange contracts - Norwegian Kroner	2,629	February 2018
Foreign exchange contracts - Canadian Dollars	9,538	February 2019
Foreign exchange contracts - British Pounds	1,737	February 2019
Foreign exchange contracts - Euros	15,928	February 2019

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 hedged transaction is recognized in earnings. Gains (losses) of $(325) and $296 were reclassified to sales during the three months ended March 31, 2018 and 2017, respectively.

The following table presents the balance sheet classification and fair value of derivative instruments as of March 31, 2018 and December 31, 2017:

	Classification	March 31, 2018	December 31, 2017
Derivative instruments in asset positions:			
Forward exchange contracts	Prepaid and other current assets	$ 229	$ 40
Forward exchange contracts	Other long-term assets	$ -	$ 6
Derivative instruments in liability positions:			
Forward exchange contracts	Accounts payable and accrued liabilities	$ 926	$ 919
Forward exchange contracts	Other long-term liabilities	$ -	$ 74

(in thousands, except per share amounts)

NOTE 8. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Cash Flow Hedges	Total
Balance as of December 31, 2017	$ 905	$ (406)	$ 499
Other comprehensive income (loss) before reclassifications	756	(177)	579
Amounts reclassified from other comprehensive income (loss)	(131)	266	135
Net current period other comprehensive income	625	89	714
Balance as of March 31, 2018	$ 1,530	$ (317)	$ 1,213

The effects on net income of amounts reclassified from unrealized gains (losses) on cash flow hedges for foreign exchange contracts and foreign currency translation adjustments for the three months ended March 31, 2018, were as follows:

Affected line item in the Condensed Consolidated Statement of Comprehensive Income (Loss)	Gains (losses) reclassified from AOCI to the Condensed Consolidated Statement of Comprehensive Income (Loss)
Foreign exchange contracts:	
Sales	$ (325)
Less: Income tax expense	(59)
Amount reclassified, net of tax	(266)
Foreign currency translation adjustments:	
Other, net	131
Total reclassifications from AOCI	$ (135)

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

NOTE 9. FAIR VALUE MEASUREMENTS

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

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

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

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

(in thousands, except per share amounts)

Assets and liabilities measured at fair value on a recurring basis at March 31, 2018 and December 31, 2017 were as follows:

	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Forward exchange contracts	-	229	-	229
	$ -	$ 229	$ -	$ 229
Liabilities				
Forward exchange contracts	$ -	$ 926	$ -	$ 926
	$ -	$ 926	$ -	$ 926

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Forward exchange contracts	$ -	$ 46	$ -	$ 46
	$ -	$ 46	$ -	$ 46
Liabilities				
Forward exchange contracts	$ -	$ 993	$ -	$ 993
	$ -	$ 993	$ -	$ 993

Derivative financial instruments are recorded at fair value based on current market pricing models. No nonrecurring fair value measurements existed at March 31, 2018 and December 31, 2017.

NOTE 10. EARNINGS (LOSS) PER SHARE

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

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

	Three Months Ended	
	March 31, 2018	March 31, 2017
Weighted average shares outstanding - basic	30,041	30,015
Effect of dilutive stock awards	116	-
Weighted average shares outstanding - diluted	30,157	30,015
Net income (loss) per share:		
Basic	$ 0.01	$ (0.05)
Diluted	0.01	(0.05)

(in thousands, except per share amounts)

For the three months ended March 31, 2018 and 2017, equity awards of 2,119 and 2,313, respectively, were outstanding and anti-dilutive and therefore not included in the calculation of earnings (loss) per share for these periods.

NOTE 11. STOCK-BASED COMPENSATION PLAN

Under the Company's current 2015 Stock Incentive Plan (the "2015 Plan"), the Company's Board of Directors (the "Board of Directors") has flexibility to determine the type and amount of awards to be granted to eligible participants, who must be employees, directors, officers or consultants of the Company or its subsidiaries. The 2015 Plan allows for grants of incentive stock options, nonqualified stock options, restricted stock awards, stock appreciation rights, and restricted units. The aggregate number of shares of common stock that may be granted through awards under the 2015 Plan to any employee in any calendar year may not exceed 500 shares. The 2015 Plan will continue in effect until December 2025 unless terminated sooner.

During the three months ended March 31, 2018, the Company issued stock options for an aggregate of 1,500 shares under the 2015 Plan to directors and employees of the Company. The 1,500 options issued vest in five equal tranches on December 31, 2018, 2019, 2020, 2021 and 2022.

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 Three Months Ended March 31, 2018

Number of options	1,500
Option vesting period	5 Years
Grant price	$6.80
Dividend yield	0.00%
Expected volatility (a)	41.2% - 42.5%
Risk-free interest rate	2.65% - 2.78%
Expected life (years) (b)	5.00 - 6.50
Weighted average fair value	$2.77 - $3.09

(a) Expected volatility is based upon the Company's historical volatility.

(b) The expected term was determined based upon the underlying terms of the awards and the category and employment history of employee award recipient.

Using these assumptions, the fair value of the stock options granted during the three months ended March 31, 2018 was $4,480, which will be recognized over the vesting period of the options.

The total non-cash stock compensation expense related to restricted stock, stock options and stock awards recorded by the Company for the three months ended March 31, 2018 and 2017 was $499 and $33, respectively. For the three months ended March 31, 2018 and 2017, the majority of stock-based compensation costs were classified as selling, general and administrative expense.

As of March 31, 2018, there were 1,857 unvested stock options and unrecognized compensation cost of $5,251 related to unvested stock options, as well as 850 unvested restricted stock awards and unrecognized compensation cost of $1,110 related to unvested restricted stock awards.

NOTE 12. RESTRUCTURING

The Company initiated restructuring activities in efforts to further realign resources within the organization ("2015 Restructuring Plan") and anticipates completing the plan in 2018. During the three months ended March 31, 2018 and 2017, we incurred restructuring charges of $40 and $41, respectively, related to the 2015 Restructuring Plan. We incurred $2,584 of cumulative restructuring charges in connection with the 2015 Restructuring Plan. We estimate that we will incur an immaterial amount of restructuring charges related to the 2015 Restructuring Plan during the remainder of 2018.

(in thousands, except per share amounts)

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

	2015 Restructuring Plan
Balance at December 31, 2017	$ 93
Charges to expense:	
Other costs	40
Total restructuring charges	40
Cash payments and non-cash charges:	
Cash payments	(32)
Balance at March 31, 2018	$ 101

As of March 31, 2018, termination costs and restructuring costs remained in accrued liabilities and are expected to be paid during the remainder of 2018.

NOTE 13. COMMITMENTS AND CONTINGENCIES

The Company is involved in various legal disputes and other legal proceedings that arise from time to time in the ordinary course of business. Based on currently available information, the Company does not believe that it is reasonably possible that the disposition of any of the legal disputes the Company or its subsidiaries is currently involved in will have a material adverse effect upon the Company's consolidated financial condition, results of operations or cash flows. There is a reasonable possibility of loss from contingencies in excess of the amounts accrued by the Company in the accompanying condensed consolidated balance sheets; however, the actual amounts of such possible losses cannot currently be reasonably estimated by the Company at this time. It is possible that, as additional information becomes available, the impact on the Company could have a different effect.

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 March 31, 2018 and 2017 was $227 and $203, respectively.

NOTE 14. INCOME TAXES

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

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act made broad and complex changes to existing U.S. tax laws that impact the Company. Most notably, the Tax Act reduced the U.S. federal corporate tax rate from 35 percent to 21 percent effective January 1, 2018. The Tax Act also provides for a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries ("Repatriation Tax") and the acceleration of depreciation for certain assets placed in service after September 27, 2017. The Tax Act also establishes prospective changes beginning in 2018 including the move to a modified territorial system, the repeal of the domestic production activity deduction, limitations on the deductibility of certain executive compensation, and other new international tax provisions. For tax years beginning after December 31, 2017, net operating losses generated will have an indefinite carry forward period but will only be able to offset 80% of taxable income each year. Lastly, as a result of the Tax Act, the corporate alternative minimum tax ("AMT") was repealed. Taxpayers with AMT credit carryovers in excess of their regular tax liability may have the credits refunded over multiple years from 2018 to 2022. However, AMT transactions, including refunds, are subject to sequestration by the Office of Management Budget.

The Company recognized the income tax effects of the Tax Act in its 2017 financial statements in accordance with SEC Staff Accounting Bulletin No. 118 ("SAB 118"), which provides guidance for the application of Accounting Standards Codification ("ASC") 740, Income Taxes, in the reporting period in which the Tax Act was signed into law. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements.

The first provisional matter recorded in 2017 relates to the Transition Tax and a dividend paid by the Company's wholly owned subsidiary, Ember Scandinavia AB ("Ember"), to Clarus. Under the Transition Tax, all activity should be added back to the accumulated earnings and profits of specified foreign corporations ("SFC") in order to calculate the Transition Tax. However, the dividend from Ember created a de facto liquidation. The guidance is unclear as to whether a liquidating dividend should be added back to accumulating earnings and profits, or if, due to the de facto liquidation, the company did not exist as of the date of measurement. The Company did not add the dividend back to the Transition Tax calculation, and had it done so, it would have resulted in a tax benefit of approximately $2,500 due to offsetting accumulated earnings and profits deficits of other SFCs. With additional guidance from the IRS, this position could change and impact the overall tax provision.

The second provisional matter recorded in 2017 relates to the measurement of valuation allowance on net deferred tax assets that create future indefinite net operating losses, which can be realized through indefinite deferred tax liabilities and thus be considered as a source of future taxable income. In several states in which the Company operates, the states' position is to conform to Federal tax legislation, however in practice no formal declaration is made by the states upon tax legislation changes. It is unclear at this time whether states have conformed to the Tax Act or adopted their own laws to address the federal changes. On a provisional basis, the Company released federal valuation allowance of $4,512. If the Company had released the state valuation allowance, it would have resulted in an incremental tax benefit of approximately $400.

The Company took into consideration the various changes of the Tax Act when calculating the annual effective tax rate.

The tax (benefit) expense includes a discrete benefit of $28 and discrete charge of $133 for the three months ended March 31, 2018 and 2017, respectively, associated with a disproportionate tax effect released from AOCI.

As of December 31, 2017, the Company's gross deferred tax asset was $50,732. The Company had recorded a valuation allowance of $45,811, resulting in a net deferred tax asset of $4,921, before deferred tax liabilities of $8,587. The Company has provided a valuation allowance against a portion of the deferred tax assets as of December 31, 2017, because the ultimate realization of those assets did not meet the more likely than not criteria. The majority of the Company's deferred tax assets consist of net operating loss carryforwards for federal tax purposes. If a change in control were to occur, these could be limited under Section 382 of the Internal Revenue Code of 1986 ("Code"), as amended.

In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and net operating loss and credit carryforwards expire. The estimates and judgments associated with the Company's valuation allowance on deferred tax assets are considered critical due to the amount of deferred tax assets recorded by the Company on its consolidated balance sheet and the judgment required in determining the Company's future taxable income. The need for a valuation allowance is reassessed at each interim reporting period.

As of December 31, 2017, the Company had net operating loss, research and experimentation credit and alternative minimum tax credit carryforwards for U.S. federal income tax purposes of $156,598, $3,452 and $0, respectively. The Company believes its U.S. federal net operating loss ("NOL") will substantially offset its future U.S. federal income taxes. The majority of the Company's pre-tax income is currently earned and expected to be earned in the U.S., or taxed in the U.S. as Subpart F income and will be offset with the NOL.

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

(in thousands, except per share amounts)

Net Operating Loss Carryforward Expiration Dates
December 31, 2017

Expiration Dates December 31,	Net Operating Loss Amount	
2021	$	21,026
2022		115,000
2023		5,712
2024		3,566
2025 and beyond		11,294
Total	$	156,598

NOTE 15. SEGMENT INFORMATION

As a result of our August 21, 2017 acquisition of Sierra, we now operate our business structure within two segments. These segments are defined based on the internal financial reporting used by management. Certain significant selling and general and administrative expenses are not allocated to the segments including non-cash stock compensation expense. Each segment is described below:

- The Black Diamond segment, which includes Black Diamond Equipment and PIEPS, is a global leader in designing, manufacturing, and marketing innovative outdoor engineered equipment and apparel for climbing, mountaineering, backpacking, skiing, and a wide range of other year-round outdoor recreation activities. Black Diamond segment offers 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. It also offers advanced skis, ski poles, ski skins, and snow safety products, including avalanche airbag systems, avalanche transceivers, shovels, and probes.

- The Sierra segment, which includes Sierra, is an iconic American manufacturer of a wide range of high performance bullets for both rifles and pistols. These bullets are used for precision target shooting, hunting and military and law enforcement purposes.

Financial information for our segments is as follows:

	Three Months Ended			
	March 31, 2018		March 31, 2017	
Sales to external customers:				
Black Diamond				
Domestic sales	$	19,271	$	21,337
International sales		25,756		20,219
Total Black Diamond		45,027		41,556
Sierra				
Domestic sales		6,383		-
International sales		1,857		-
Total Sierra		8,240		-
Sales to external customers		53,267		41,556
Segment operating income:				
Black Diamond		1,937		1,020
Sierra		797		-
Segment operating income		2,734		1,020
Restructuring charge		(40)		(41)
Transaction costs		(165)		-
Corporate and other expenses		(1,914)		(1,241)
Interest expense, net		(254)		(983)
Income (loss) before income tax	$	361	$	(1,245)

(in thousands, except per share amounts)

There were no intercompany sales between the Black Diamond and Sierra segments for the periods presented. Restructuring charges for the periods presented relate to the Black Diamond segment.

Total assets by segment, as of March 31, 2018 and December 31, 2017, were as follows:

	March 31, 2018	December 31, 2017
Black Diamond	$ 124,218	$ 127,202
Sierra	76,384	77,270
Corporate	2,632	2,977
	$ 203,234	$ 207,449

Capital expenditures, depreciation and amortization by segment is as follows.

	Three Months Ended	
	March 31, 2018	March 31, 2017
Capital expenditures:		
Black Diamond	$ 658	$ 426
Sierra	195	-
Total capital expenditures	$ 853	$ 426
Depreciation:		
Black Diamond	$ 587	$ 558
Sierra	486	-
Total depreciation	$ 1,073	$ 558
Amortization:		
Black Diamond	$ 275	$ 266
Sierra	694	-
Total amortization	$ 969	$ 266

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 former Executive Vice Chairman and former member of its Board of Directors. The principal terms of the Merger Consideration Subordinated Notes was as follows: (i) the principal amount was due and payable on May 28, 2017 and was prepayable by the Company at any time; (ii) interest accrued on the principal amount at the rate of 5% per annum and was payable quarterly in cash; (iii) the default interest rate accrued 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, were: (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 were 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 discounted the notes to $8,640, $4,487 and $316, respectively, at the date of acquisition. We were accreting the discount on the Merger Consideration Subordinated Notes to interest expense using the effective interest method over the term of the Merger Consideration Subordinated Notes. The effective interest rate was approximately 14%.

On April 7, 2011, Schiller Gregory Investment Company, LLC transferred its Merger Consideration Subordinated Note in equal amounts to the Robert R. Schiller Cornerstone Trust and the Deborah Schiller 2005 Revocable Trust. On June 24, 2013, the Robert R. Schiller Cornerstone Trust dated September 9, 2010 transferred its Merger Consideration Subordinated Note in the amount of $3,769 to the Robert R. Schiller 2013 Cornerstone Trust dated June 24, 2013.

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.

In February 2017, the Board of Directors approved the repayment of the Merger Consideration Subordinated Notes. On February 13, 2017, the entire principal amounts and all accrued interest amounts were paid in full, at which time, the note discount of $814 was expensed and recognized as interest expense during the three months ended March 31, 2017.

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 Clarus Corporation (which may be referred to as the "Company," "Clarus," "we," "our" or "us") 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; the ability of the Company to identify potential acquisition or investment opportunities as part of its acquisition strategy; the Company's ability to successfully execute its acquisition strategy or that any such strategy will result in the Company's future profitability; the Company's ability to successfully integrate Sierra Bullets, L.L.C. ("Sierra"); changes in governmental regulation, legislation or public opinion relating to the manufacture and sale of bullets by our Sierra segment, and the possession and use of firearms and ammunition by our customers; the Company's exposure to product liability or product warranty claims and other loss contingencies; stability of the Company's manufacturing facilities and foreign suppliers; the Company's ability to protect patents, trademarks and other intellectual property rights; any breaches of, or interruptions in, our information systems; fluctuations in the price, availability and quality of raw materials and contracted products as well as foreign currency fluctuations; our ability to utilize our net operating loss carryforwards; and legal, regulatory, political and economic risks in international markets. More information on potential factors that could affect the Company's financial results 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 of 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

Headquartered in Salt Lake City, Utah, Clarus, a company focused on the outdoor and consumer industries, is seeking opportunities to acquire and grow businesses that can generate attractive shareholder returns. The Company has substantial net operating tax loss carryforwards which it is seeking to redeploy to maximize shareholder value in a diverse array of businesses. Clarus' primary business is as a leading developer, manufacturer and distributor of outdoor equipment and lifestyle products focused on the climb, ski, mountain, and sport categories. The Company's products are principally sold under the Black Diamond®, Sierra® and PIEPS® brand names through specialty and online retailers, distributors and original equipment manufacturers throughout the U.S. and internationally.

Through our Black Diamond and PIEPS brands, we offer a broad range of products including: high performance apparel (such as jackets, shells, pants and bibs); rock-climbing equipment (such as carabiners, protection devices, harnesses, belay devices, helmets, and ice-climbing gear); technical backpacks and high-end day packs; tents; trekking poles; headlamps and lanterns; and gloves and mittens. We also offer advanced skis, ski poles, ski skins, and snow safety products, including avalanche airbag systems, avalanche transceivers, shovels, and probes. Through our Sierra brand, we manufacture a wide range of high performance bullets for both rifles and pistols that are used for precision target shooting, hunting and military and law enforcement purposes.

Clarus Corporation, incorporated in Delaware in 1991, acquired Black Diamond Equipment, Ltd. (which may be referred to as "Black Diamond Equipment" or "BDEL") and Gregory Mountain Products, LLC (which may be referred to as "Gregory Mountain Products", "Gregory" or "GMP") in May 2010 and changed its name to Black Diamond, Inc., in January 2011. In July 2012, we acquired POC Sweden AB and its subsidiaries (collectively, "POC") and in October 2012, we acquired PIEPS Holding GmbH and its subsidiaries (collectively, "PIEPS").

On July 23, 2014, the Company completed the sale of certain assets to Samsonite LLC comprising Gregory Mountain Product's business. On October 7, 2015, the Company sold its equity interests in POC.

CLARUS CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
(in thousands, except per share amounts)

On August 14, 2017, the Company changed its name from Black Diamond, Inc. to Clarus Corporation and its stock ticker symbol from "BDE" to "CLAR" on the NASDAQ stock exchange. On August 21, 2017, the Company acquired Sierra.

Critical Accounting Policies and Use of Estimates

Management's discussion of our financial condition and results of operations is based on the condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of the condensed 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 condensed 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 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.

See "Significant Accounting Policies" in Note 1 to the notes to the unaudited condensed consolidated financial statements for discussion related to changes to our critical accounting policies including revenue recognition from the adoption of Accounting Standards Codification Topic 606. There have been no other significant changes to our critical accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2017.

Accounting Pronouncements Issued Not Yet Adopted

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

(in thousands, except per share amounts)

Results of Operations

Condensed Consolidated Three Months Ended March 31, 2018 Compared to Condensed Consolidated Three Months Ended March 31, 2017

The following presents a discussion of condensed consolidated operations for the three months ended March 31, 2018, compared with the condensed consolidated three months ended March 31, 2017.

	Three Months Ended	
	March 31, 2018	**March 31, 2017**
Sales		
Domestic sales	$ 25,654	$ 21,337
International sales	27,613	20,219
Total sales	53,267	41,556
Cost of goods sold	35,440	29,256
Gross profit	17,827	12,300
Operating expenses		
Selling, general and administrative	17,128	12,535
Restructuring charge	40	41
Transaction costs	165	-
Total operating expenses	17,333	12,576
Operating income (loss)	494	(276)
Other (expense) income		
Interest expense, net	(254)	(983)
Other, net	121	14
Total other expense, net	(133)	(969)
Income (loss) before income tax	361	(1,245)
Income tax (benefit) expense	(42)	210
Net income (loss)	$ 403	$ (1,455)

Sales

Consolidated sales increased $11,711, or 28.2%, to $53,267 during the three months ended March 31, 2018, compared to consolidated sales of $41,556 during the three months ended March 31, 2017. The increase in sales was partially attributable to the inclusion of Sierra, which contributed $8,240 in sales during the three months ended March 31, 2018. The remaining increase was attributable to the increase in the quantity of new and existing climb and ski products sold during the period and an increase in sales of $1,651 due to the strengthening of foreign currencies against the U.S. dollar during the three months ended March 31, 2018 compared to the prior period.

Consolidated domestic sales increased $4,317, or 20.2%, to $25,654 during the three months ended March 31, 2018, compared to consolidated domestic sales of $21,337 during the three months ended March 31, 2017. The increase in sales was attributable to the inclusion of Sierra, which contributed $6,383 in sales, and an increase in the quantity of new and existing climb products sold during the three months ended March 31, 2018. These increases were partially offset by a decrease in the quantity of new and existing mountain and ski products sold during the period.

Consolidated international sales increased $7,394, or 36.6%, to $27,613 during the three months ended March 31, 2018, compared to consolidated international sales of $20,219 during the three months ended March 31, 2017. The increase in sales was partially attributable to the inclusion of Sierra, which contributed $1,857 in sales during the three months ended March 31, 2018. The remaining increase in international sales was attributable to the increase in the quantity of new and existing climb, mountain, and ski products sold during the period and an increase in sales of $1,651 due to the strengthening of foreign currencies against the U.S. dollar during the three months ended March 31, 2018 compared to the prior period.

Cost of Goods Sold

Consolidated cost of goods sold increased $6,184, or 21.1%, to $35,440 during the three months ended March 31, 2018, compared to consolidated cost of goods sold of $29,256 during the three months ended March 31, 2017. The increase in cost of goods sold was partially attributable to the inclusion of Sierra of $5,641, which included $1,049 related to the sale of inventory that was recorded at fair value in purchase accounting. The remaining increase was attributable to the mix of higher cost products sold.

Gross Profit

Consolidated gross profit increased $5,527 or 44.9%, to $17,827 during the three months ended March 31, 2018, compared to consolidated gross profit of $12,300 during the three months ended March 31, 2017. Consolidated gross margin was 33.5% during the three months ended March 31, 2018, compared to a consolidated gross margin of 29.6% during the three months ended March 31, 2017. Consolidated gross margin during the three months ended March 31, 2018, increased compared to the prior year due to a favorable product mix in higher margin products and channel distribution. Gross margin also benefited from the inclusion of Sierra; however, this benefit was partially offset by a decrease in gross margin of 1.9% due to the sale of inventory that was recorded at its fair value in purchase accounting.

Selling, General and Administrative

Consolidated selling, general, and administrative expenses increased $4,593, or 36.6%, to $17,128 during the three months ended March 31, 2018, compared to consolidated selling, general and administrative expenses of $12,535 during the three months ended March 31, 2017. The increase in selling, general and administrative expenses was partially attributable to the inclusion of Sierra of $1,802, with the remaining increase being attributable to the Company's investment in the brand related activities of sales, marketing and research and development in supporting its strategic initiatives around new product introduction and increasing brand equity. Stock compensation also increased $466 during the three months ended March 31, 2018 compared to the prior year.

Restructuring Charges

Consolidated restructuring expense decreased $1, or 2.4%, to $40 during the three months ended March 31, 2018, compared to consolidated restructuring expense of $41 during the three months ended March 31, 2017. Restructuring expenses incurred during the three months ended March 31, 2018, related to costs associated with the formal closure and liquidation of the Company's Black Diamond Equipment manufacturing operations in Zhuhai, China.

Transaction Costs

Consolidated transaction expense increased to $165 during the three months ended March 31, 2018, compared to consolidated transaction costs of $0 during the three months ended March 31, 2017, which consisted of expenses related to the Company's acquisition of Sierra.

Interest Expense, net

Consolidated interest expense, net decreased $729, or 74.2%, to $254 during the three months ended March 31, 2018, compared to consolidated interest expense, net, of $983 during the three months ended March 31, 2017. Interest expense recognized during the three months ended March 31, 2018 was primarily attributable to the Company's revolving credit facility. Interest expense recognized during the three months ended March 31, 2017 was primarily attributable to the Company's 5% Senior Subordinated Notes which were repaid during the three months ended March 31, 2017.

(in thousands, except per share amounts)

Other, net

Consolidated other, net, increased $107, or 764.3%, to income of $121 during the three months ended March 31, 2018, compared to consolidated other, net income of $14 during the three months ended March 31, 2017. The increase in other, net, was primarily attributable to gains related to recognition of cumulative translation adjustments due to the substantial liquidation of a foreign entity. This increase was partially offset by an increase in 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 $252, or 120.0%, to $42 during the three months ended March 31, 2018, compared to a consolidated income tax expense of $210 during the same period in 2017. The tax benefit recorded during the three months ended March 31, 2018 includes a discrete benefit associated with a disproportionate tax effect released from accumulated other comprehensive income of $28. The tax expense recorded during the three months ended March 31, 2017 includes discrete charges associated with a disproportionate tax effect released from accumulated other comprehensive loss of $133.

Our effective income tax rate was 11.6% for the three months ended March 31, 2018, compared to 16.9% for the same period in 2017. The primary reasons for the effective income tax rate changes are due to differing levels of income (loss) before income tax and discrete charges recorded during the respective periods. 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.

Liquidity and Capital Resources

Condensed Consolidated Three Months Ended March 31, 2018 Compared to Condensed Consolidated Three Months Ended March 31, 2017

The following presents a discussion of cash flows for the condensed consolidated three months ended March 31, 2018 compared with the condensed consolidated three months ended March 31, 2017. 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 these activities through a combination of our future operating cash flows and revolving credit facility. We believe that our liquidity requirements for at least the next 12 months will be adequately covered by cash provided by operations and our existing revolving credit facility. At March 31, 2018, we had total cash of $2,196 compared to a cash balance of $1,856 at December 31, 2017, which was substantially controlled by the Company's U.S. entities. At March 31, 2018, the Company had $1,051 of the $2,196 in cash held by foreign entities, of which $1,051 is considered permanently reinvested.

	Three Months Ended	
	March 31, 2018	**March 31, 2017**
Net cash provided by operating activities	$ 7,255	$ 1,981
Net cash used in investing activities	(851)	(426)
Net cash used in financing activities	(6,114)	(22,727)
Effect of foreign exchange rates on cash	50	15
Change in cash	340	(21,157)
Cash, beginning of period	1,856	94,738
Cash, end of period	$ 2,196	$ 73,581

Net Cash From Operating Activities

Consolidated net cash provided by operating activities was $7,255 during the three months ended March 31, 2018, compared to consolidated net cash provided by operating activities of $1,981 during the three months ended March 31, 2017. The increase in net cash provided by operating activities during 2018 is primarily due to a decrease in net operating assets, net of assets acquired or non-cash working capital of $3,007 and an increase in net income during the three months ended March 31, 2018, compared to the same period in 2017.

Free cash flow, defined as net cash provided by operating activities less capital expenditures, was free cash flows generated of $6,402 during the three months ended March 31, 2018 compared to free cash flows generated of $1,555 during the same period in 2017. 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:

(in thousands, except per share amounts)

	Three Months Ended	
	March 31, 2018	**March 31, 2017**
Net cash provided by operating activities	$ 7,255	$ 1,981
Purchase of property and equipment	(853)	(426)
Free cash flow	$ 6,402	$ 1,555

Net Cash From Investing Activities

Consolidated net cash used in investing activities was $851 during the three months ended March 31, 2018, compared to consolidated net cash used in investing activities of $426 during the three months ended March 31, 2017. The increase in cash used during the three months ended March 31, 2018 is primarily due to an increase in purchases of property and equipment compared to the same period in 2017.

Net Cash From Financing Activities

Consolidated net cash used in financing activities was $6,114 during the three months ended March 31, 2018, compared to consolidated cash used in financing activities of $22,727 during the three months ended March 31, 2017. The cash used during the three months ended March 31, 2018 relates primarily to repayments of the revolving credit facility. The cash used during the three months ended March 31, 2017 relates to repayments of debt and the repurchase of the Company's common stock.

Net Operating Loss

As of December 31, 2017, the Company had net operating loss, research and experimentation credit and alternative minimum tax credit carryforwards for U.S. federal income tax purposes of $156,598, $3,452 and $0, respectively. The Company believes its U.S. federal net operating loss ("NOL") will substantially offset its future U.S. federal income taxes. 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. $156,598 of net operating losses available to offset taxable income does not expire until 2021 or later, subject to compliance with Section 382 of the Internal Revenue Code of 1986, as amended (the "Code").

As of December 31, 2017, the Company's gross deferred tax asset was $50,732. The Company has recorded a valuation allowance of $45,811, resulting in a net deferred tax asset of $4,921, before deferred tax liabilities of $8,587. The Company has provided a valuation allowance against a portion of the net deferred tax assets as of December 31, 2017, because the ultimate realization of those assets does not meet the more likely than not criteria. The majority of the Company's deferred tax assets consist of net operating loss carryforwards for federal tax purposes. If a change in control were to occur, these could be limited under Section 382 of the Code.

Revolving Credit Facility

In conjunction with the acquisition of Sierra, on August 21, 2017, the Company together with its direct and indirect domestic subsidiaries entered into a third amended and restated loan agreement (the "Third Amended and Restated Loan Agreement") with ZB, N.A. dba Zions First National Bank (the "Lender"), which matures on August 21, 2022. Under the Third Amended and Restated Loan Agreement, the Company has up to a $40,000 revolving line of credit (the "Revolving Line of Credit") pursuant to a fourth amended and restated promissory note. The maximum borrowing of $40,000 (the "Maximum Borrowing") under the Revolving Line of Credit reduces by $1,250 per quarter until such time as the maximum borrowing amount is $20,000, provided, that the Company may request an increase of up to $20,000 as an accordion option (the "Accordion") to increase the Revolving Line of Credit up to the Maximum Borrowing 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. Availability under the Revolving Line of Credit may not exceed $30,000 unless the Company has sufficient eligible receivable, inventory and equipment assets at such time pursuant to formulas set forth in the Third Amended and Restated Loan Agreement.

All debt associated with the Third 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 Net Debt (as defined in and subject to adjustments as set forth in the Third Amended and Restated Loan Agreement) to trailing twelve month earnings before interest, taxes, depreciation and amortization ("EBITDA") as follows: (i) one month LIBOR plus 4.00% per annum at all times that Total Net Debt to trailing twelve month EBITDA ratio is greater than or equal to 2.75; (ii) one month LIBOR plus 3.00% per annum at all times that Total Net Debt to trailing twelve month EBITDA ratio is greater than or equal to 2.00 and less than 2.75; (iii) one month LIBOR plus 2.00% per annum at all times that Total Net Debt to trailing twelve month EBITDA ratio is greater than or equal to 1.00 and less than 2.00; and (iv) one month LIBOR plus 1.5% per annum at all times that Total Net Debt to trailing twelve month EBITDA ratio is less than 1.00.

Any amount outstanding under the Third Amended and Restated Loan Agreement will be secured by a general first priority Uniform Commercial Code security interest in all material domestic assets of the Company and its domestic subsidiaries, including, but not limited to: accounts, accounts receivable, inventories, equipment, real property, ownership in subsidiaries, and intangibles including patents, trademarks and copyrights. Proceeds of the foregoing will be secured via pledge and control agreements on domestic depository and investment accounts not held with the Lender.

The Third Amended and Restated Loan Agreement contains certain financial covenants including restrictive debt covenants that require the Company and its subsidiaries to maintain a minimum fixed charge coverage ratio, a maximum total leverage ratio, a minimum net worth, a positive amount of asset coverage and limitations on capital expenditures, all as calculated in the Third Amended and Restated Loan Agreement.

In addition, the Third Amended and Restated Loan Agreement contains covenants restricting the Company and its subsidiaries from pledging or encumbering their assets, with certain exceptions, and from engaging in acquisitions other than acquisitions permitted by the Third Amended and Restated Loan Agreement. The Third Amended and Restated Loan Agreement contains customary events of default (with grace periods where customary) including, among other things, failure to pay any principal or interest when due; any materially false or misleading representation, warranty, or financial statement; failure to comply with or to perform any provision of the Third and Restated Loan Agreement; and default on any debt or agreement in excess of certain amounts. As of March 31, 2018, the Company had drawn $14,738 on the $38,750 revolving credit facility. On May 1, 2018, Black Diamond Retail-Alaska, LLC executed a joinder and became a loan party to the Third 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 former Executive Vice Chairman and former member of its Board of Directors. The principal terms of the Merger Consideration Subordinated Notes was as follows: (i) the principal amount was due and payable on May 28, 2017 and was prepayable by the Company at any time; (ii) interest accrued on the principal amount at the rate of 5% per annum and was payable quarterly in cash; (iii) the default interest rate accrued 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, were: (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 were 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 discounted the notes to $8,640, $4,487 and $316, respectively, at the date of acquisition. We were accreting the discount on the Merger Consideration Subordinated Notes to interest expense using the effective interest method over the term of the Merger Consideration Subordinated Notes. The effective interest rate was approximately 14%.

On April 7, 2011, Schiller Gregory Investment Company, LLC transferred its Merger Consideration Subordinated Note in equal amounts to the Robert R. Schiller Cornerstone Trust and the Deborah Schiller 2005 Revocable Trust. On June 24, 2013, the Robert R. Schiller Cornerstone Trust dated September 9, 2010 transferred its Merger Consideration Subordinated Note in the amount of $3,769 to the Robert R. Schiller 2013 Cornerstone Trust dated June 24, 2013.

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.

In February 2017, the Board of Directors approved the repayment of the Merger Consideration Subordinated Notes. On February 13, 2017, the entire principal amounts and all accrued interest amounts were paid in full, at which time, the note discount of $814 was expensed and recognized as interest expense during the three months ended March 31, 2017.

Off-Balance Sheet Arrangements

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

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, 2017.

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 Executive Chairman and Chief Administrative Officer/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 March 31, 2018, pursuant to Exchange Act Rule 13a-15. Such disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the appropriate management on a basis that permits timely decisions regarding disclosure. Based upon that evaluation, the Company's Executive Chairman and Chief Administrative Officer/Chief Financial Officer concluded that the Company's disclosure controls and procedures as of March 31, 2018, were effective. Management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting Sierra's internal control over financial reporting associated with total assets of $26,227 and total revenues of $8,240 included in the condensed consolidated financial statements of the Company as of March 31, 2018.

Changes in Internal Control over Financial Reporting

On August 21, 2017, the Company acquired Sierra. The Company's management is reviewing and evaluating its internal control procedures and the design of those control procedures related to the Sierra acquisition and evaluating when it will complete an evaluation and review of Sierra's internal controls over financial reporting.

Effective January 1, 2018, we adopted Accounting Standards Codification 606, *Revenue from Contracts with Customers ("Topic 606")*. Although the adoption of Topic 606 had an immaterial impact on our financial statements, we implemented certain changes to our related revenue recognition control activities, including the development of new policies and periodic reviews of revenue transactions, based on the five-step model provided in the new revenue standard. There were no other changes in our internal control over financial reporting that occurred during our fiscal quarter ended March 31, 2018, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Legal Proceedings

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

Litigation

The Company is involved in various lawsuits arising from time to time that the Company considers ordinary routine litigation incidental to its business. Amounts accrued for litigation matters represent the anticipated costs (damages and/or settlement amounts) in connection with pending litigation and claims and related anticipated legal fees for defending such actions, which legal fees are expensed as incurred. The costs are accrued when it is both probable that a liability has been incurred and the amount can be reasonably estimated. The accruals are based upon the Company's assessment, after consultation with counsel (if deemed appropriate), of probable loss based on the facts and circumstances of each case, the legal issues involved, the nature of the claim made, the nature of the damages sought and any relevant information about the plaintiffs and other significant factors that vary by case. When it is not possible to estimate a specific expected cost to be incurred, the Company evaluates the range of probable loss and records the minimum end of the range. Based on currently available information, the Company does not believe that it is reasonably possible that the disposition of any of the legal disputes the Company or its subsidiaries is currently involved in will have a material adverse effect upon the Company's consolidated financial condition, results of operations or cash flows. There is a reasonable possibility of loss from contingencies in excess of the amounts accrued by the Company in the accompanying condensed consolidated balance sheets; however, the actual amounts of such possible losses cannot currently be reasonably estimated by the Company at this time. It is possible that, as additional information becomes available, the impact on the Company could have a different effect.

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, 2017.

ITEM 5. OTHER INFORMATION

On May 4, 2018, the Company delivered a letter (the "Letter") to Brown Advisory Incorporated and its Affiliates (collectively, "Brown") approving its request to be permitted under the Company's Rights Agreement dated as of February 12, 2008 to acquire beneficial ownership in excess of 4.9% of the Company's outstanding shares of common stock. Such approval is conditioned upon, and subject to Brown: (i) not increasing such beneficial ownership to in excess of 7.5% of the Company's outstanding shares of common stock; and (ii) remaining continuously eligible to report its ownership of the Company's common stock on Schedule 13G.

Furthermore, in the event that Brown reduces its beneficial ownership to below 4.9%, the approval granted pursuant to the Letter shall immediately terminate and the applicable party would need to obtain a new approval from the Company's Board of Directors before seeking to again increase its beneficial ownership to in excess of 4.9% of the Company's outstanding shares of common stock.

A copy of the Letter is attached to this Quarterly Report on Form 10-Q as Exhibit 99.1 and is incorporated herein by reference as if fully set forth herein. The foregoing summary description of the Letter is not intended to be complete and is qualified in its entirety by the complete text of the Letter.

ITEM 6. EXHIBITS

Exhibit	Description
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
99.1	Letter to Brown Advisory Incorporated dated May 4, 2018 *
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
**	Furnished herewith

CLARUS CORPORATION

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.

CLARUS CORPORATION

Date: May 7, 2018

By: *_/s/ Warren B. Kanders_*
Name: Warren B. Kanders
Title: Executive Chairman
(Principal Executive Officer)

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

CLARUS CORPORATION

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Warren B. Kanders, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clarus Corporation;

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: May 7, 2018

By: /s/ Warren B. Kanders
Name: Warren B. Kanders
Title: Executive Chairman
(Principal Executive Officer)

CLARUS CORPORATION

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Aaron J. Kuehne, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clarus Corporation;

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: May 7, 2018	By:	/s/ Aaron J. Kuehne
	Name:	Aaron J. Kuehne
	Title:	Chief Administrative Officer and Chief Financial Officer (Principal Financial Officer)

CLARUS CORPORATION

Exhibit 32.1

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

In connection with the Quarterly Report of Clarus Corporation (the "Company") on Form 10-Q for the period ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Warren B. Kanders, Executive Chairman, 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: May 7, 2018

By: /s/ Warren B. Kanders
Name: Warren B. Kanders
Title: Executive Chairman
(Principal Executive Officer)

CLARUS CORPORATION

Exhibit 32.2

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

In connection with the Quarterly Report of Clarus Corporation (the “Company”) on Form 10-Q for the period ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Aaron Kuehne, Chief Administrative Officer and 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: May 7, 2018	By:	/s/ Aaron J. Kuehne
	Name:	Aaron J. Kuehne
	Title:	Chief Administrative Officer and Chief Financial Officer (Principal Financial Officer)

Exhibit 99.1

Clarus Corporation
2084 East 3900 South,
Salt Lake City, Utah 84124

May 4, 2018

Via Regular Mail and Email

Mr. Brett D. Rogers
Chief Compliance Officer
Brown Advisory Incorporated
901 S. Bond Street
Suite 400
Baltimore, MD 21231

Dear Mr. Rogers:

I am responding to your request that Brown Advisory Incorporated and its Affiliates (as such term is defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended) (collectively, "Brown") be permitted under Clarus Corporation's (the "Company") Rights Agreement dated as of February 12, 2008 (the "Rights Agreement") to acquire beneficial ownership in excess of 4.9% of the Company's outstanding shares of common stock. We note that Brown has beneficial ownership of 1,552,657 shares of the Company's common stock, as publicly disclosed by Brown in the Schedule 13G filed by it with the Securities and Exchange Commission on March 6, 2018, which represents approximately 5.17% of the Company's outstanding shares of common stock.

The Company's Board of Directors has considered Brown's request to maintain beneficial ownership in excess of 4.9% of the Company's outstanding shares of common stock, and has determined to approve Brown's request to maintain its current beneficial ownership in excess of 4.9% of the Company's outstanding shares of common stock, provided that the foregoing determination is conditioned upon, and subject to Brown: (i) not increasing such beneficial ownership to in excess of 7.5% of the Company's outstanding shares of common stock; and (ii) remaining continuously eligible to report its ownership of the Company's common stock on Schedule 13G.

Please note that in the event that Brown reduces its beneficial ownership to below 4.9%, the approval granted pursuant to this letter shall immediately terminate and Brown would need to obtain a new approval from the Company's Board of Directors before seeking to again increase its beneficial ownership to in excess of 4.9% of the Company's outstanding shares of common stock.

Should you have any further questions, please do not hesitate to contact me.

Very truly yours,

CLARUS CORPORATION

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

Accepted and Agreed to
as of the Date First Set Forth Above:

BROWN ADVISORY INCORPORATED

By: /s/ Brett D. Rogers
Name: Brett D. Rogers
Title: Chief Compliance Officer