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

FORM 10-Q

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

For the quarterly period ended: **June 30, 2019**

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

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

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

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

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

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

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

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

As of July 31, 2019, there were 29,993,493 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)

	June 30, 2019	December 31, 2018
Assets		
Current assets		
Cash	$ 1,969	$ 2,486
Accounts receivable, less allowance for doubtful accounts of $620 and $392, respectively	32,545	35,943
Inventories	73,024	64,933
Prepaid and other current assets	4,475	5,115
Income tax receivable	400	24
Total current assets	112,413	108,501
Property and equipment, net	23,007	23,401
Other intangible assets, net	17,623	19,416
Indefinite lived intangible assets	41,674	41,694
Goodwill	18,090	18,090
Other long-term assets	3,897	2,026
Total assets	$ 216,704	$ 213,128
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 28,373	$ 21,489
Income tax payable	-	210
Current portion of long-term debt	-	41
Total current liabilities	28,373	21,740
Long-term debt	16,650	22,105
Deferred income taxes	2,729	2,919
Other long-term liabilities	1,012	159
Total liabilities	48,764	46,923
Stockholders' Equity		
Preferred stock, $.0001 par value; 5,000 shares authorized; none issued	-	-
Common stock, $.0001 par value; 100,000 shares authorized; 33,595 and 33,244 issued and 29,983 and 29,748 outstanding, respectively	3	3
Additional paid in capital	490,776	488,404
Accumulated deficit	(302,978)	(304,577)
Treasury stock, at cost	(19,607)	(18,102)
Accumulated other comprehensive (loss) income	(254)	477
Total stockholders' equity	167,940	166,205
Total liabilities and stockholders' equity	$ 216,704	$ 213,128

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	June 30, 2019	June 30, 2018
Sales		
Domestic sales	$ 28,422	$ 27,845
International sales	18,572	18,036
Total sales	46,994	45,881
Cost of goods sold	31,002	30,021
Gross profit	15,992	15,860
Operating expenses		
Selling, general and administrative	17,192	15,791
Restructuring charge	-	24
Transaction costs	41	168
Total operating expenses	17,233	15,983
Operating loss	(1,241)	(123)
Other (expense) income		
Interest expense	(315)	(463)
Other, net	183	(192)
Total other expense, net	(132)	(655)
Loss before income tax	(1,373)	(778)
Income tax benefit	(679)	(1)
Net loss	(694)	(777)
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustment	230	(1,117)
Unrealized (loss) income on hedging activities	(499)	825
Other comprehensive loss	(269)	(292)
Comprehensive loss	$ (963)	$ (1,069)
Net loss per share:		
Basic	$ (0.02)	$ (0.03)
Diluted	(0.02)	(0.03)
Weighted average shares outstanding:		
Basic	29,898	30,041
Diluted	29,898	30,041

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended	
	June 30, 2019	June 30, 2018
Sales		
Domestic sales	$ 59,011	$ 53,499
International sales	49,201	45,649
Total sales	108,212	99,148
Cost of goods sold	70,164	65,461
Gross profit	38,048	33,687
Operating expenses		
Selling, general and administrative	34,772	32,919
Restructuring charge	13	64
Transaction costs	87	333
Total operating expenses	34,872	33,316
Operating income	3,176	371
Other (expense) income		
Interest expense	(625)	(717)
Other, net	160	(71)
Total other expense, net	(465)	(788)
Income (loss) before income tax	2,711	(417)
Income tax benefit	(382)	(43)
Net income (loss)	3,093	(374)
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustment	(143)	(492)
Unrealized (loss) income on hedging activities	(588)	914
Other comprehensive (loss) income	(731)	422
Comprehensive income	$ 2,362	$ 48
Net income (loss) per share:		
Basic	$ 0.10	$ (0.01)
Diluted	0.10	(0.01)
Weighted average shares outstanding:		
Basic	29,824	30,041
Diluted	30,961	30,041

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended	
	June 30, 2019	June 30, 2018
Cash Flows From Operating Activities:		
Net income (loss)	$ 3,093	$ (374)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation of property and equipment	2,242	2,208
Amortization of intangible assets	1,777	1,937
Amortization of debt issuance costs	132	307
Loss (gain) on disposition of property and equipment	49	(2)
Noncash lease expense	333	-
Loss from removal of accumulated translation adjustment	-	41
Stock-based compensation	1,568	1,155
Deferred income taxes	50	(92)
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	3,291	3,221
Inventories	(8,150)	(3,468)
Prepaid and other assets	(105)	275
Accounts payable and accrued liabilities	5,973	2,903
Income taxes	(581)	(196)
Net cash provided by operating activities	9,672	7,915
Cash Flows From Investing Activities:		
Purchase of business, net of cash received	-	(345)
Proceeds from disposition of property and equipment	1	2
Purchase of property and equipment	(1,994)	(1,518)
Net cash used in investing activities	(1,993)	(1,861)
Cash Flows From Financing Activities:		
Proceeds from revolving credit facilities	75,854	54,392
Repayments on revolving credit facilities	(81,266)	(59,234)
Repayments of capital leases	(31)	(19)
Payment of debt issuance costs	(557)	(494)
Purchase of treasury stock	(1,505)	(22)
Proceeds from exercise of stock options	804	-
Cash dividends paid	(1,494)	-
Net cash used in financing activities	(8,195)	(5,377)
Effect of foreign exchange rates on cash	(1)	38
Change in cash	(517)	715
Cash, beginning of period	2,486	1,856
Cash, end of period	$ 1,969	$ 2,571
Supplemental Disclosure of Cash Flow Information:		
Cash paid for income taxes	$ 103	$ 246
Cash paid for interest	$ 498	$ 526
Supplemental Disclosures of Non-Cash Investing and Financing Activities:		
Property and equipment purchased with accounts payable	$ 180	$ 98
Property and equipment acquired through a capital lease	$ -	$ 123
Lease liabilities arising from obtaining right of use assets	$ 1,855	$ -
Unpaid debt issuance costs	$ -	$ 500
Unpaid treasury stock acquisition costs	$ -	$ 195

See accompanying notes to condensed consolidated financial statements.

CLARUS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
Balance, December 31, 2017	32,917	$ 3	$ 485,285	$ (310,390)	(2,875)	$ (12,415)	$ 499	$ 162,982
Net income	-	-	-	403	-	-	-	403
Other comprehensive income	-	-	-	-	-	-	714	714
Stock-based compensation expense	-	-	499	-	-	-	-	499
Balance, March 31, 2018	32,917	$ 3	$ 485,784	$ (309,987)	(2,875)	$ (12,415)	$ 1,213	$ 164,598
Net loss	-	-	-	(777)	-	-	-	(777)
Other comprehensive loss	-	-	-	-	-	-	(292)	(292)
Purchase of treasury stock	-	-	-	-	-	(217)	-	(217)
Stock-based compensation expense	-	-	656	-	-	-	-	656
Balance, June 30, 2018	32,917	$ 3	$ 486,440	$ (310,764)	(2,875)	$ (12,632)	$ 921	$ 163,968

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount			Shares	Amount		
Balance, December 31, 2018	33,244	$ 3	$ 488,404	$ (304,577)	(3,496)	$ (18,102)	$ 477	$ 166,205
Net income	-	-	-	3,787	-	-	-	3,787
Other comprehensive loss	-	-	-	-	-	-	(462)	(462)
Cash dividends ($0.025 per share)	-	-	-	(746)	-	-	-	(746)
Stock-based compensation expense	-	-	785	-	-	-	-	785
Balance, March 31, 2019	33,244	$ 3	$ 489,189	$ (301,536)	(3,496)	$ (18,102)	$ 15	$ 169,569
Net loss	-	-	-	(694)	-	-	-	(694)
Other comprehensive loss	-	-	-	-	-	-	(269)	(269)
Cash dividends ($0.025 per share)	-	-	-	(748)	-	-	-	(748)
Purchase of treasury stock	-	-	-	-	(116)	(1,505)	-	(1,505)
Stock-based compensation expense	-	-	783	-	-	-	-	783
Proceeds from exercise of options	351	-	804	-	-	-	-	804
Balance, June 30, 2019	33,595	$ 3	$ 490,776	$ (302,978)	(3,612)	$ (19,607)	$ (254)	$ 167,940

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 June 30, 2019 and December 31, 2018 and for the three and six months ended June 30, 2019 and 2018, have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), instructions to the 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 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 and six months ended June 30, 2019 are not necessarily indicative of the results to be obtained for the year ending December 31, 2019. 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, 2018, filed with the Securities and Exchange Commission (the "SEC").

Clarus, incorporated in Delaware in 1991, acquired Black Diamond Equipment, Ltd. (which may be referred to as "Black Diamond Equipment") and Gregory Mountain Products, LLC (which may be referred to as "Gregory Mountain Products" or "Gregory") 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 Products' 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").

On August 6, 2018, the Company announced that its Board of Directors approved the initiation of a quarterly cash dividend program of $0.025 per share of the Company's common stock (the "Quarterly Cash Dividend") or $0.10 per share on an annualized basis. The declaration and payment of future Quarterly Cash Dividends is subject to the discretion of and approval of the Company's Board of Directors. On July 26, 2019, the Company announced that its Board of Directors approved the payment on August 16, 2019 of the Quarterly Cash Dividend to the record holders of shares of the Company's common stock as of the close of business on August 5, 2019.

On November 6, 2018, the Company acquired the assets of SKINourishment, Inc. ("SKINourishment").

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. Clarus' primary business is as a leading developer, manufacturer and distributor of outdoor equipment and lifestyle products focused on the climb, ski, mountain, sport and skincare markets. The Company's products are principally sold under the Black Diamond®, Sierra®, PIEPS® and SKINourishment® brand names through specialty and online retailers, distributors and original equipment manufacturers throughout the U.S. and internationally.

Through our Black Diamond, PIEPS, and SKINourishment brands, we offer a broad range of products including: high performance activity-based apparel (such as shells, insulation, midlayers, pants and logowear); rock-climbing footwear and equipment (such as carabiners, protection devices, harnesses, belay devices, helmets, and ice-climbing gear); technical backpacks and high-end day packs; trekking poles; headlamps and lanterns; gloves and mittens; and skincare and other sport-enhancing products. 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 and ammunition 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 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, valuation of deferred tax assets, and valuation of goodwill, 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.

Significant Accounting Policies

Lease Accounting

On January 1, 2019, the Company adopted Accounting Standards Codification ("ASC") Topic 842, *Leases,* and elected the prospective method which was applied to all leases in effect as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under the new guidance, while prior period amounts are not adjusted and continue to be presented in accordance with ASC Topic 840, *Leases*.

Under the new guidance, lessees are required to recognize a lease liability and a right-of-use ("ROU") asset for all leases with terms greater than 12 months. Leases are now classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. Classification is based upon the underlying asset's existence, nature and timing of ownership transfer in the related lease. Leases previously defined as operating leases record lease expense based upon the related ROU asset amortization and lease liability interest expense using the interest method over the life of the lease. Leases previously defined as capital leases are now classified as a finance lease with no material changes to the accounting methodology.

ASC 842 provides new guidance that resulted in recording the present value of ROU assets and related lease liabilities for the Company's outstanding operating leases over the remaining lease term at January 1, 2019 totaling $1,516.

Lease assets and lease liabilities are recognized at the commencement of an arrangement where it is determined at inception that a lease exists. Lease assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. These assets and liabilities are initially recognized based on the present value of lease payments over the lease term calculated using our incremental borrowing rate. Lease terms include options to extend or terminate the lease when it is reasonably certain that those options will be exercised.

Variable lease payments are generally expensed as incurred and include certain nonlease components, such as common area maintenance and other services provided by the lessor, and other charges such as utilities, insurance and property taxes included in the lease. Leases with an initial term of 12 months or less are not recorded on the balance sheet, and the expense for these short-term leases and for operating leases is recognized on a straight-line basis over the lease term. Nonlease components are excluded from the ROU asset and lease liability present value computations. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Certain of the leases contain extension options of one to five years. At January 1, 2019, the Company is uncertain as to whether the extension options will be executed. Accordingly, no extension options were considered in the present value computations of the ROU assets or related lease liabilities.

The Company elected the package of practical expedients in transition for leases that commenced prior to January 1, 2019, whereby these contracts were not reassessed or reclassified from their previous assessments as of December 31, 2018. We also elected certain other practical expedients in transition, including not reassessing existing land easements as lease contracts. The Company has also elected to not record the ROU assets and related liabilities for outstanding leases as of January 1, 2019 with a remaining term of 12 months or less. In these cases, the Company recognizes a lease payment as an expense on a straight-line basis. See Note 14. Leases for the financial position impact and additional disclosures.

Accounting Pronouncements adopted during 2019

On January 1, 2019, the Company early adopted Accounting Standards Update ("ASU") 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* as permitted. 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. This ASU was adopted on a prospective basis with no impact to the Company's consolidated financial statements.

(in thousands, except per share amounts)

On January 1, 2019, the Company adopted ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities.* The ASU was adopted on a prospective basis. 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. The adoption of this guidance did not impact the Company's consolidated financial statements and related disclosures.

On January 1, 2019, the Company adopted 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. Adoption of this ASU did not impact the beginning retained earnings on January 1, 2019. The adoption of this guidance did not impact the Company's consolidated financial statements and related disclosures

NOTE 2. INVENTORIES

Inventories, as of June 30, 2019 and December 31, 2018, were as follows:

	June 30, 2019	December 31, 2018
Finished goods	$ 57,856	$ 51,626
Work-in-process	7,696	6,221
Raw materials and supplies	7,472	7,086
	$ 73,024	$ 64,933

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment, net as of June 30, 2019 and December 31, 2018, were as follows:

	June 30, 2019	December 31, 2018
Land	$ 3,160	$ 3,160
Building and improvements	6,939	6,870
Furniture and fixtures	4,736	4,376
Computer hardware and software	4,996	4,863
Machinery and equipment	21,301	21,004
Construction in progress	1,626	1,761
	42,758	42,034
Less accumulated depreciation	(19,751)	(18,633)
	$ 23,007	$ 23,401

(in thousands, except per share amounts)

NOTE 4. OTHER INTANGIBLE ASSETS

Goodwill

There were no changes in the balances in goodwill from the prior period. The following table summarizes the balances in goodwill by segment:

	Black Diamond	Sierra	Total
Balance at December 31, 2018	$ -	$ 18,090	$ 18,090
Balance at June 30, 2019	$ -	$ 18,090	$ 18,090

Indefinite Lived Intangible Assets

The Company's indefinite lived intangible assets consist of certain tradenames and trademarks that 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. The following table summarizes the changes in indefinite lived intangible assets:

Balance at December 31, 2018	$ 41,694
Impact of foreign currency exchange rates	(20)
Balance at June 30, 2019	$ 41,674

Other Intangible Assets, net

The Company's other intangible assets, such as certain customer lists and relationships, product technologies, tradenames, trademarks and core technologies, are amortizable over their estimated useful lives. The following table summarizes the changes in gross other intangible assets:

Gross balance at December 31, 2018	$ 33,010
Impact of foreign currency exchange rates	(29)
Gross balance at June 30, 2019	$ 32,981

Other intangible assets, net of amortization as of June 30, 2019 and December 31, 2018, were as follows:

	June 30, 2019	December 31, 2018
Customer lists and relationships	$ 26,030	$ 26,047
Product technologies	4,741	4,753
Tradename / trademark	1,263	1,263
Core technologies	947	947
	32,981	33,010
Less accumulated amortization	(15,358)	(13,594)
	$ 17,623	$ 19,416

(in thousands, except per share amounts)

NOTE 5. LONG-TERM DEBT

Long-term debt as of June 30, 2019 and December 31, 2018, was as follows:

	June 30, 2019	December 31, 2018
Revolving credit facility (a)	$ 16,650	$ 22,062
Other	-	84
	16,650	22,146
Less current portion	-	(41)
	$ 16,650	$ 22,105

(a) As of June 30, 2019, the Company had drawn $16,650 on the $60,000 revolving commitment that was available under the credit agreement with JPMorgan Chase Bank, N.A., with a maturity date of May 3, 2024.

On May 3, 2019, the Company together with certain of its direct and indirect domestic subsidiaries (the "Borrowers") and the other loan parties party thereto entered into a Credit Agreement with JPMorgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto, for borrowings of up to $60,000 under a revolving credit facility (including up to $5,000 for letters of credit), and borrowings of up to $40,000 under a term loan facility that is available to be drawn until May 3, 2020. The Credit Agreement also permits the Borrowers, subject to certain requirements, to arrange with lenders for an aggregate of up to $50,000 of additional revolving and/or term loan commitments (both of which are currently uncommitted), for potential aggregate revolving and term loan commitments under the Credit Agreement of up to $150,000. The Credit Agreement matures on May 3, 2024.

The Borrowers may elect to have the revolving and term loans under the Credit Agreement bear interest at an alternate base rate or a Eurodollar rate plus an applicable rate. The applicable rate for these borrowings will range from 0.50% to 1.25% per annum, in the case of alternate base rate borrowings, and 1.50% to 2.25% per annum, in the case of Eurodollar borrowings. The applicable rate was initially 0.875% per annum, in the case of alternate base rate borrowings, and 1.875% per annum, in the case of Eurodollar borrowings, however, it may be adjusted from time to time based upon the level of the Company's consolidated total leverage ratio. The Credit Agreement also requires the Borrowers to pay a commitment fee on the unused portion of the revolving and term loan commitments. Such commitment fee will range between 0.15% and 0.25% per annum, and is also based upon the level of the Company's consolidated total leverage ratio. The Company pays interest monthly on any borrowings on the Credit Agreement. As of June 30, 2019, the rate was 4.3055%.

On May 3, 2019, concurrent with entering into the Credit Agreement, the Company's previous credit facility with JPMorgan Chase Bank, N.A. (the "2018 Credit Agreement"), which provided for a revolving commitment of up to $75,000, was paid in full and terminated. The Company paid interest monthly on any borrowings on the 2018 Credit Agreement at London Inter-bank Offered Rate ("LIBOR") plus 1.5% (3.8493% as of December 31, 2018), and an annual commitment fee of 0.25% on the unused portion of the commitment.

NOTE 6. 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 June 30, 2019, the Company's derivative contracts had remaining maturities of less than one and one-half years. The counterparty to these transactions had both long-term and short-term investment grade credit ratings. The maximum net exposure of the Company's credit risk to the counterparty is generally limited to the aggregate unrealized loss of all contracts with that counterparty, which is $68 as of June 30, 2019. The Company's exposure of counterparty credit risk is limited to the aggregate unrealized gain on all contracts. At June 30, 2019, 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.

(in thousands, except per share amounts)

The Company held the following contracts designated as hedged instruments as of June 30, 2019 and December 31, 2018:

	June 30, 2019		
	Notional Amount		Latest Maturity
Foreign exchange contracts - Canadian Dollars	$	14,954	August 2020
Foreign exchange contracts - Euros	€	20,051	August 2020

	December 31, 2018		
	Notional Amount		Latest Maturity
Foreign exchange contracts - Canadian Dollars	$	6,166	August 2019
Foreign exchange contracts - Euros	€	10,710	February 2020

For contracts that qualify as effective hedge instruments, the effective portion of gains and losses resulting from changes in fair value of the instruments are included in accumulated other comprehensive (loss) income and reclassified to sales in the period the underlying hedged transaction is recognized in earnings. Gains (losses) of $302 and $(5) were reclassified to sales during the three months ended June 30, 2019 and 2018, respectively, and $583 and $(330) were reclassified to sales during the six months ended June 30, 2019 and 2018, respectively.

The following table presents the balance sheet classification and fair value of derivative instruments as of June 30, 2019 and December 31, 2018:

	Classification	June 30, 2019		December 31, 2018	
Derivative instruments in asset positions:					
Forward exchange contracts	Prepaid and other current assets	$	61	$	729
Derivative instruments in liability positions:					
Forward exchange contracts	Accounts payable and accrued liabilities	$	93	$	-
Forward exchange contracts	Other long-term liabilities	$	36	$	5

NOTE 7. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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, 2018	$	73	$	404	$	477
Other comprehensive loss before reclassifications		(143)		(161)		(304)
Amounts reclassified from other comprehensive loss		-		(427)		(427)
Net current period other comprehensive loss		(143)		(588)		(731)
Balance as of June 30, 2019	$	(70)	$	(184)	$	(254)

(in thousands, except per share amounts)

The effects on net income of amounts reclassified from unrealized gains (losses) on cash flow hedges for foreign exchange contracts for the six months ended June 30, 2019, were as follows:

Affected line item in the Condensed Consolidated Statements of Comprehensive Income (Loss)	Gains reclassified from AOCI to the Condensed Consolidated Statements of Comprehensive Income (Loss) For the Three Months Ended June 30, 2019	Gains reclassified from AOCI to the Condensed Consolidated Statements of Comprehensive Income (Loss) For the Six Months Ended June 30, 2019
Foreign exchange contracts:		
Sales	$ 302	$ 583
Less: Income tax expense	132	156
Amount reclassified, net of tax	$ 170	$ 427
Total reclassifications from AOCI	$ 170	$ 427

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

NOTE 8. 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 that 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 June 30, 2019 and December 31, 2018 were as follows:

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Forward exchange contracts	$ -	$ 61	$ -	$ 61
	$ -	$ 61	$ -	$ 61
Liabilities				
Forward exchange contracts	$ -	$ 129	$ -	$ 129
	$ -	$ 129	$ -	$ 129

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Forward exchange contracts	$ -	$ 729	$ -	$ 729
	$ -	$ 729	$ -	$ 729
Liabilities				
Forward exchange contracts	$ -	$ 5	$ -	$ 5
	$ -	$ 5	$ -	$ 5

Derivative financial instruments are recorded at fair value based on current market pricing models. No nonrecurring fair value measurements existed at June 30, 2019 and December 31, 2018.

NOTE 9. 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		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Weighted average shares outstanding - basic	29,898	30,041	29,824	30,041
Effect of dilutive stock awards	-	-	1,137	-
Weighted average shares outstanding - diluted	29,898	30,041	30,961	30,041
Net (loss) income per share:				
Basic	$ (0.02)	$ (0.03)	$ 0.10	$ (0.01)
Diluted	(0.02)	(0.03)	0.10	(0.01)

For the three months ended June 30, 2019 and 2018, equity awards of 4,395 and 4,509, respectively, and for the six months ended June 30, 2019 and 2018, equity awards of 605 and 3,943, respectively, were outstanding and anti-dilutive and therefore not included in the calculation of earnings (loss) per share for these periods.

(in thousands, except per share amounts)

NOTE 10. STOCK-BASED COMPENSATION PLAN

Under the Company's current 2015 Stock Incentive Plan (the "2015 Plan"), the Company's 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 six months ended June 30, 2019, the Company issued stock options for an aggregate of 188 shares under the 2015 Plan to directors and employees of the Company. Of the 188 options issued, 38 options vest in four equal consecutive quarterly tranches from the date of grant. 150 vest in three equal tranches on June 5, 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 Six Months Ended June 30, 2019

Number of options	188
Option vesting period	1 - 3 Years
Grant price	$13.21
Dividend yield	0.76%
Expected volatility (a)	41.0% - 41.2%
Risk-free interest rate	1.88% - 1.93%
Expected life (years) (b)	5.31 - 6.00
Weighted average fair value	$4.87 - $5.13

(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 six months ended June 30, 2019 was $952, which will be recognized over the vesting period of the options.

Market Condition Restricted Shares Granted:

On January 7, 2019, the Company issued and granted to an employee a restricted stock award of 350 restricted shares under the 2015 Plan, that will vest as follows: (A) the stock award will vest and become nonforfeitable if, on or before January 7, 2024, the closing price of the Company's common stock shall have equaled or exceeded $15.00 per share for twenty consecutive trading days (such 20th day being the "Price Trigger Date"); and (B) once the Price Trigger Date occurs, (i) 117 shares of the Company's common stock shall vest on each of the first and second anniversary of the Price Trigger Date; and (ii) 116 shares of the Company's common stock shall vest on the third anniversary of the Price Trigger Date. For computing the fair value of the 350 restricted shares with a market condition, the fair value of each restricted stock award grant has been estimated as of the date of grant using the Monte-Carlo pricing model with the assumptions below.

On January 7, 2019, the Company issued and granted to an employee a restricted stock award of 150 restricted shares under the 2015 Plan, that will vest as follows: (A) the stock award will vest and become nonforfeitable if, on or before January 7, 2024, the closing price of the Company's common stock shall have equaled or exceeded $15.00 per share for twenty consecutive trading days (such 20th day being the Price Trigger Date); and (B) once the Price Trigger Date occurs, the shares shall equally vest on each of the first, second, third and fourth anniversary of the Price Trigger Date. For computing the fair value of the 150 restricted shares with a market condition, the fair value of each restricted stock award grant has been estimated as of the date of grant using the Monte-Carlo pricing model with the assumptions below.

(in thousands, except per share amounts)

	January 7, 2019
Number issued	500
Vesting period	$15.00 stock price target
Grant price	$10.21
Expected volatility	42.4%
Risk-free interest rate	2.53%
Expected term (years)	4.28 - 5.28
Weighted average fair value	$7.92

Using these assumptions, the fair value of the market condition restricted stock awards granted on January 7, 2019 was approximately $3,962.

The total non-cash stock compensation expense related to restricted stock, stock options and stock awards recorded by the Company for the three months ended June 30, 2019 and 2018 was $783 and $656, respectively, and for the six months ended June 30, 2019 and 2018 was $1,568 and $1,155, respectively. For the three and six months ended June 30, 2019 and 2018, the majority of stock-based compensation costs were classified as selling, general and administrative expenses.

As of June 30, 2019, there were 1,695 unvested stock options and unrecognized compensation cost of $5,082 related to unvested stock options, as well as 600 unvested restricted stock awards and unrecognized compensation costs of $3,529 related to unvested restricted stock awards.

NOTE 11. 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.

NOTE 12. INCOME TAXES

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act ("Tax Act"). As a result of the Tax Act, the U.S. federal corporate tax rate was reduced to 21%, effective January 1, 2018. In addition, the corporate Alternative Minimum Tax ("AMT") was repealed and taxpayers with AMT credit carryovers in excess of their regular tax liability may have credits refunded over multiple years from 2018 to 2022.

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

The difference between the Company's estimated effective tax rate and the U.S. federal statutory tax rate of 21% for the three months ended June 30, 2019, was primarily attributed to a discrete benefit related to stock compensation. For the six months ended June 30, 2019, the difference between the Company's estimated effective tax rate and the U.S. federal statutory tax rate was primarily attributed to the release of an additional portion of the Company's valuation allowance based on the Company's forecasted pre-tax earnings for the year.

As of December 31, 2018, the Company's gross deferred tax asset was $47,922. The Company had recorded a valuation allowance of $42,122, resulting in a net deferred tax asset of $5,800, before deferred tax liabilities of $8,719. The Company has provided a valuation allowance against a portion of the deferred tax assets as of December 31, 2018, 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 thousands, except per share amounts)

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, 2018, the Company had net operating loss ("NOL") and research and experimentation credit for U.S. federal income tax purposes of $141,067 and $3,791, respectively. The Company believes its NOL will offset some of 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:

Net Operating Loss Carryforward Expiration Dates
December 31, 2018

Expiration Dates December 31,	Net Operating Loss Amount
2021	$ 5,495
2022	115,000
2023	5,712
2024	3,566
2025 and beyond	11,294
Total	$ 141,067

NOTE 13. SEGMENT INFORMATION

As a result of our August 21, 2017 acquisition of Sierra, we 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:

- Black Diamond segment, which includes Black Diamond Equipment, PIEPS, and SKINourishment, is a global leader in designing, manufacturing, and marketing innovative outdoor engineered equipment and apparel for climbing, mountaineering, trail running, 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 activity-based apparel (such as shells, insulation, midlayers, pants and logowear); rock-climbing footwear and equipment (such as carabiners, protection devices, harnesses, belay devices, helmets, and ice-climbing gear); technical backpacks and high-end day packs; trekking poles; headlamps and lanterns; gloves and mittens; and skincare and other sport-enhancing products. We also offer advanced skis, ski poles, ski skins, and snow safety products, including avalanche airbag systems, avalanche transceivers, shovels, and probes.

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

The Company recognizes revenue when a contract exists with a customer that 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 at point of sale transactions. As noted above, the Company has a wide variety of technical outdoor equipment and lifestyle products focused on the climb, ski, mountain and sport product categories that are sold to a variety of customers in multiple end markets. While there are multiple products sold, the terms and nature of revenue recognition policy is similar for all segments. The sport product category represents the Sierra segment revenue.

(in thousands, except per share amounts)

We divide our product offerings into four primary categories of climb, mountain, ski and sport. Revenue by category is as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Climb	37%	35%	36%	35%
Mountain	36%	33%	32%	34%
Ski	8%	8%	15%	12%
Sport	19%	24%	17%	19%

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 were not material at June 30, 2019 and December 31, 2018. Contract liabilities are derecognized when the performance obligation is satisfied. Revenue recognized from satisfaction of performance obligations relating to the advanced payments during the three and six months ended June 30, 2019 was not material. No other material remaining performance obligations exist at June 30, 2019.

Financial information for our segments is as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Sales to external customers:				
Black Diamond				
Domestic sales	$ 22,149	$ 20,323	$ 46,681	$ 39,594
International sales	15,696	14,630	43,565	40,386
Total Black Diamond	37,845	34,953	90,246	79,980
Sierra				
Domestic sales	6,273	7,522	12,330	13,905
International sales	2,876	3,406	5,636	5,263
Total Sierra	9,149	10,928	17,966	19,168
Total sales to external customers	46,994	45,881	108,212	99,148
Segment operating income:				
Black Diamond	(468)	(322)	4,708	1,615
Sierra	1,418	2,374	3,079	3,171
Total segment operating income	950	2,052	7,787	4,786
Restructuring charge	-	(24)	(13)	(64)
Transaction costs	(41)	(168)	(87)	(333)
Corporate and other expenses	(1,967)	(2,175)	(4,351)	(4,089)
Interest expense, net	(315)	(463)	(625)	(717)
Income before income tax	$ (1,373)	$ (778)	$ 2,711	$ (417)

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.

(in thousands, except per share amounts)

Total assets by segment, as of June 30, 2019 and December 31, 2018, were as follows:

	June 30, 2019	December 31, 2018
Black Diamond	$ 138,672	$ 138,029
Sierra	74,931	72,796
Corporate	3,101	2,303
	$ 216,704	$ 213,128

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

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Capital expenditures:				
Black Diamond	$ 426	$ 558	$ 1,190	$ 1,216
Sierra	522	107	804	302
Total capital expenditures	$ 948	$ 665	$ 1,994	$ 1,518
Depreciation:				
Black Diamond	$ 631	$ 633	$ 1,242	$ 1,220
Sierra	508	502	1,000	988
Total depreciation	$ 1,139	$ 1,135	$ 2,242	$ 2,208
Amortization:				
Black Diamond	$ 277	$ 275	$ 556	$ 550
Sierra	611	693	1,221	1,387
Total amortization	$ 888	$ 968	$ 1,777	$ 1,937

NOTE 14. LEASES

The Company has entered into leases for certain facilities, vehicles and other equipment. Our operating leases have remaining contractual terms of up to six years, some of which include options to extend the leases for up to five years. Our operating lease costs are primarily related to facility leases for inventory warehousing, administration offices and vehicles. The Company's finance leases are immaterial.

Operating lease ROU assets and liabilities as of June 30, 2019 are as follows:

	Balance Sheet Classification	June 30, 2019
Assets		
Operating lease ROU assets	Other long-term assets	$ 1,522
Liabilities		
Current operating lease liabilities	Accounts payable and accrued liabilities	$ 707
Noncurrent operating lease liabilities	Other long-term liabilities	$ 822

Operating lease costs are as follows:

	Affected line item in the Condensed Consolidated Statements of Comprehensive Income	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Lease costs	Cost of goods sold, Selling, general and administrative	$ 194	$ 363
Variable lease costs	Cost of goods sold, Selling, general and administrative	51	115
Short-term lease costs	Cost of goods sold, Selling, general and administrative	47	109
		$ 292	$ 587

(in thousands, except per share amounts)

The maturity of operating lease liabilities as of June 30, 2019 are as follows:

Years Ending December 31,	**Future Minimum Lease Payments**
2019 (excluding the six months ended June 30, 2019)	$ 388
2020	729
2021	340
2022	87
2023 and thereafter	59
Total future minimum lease payments	1,603
Less: amount representing interest	(74)
Present value of future minimum lease payments	1,529
Less: current lease obligations	(707)
Long-term lease obligations	$ 822

As of June 30, 2019, our operating leases have a weighted-average remaining lease term of 2.2 years and a weighted-average discount rate of 3.97%. Total rent expense of the Company for the three and six months ended June 30, 2018 was $194 and $421, respectively, as determined prior to the adoption of ASU 842. Future minimum lease payments required under noncancelable operating leases that have initial or remaining noncancelable lease term in excess of one year at December 31, 2018 as determined prior to the adoption of ASU 842 are as follows:

Years Ending December 31,	**Future Minimum Lease Payments**
2019	$ 687
2020	634
2021	243
2022	24
2023	-
Thereafter	-
	$ 1,588

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 demand on our products; general economic conditions and other factors affecting consumer confidence, preferences, and behavior; disruption and volatility in the global currency, capital and credit markets; the financial strength of the Company's customers; the Company's ability to implement its business strategy; the ability of the Company to execute and integrate acquisitions; changes in governmental regulation, legislation or public opinion relating to the manufacture and sale of bullets and ammunition 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 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; changes in tax laws and liabilities, tariffs, legal, regulatory, political and economic risks; and the Company's ability to maintain a quarterly dividend. 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. Clarus' primary business is as a leading developer, manufacturer and distributor of outdoor equipment and lifestyle products focused on the climb, ski, mountain, sport and skincare markets. The Company's products are principally sold under the Black Diamond®, Sierra®, PIEPS® and SKINourishment® brand names through specialty and online retailers, distributors and original equipment manufacturers throughout the U.S. and internationally.

Through our Black Diamond, PIEPS, and SKINourishment brands, we offer a broad range of products including: high performance activity-based apparel (such as shells, insulation, midlayers, pants and logowear); rock-climbing footwear and equipment (such as carabiners, protection devices, harnesses, belay devices, helmets, and ice-climbing gear); technical backpacks and high-end day packs; trekking poles; headlamps and lanterns; gloves and mittens; and skincare and other sport-enhancing products. 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 and ammunition 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") and Gregory Mountain Products, LLC (which may be referred to as "Gregory Mountain Products" or "Gregory") 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”).

On August 6, 2018, the Company announced that its Board of Directors approved the initiation of a quarterly cash dividend program of $0.025 per share of the Company’s common stock (the “Quarterly Cash Dividend”) or $0.10 per share on an annualized basis. The declaration and payment of future Quarterly Cash Dividends is subject to the discretion of and approval of the Company’s Board of Directors. On July 26, 2019, the Company announced that its Board of Directors approved the payment on August 16, 2019 of the Quarterly Cash Dividend to the record holders of shares of the Company’s common stock as of the close of business on August 5, 2019.

On November 6, 2018, the Company acquired the assets of SKINourishment, Inc.

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 purchase price allocation, excess or obsolete inventory, valuation of deferred tax assets, and valuation of goodwill, 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 leases from the adoption of Accounting Standards Codification Topic 842. 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, 2018.

Accounting Pronouncements Issued Not Yet Adopted

None.

(in thousands, except per share amounts)

Results of Operations

Condensed Consolidated Three Months Ended June 30, 2019 Compared to Condensed Consolidated Three Months Ended June 30, 2018

The following presents a discussion of condensed consolidated operations for the three months ended June 30, 2019, compared with the condensed consolidated three months ended June 30, 2018.

	Three Months Ended	
	June 30, 2019	June 30, 2018
Sales		
Domestic sales	$ 28,422	$ 27,845
International sales	18,572	18,036
Total sales	46,994	45,881
Cost of goods sold	31,002	30,021
Gross profit	15,992	15,860
Operating expenses		
Selling, general and administrative	17,192	15,791
Restructuring charge	-	24
Transaction costs	41	168
Total operating expenses	17,233	15,983
Operating loss	(1,241)	(123)
Other (expense) income		
Interest expense	(315)	(463)
Other, net	183	(192)
Total other expense, net	(132)	(655)
Loss before income tax	(1,373)	(778)
Income tax benefit	(679)	(1)
Net loss	$ (694)	$ (777)

Sales

Consolidated sales increased $1,113, or 2.4%, to $46,994 during the three months ended June 30, 2019, compared to consolidated sales of $45,881 during the three months ended June 30, 2018. The increase in sales was attributable to the increase in the quantity of new and existing climb, mountain, and ski products sold during the period. These increases were partially offset by a decrease in the quantity of new and existing sport products sold during the period and a decrease in sales of $370 due to the strengthening of the U.S. dollar against foreign currencies during the three months ended June 30, 2019 compared to the prior period.

Consolidated domestic sales increased $577, or 2.1%, to $28,422 during the three months ended June 30, 2019, compared to consolidated domestic sales of $27,845 during the three months ended June 30, 2018. The increase in domestic sales was attributable to an increase in the quantity of new and existing climb, mountain, and ski products sold during the three months ended June 30, 2019. These increases were partially offset by a decrease in the quantity of new and existing sport products sold during the period.

Consolidated international sales increased $536, or 3.0%, to $18,572 during the three months ended June 30, 2019, compared to consolidated international sales of $18,036 during the three months ended June 30, 2018. The increase in international sales was attributable to the increase in the quantity of new and existing climb and ski products sold during the period. These increases were partially offset by a decrease in the quantity of new and existing sport products sold during the period and a decrease in sales of $370 due to the strengthening of the U.S. dollar against foreign currencies during the three months ended June 30, 2019 compared to the prior period.

Cost of Goods Sold

Consolidated cost of goods sold increased $981, or 3.3%, to $31,002 during the three months ended June 30, 2019, compared to consolidated cost of goods sold of $30,021 during the three months ended June 30, 2018. The increase in cost of goods sold was attributable to an increase in the number of units sold and the mix of higher cost products sold.

Gross Profit

Consolidated gross profit increased $132, or 0.8%, to $15,992 during the three months ended June 30, 2019, compared to consolidated gross profit of $15,860 during the three months ended June 30, 2018. Consolidated gross margin was 34.0% during the three months ended June 30, 2019, compared to a consolidated gross margin of 34.6% during the three months ended June 30, 2018. Consolidated gross margin during the three months ended June 30, 2019 decreased compared to the prior year due to an unfavorable mix in lower margin channel distribution and the negative impacts of foreign currency.

Selling, General and Administrative

Consolidated selling, general, and administrative expenses increased $1,401, or 8.9%, to $17,192 during the three months ended June 30, 2019, compared to consolidated selling, general and administrative expenses of $15,791 during the three months ended June 30, 2018. The increase in selling, general and administrative expenses was attributable to the Company's continued investment in the brand related activities of marketing and direct-to-consumer, a shift in timing of summer tradeshows from traditionally the third quarter to the second quarter, and costs incurred with the move of the Company's warehouse in Europe. Stock compensation also increased $127 during the three months ended June 30, 2019 compared to the prior year.

Restructuring Charges

Consolidated restructuring expense decreased to $0 during the three months ended June 30, 2019, compared to consolidated restructuring expense of $24 during the three months ended June 30, 2018. Restructuring expenses incurred during the three months ended June 30, 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 decreased to $41 during the three months ended June 30, 2019, compared to consolidated transaction costs of $168 during the three months ended June 30, 2018, which consisted of expenses related to the Company's acquisition of Sierra.

Interest Expense, net

Consolidated interest expense, net decreased $148, or 32.0%, to $315 during the three months ended June 30, 2019, compared to consolidated interest expense, net, of $463 during the three months ended June 30, 2018. Interest expense recognized during the three months ended June 30, 2019 was primarily associated with the average outstanding debt amounts during the period. Interest expense recognized during the three months ended June 30, 2018 was primarily attributable to the write-off of previously capitalized origination costs.

Other, net

Consolidated other, net, increased $375, or 195.3%, to income of $183 during the three months ended June 30, 2019, compared to consolidated other, net expense of $192 during the three months ended June 30, 2018. The increase in other, net, was primarily attributable to an increase in remeasurement gains recognized on the Company's foreign denominated accounts receivable and accounts payable. This increase was partially offset by gains on mark-to-market adjustments on non-hedged foreign currency contracts. During the three months ended June 30, 2018, the expense was primarily related to recognition of cumulative translation adjustments due to the substantial liquidation of a foreign entity.

Income Taxes

Consolidated income tax benefit increased to $679 during the three months ended June 30, 2019, compared to a consolidated income tax benefit of $1 during the same period in 2018. The tax expense recorded during the three months ended June 30, 2019 includes a discrete benefit associated with stock compensation windfall for $560.

Our effective income tax rate was 49.5% for the three months ended June 30, 2019, compared to 0.1% for the same period in 2018. The primary reasons for the effective income tax rate changes are due to differing levels of income 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.

(in thousands, except per share amounts)

Results of Operations

Condensed Consolidated Six Months Ended June 30, 2019 Compared to Condensed Consolidated Six Months Ended June 30, 2018

The following presents a discussion of condensed consolidated operations for the six months ended June 30, 2019, compared with the condensed consolidated six months ended June 30, 2018.

	Six Months Ended	
	June 30, 2019	June 30, 2018
Sales		
Domestic sales	$ 59,011	$ 53,499
International sales	49,201	45,649
Total sales	108,212	99,148
Cost of goods sold	70,164	65,461
Gross profit	38,048	33,687
Operating expenses		
Selling, general and administrative	34,772	32,919
Restructuring charge	13	64
Transaction costs	87	333
Total operating expenses	34,872	33,316
Operating income	3,176	371
Other (expense) income		
Interest expense	(625)	(717)
Other, net	160	(71)
Total other expense, net	(465)	(788)
Income (loss) before income tax	2,711	(417)
Income tax benefit	(382)	(43)
Net income (loss)	$ 3,093	$ (374)

Sales

Consolidated sales increased $9,064, or 9.1%, to $108,212 during the six months ended June 30, 2019, compared to consolidated sales of $99,148 during the six months ended June 30, 2018. The increase in sales was attributable to the increase in the quantity of new and existing climb, mountain, and ski products sold during the period. These increases were partially offset by a decrease in the quantity of new and existing sport products sold during the period and a decrease in sales of $1,133 due to the strengthening of the U.S. dollar against foreign currencies during the six months ended June 30, 2019 compared to the prior period.

Consolidated domestic sales increased $5,512, or 10.3%, to $59,011 during the six months ended June 30, 2019, compared to consolidated domestic sales of $53,499 during the six months ended June 30, 2018. The increase in domestic sales was attributable to an increase in the quantity of new and existing climb, mountain, and ski products sold during the six months ended June 30, 2019. These increases were partially offset by a decrease in the quantity of new and existing sport products sold during the period.

Consolidated international sales increased $3,552, or 7.8%, to $49,201 during the six months ended June 30, 2019, compared to consolidated international sales of $45,649 during the six months ended June 30, 2018. The increase in international sales was attributable to the increase in the quantity of new and existing climb, mountain, ski, and sport products sold during the period. These increases were partially offset by a decrease in sales of $1,133 due to the strengthening of the U.S. dollar against foreign currencies during the six months ended June 30, 2019 compared to the prior period.

Cost of Goods Sold

Consolidated cost of goods sold increased $4,703, or 7.2%, to $70,164 during the six months ended June 30, 2019, compared to consolidated cost of goods sold of $65,461 during the six months ended June 30, 2018. The increase in cost of goods sold was attributable to an increase in the number of units sold and the mix of higher cost products sold.

Gross Profit

Consolidated gross profit increased $4,361, or 12.9%, to $38,048 during the six months ended June 30, 2019, compared to consolidated gross profit of $33,687 during the six months ended June 30, 2018. Consolidated gross margin was 35.2% during the six months ended June 30, 2019, compared to a consolidated gross margin of 34.0% during the six months ended June 30, 2018. Consolidated gross margin during the six months ended June 30, 2019, increased compared to the prior year due to a favorable product mix in higher margin products and channel distribution. Gross margin during the six months ended June 30, 2018 included a decrease in gross margin of 1.1% 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 $1,853, or 5.6%, to $34,772 during the six months ended June 30, 2019, compared to consolidated selling, general and administrative expenses of $32,919 during the six months ended June 30, 2018. The increase in selling, general and administrative expenses was attributable to the Company’s continued 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. The increase was also attributable to a shift in timing of summer tradeshows from traditionally the third quarter to the second quarter and costs incurred with the move of the Company’s warehouse in Europe. Stock compensation also increased $413 during the six months ended June 30, 2019 compared to the prior year.

Restructuring Charges

Consolidated restructuring expense decreased $51, or 79.7%, to $13 during the six months ended June 30, 2019, compared to consolidated restructuring expense of $64 during the six months ended June 30, 2018. Restructuring expenses incurred during the six months ended June 30, 2019 and 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 decreased to $87 during the six months ended June 30, 2019, compared to consolidated transaction costs of $333 during the six months ended June 30, 2018, which consisted of expenses related to the Company’s acquisition of Sierra.

Interest Expense, net

Consolidated interest expense, net decreased $92, or 12.8%, to $625 during the six months ended June 30, 2019, compared to consolidated interest expense, net, of $717 during the six months ended June 30, 2018. Interest expense recognized during the six months ended June 30, 2019 was primarily associated with the average outstanding debt amounts during the period. Interest expense recognized during the six months ended June 30, 2018 was primarily attributable to the write-off of previously capitalized origination costs.

Other, net

Consolidated other, net, increased $231, or 325.4%, to income of $160 during the six months ended June 30, 2019, compared to consolidated other, net expense of $71 during the six months ended June 30, 2018. The increase in other, net, was primarily attributable to an increase in remeasurement gains recognized on the Company’s foreign denominated accounts receivable and accounts payable. This increase was partially offset by gains on mark-to-market adjustments on non-hedged foreign currency contracts. During the six months ended June 30, 2018, the expense included the recognition of cumulative translation adjustments due to the substantial liquidation of a foreign entity.

(in thousands, except per share amounts)

Income Taxes

Consolidated income tax benefit increased $339, or 788.4%, to $382 during the six months ended June 30, 2019, compared to a consolidated income tax benefit of $43 during the same period in 2018. The tax expense recorded during the six months ended June 30, 2019 includes a discrete benefit associated with a release of a tax reserve of $63 and a discrete benefit associated with stock compensation windfall for $590.

Our effective income tax rate was 14.1% for the six months ended June 30, 2019, compared to 10.3% for the same period in 2018. The primary reasons for the effective income tax rate changes are due to differing levels of income 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 Six Months Ended June 30, 2019 Compared to Condensed Consolidated Six Months Ended June 30, 2018

The following presents a discussion of cash flows for the condensed consolidated six months ended June 30, 2019 compared with the condensed consolidated six months ended June 30, 2018. Our primary ongoing funding requirements are for working capital, expansion of our operations (both organically and through acquisitions) 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 June 30, 2019, we had total cash of $1,969, compared to a cash balance of $2,486 at December 31, 2018, which was substantially controlled by the Company's U.S. entities. At June 30, 2019, the Company had $1,612 of the $1,969 in cash held by foreign entities, of which $743 is considered permanently reinvested.

	Six Months Ended	
	June 30, 2019	June 30, 2018
Net cash provided by operating activities	$ 9,672	$ 7,915
Net cash used in investing activities	(1,993)	(1,861)
Net cash used in financing activities	(8,195)	(5,377)
Effect of foreign exchange rates on cash	(1)	38
Change in cash	(517)	715
Cash, beginning of period	2,486	1,856
Cash, end of period	$ 1,969	$ 2,571

Net Cash From Operating Activities

Consolidated net cash provided by operating activities was $9,672 during the six months ended June 30, 2019, compared to $7,915 during the six months ended June 30, 2018. The increase in net cash provided by operating activities during 2019 is primarily due to an increase in net income, partially offset by a decrease in net operating assets, net of assets acquired or non-cash working capital of $2,307 during the six months ended June 30, 2019, compared to the same period in 2018.

Free cash flow, defined as net cash provided by operating activities less capital expenditures, of $7,678 was generated during the six months ended June 30, 2019 compared to $6,397 generated during the same period in 2018. The Company believes that the non-GAAP measure, free cash flow, provides an understanding of the capital required by the Company to expand its asset base. A reconciliation of free cash flows to comparable GAAP financial measures is set forth below:

	Six Months Ended	
	June 30, 2019	June 30, 2018
Net cash provided by operating activities	$ 9,672	$ 7,915
Purchase of property and equipment	(1,994)	(1,518)
Free cash flow	$ 7,678	$ 6,397

Net Cash From Investing Activities

Consolidated net cash used in investing activities was $1,993 during the six months ended June 30, 2019, compared to $1,861 during the six months ended June 30, 2018. The increase in cash used during the six months ended June 30, 2019 is due to an increase in purchases of property and equipment, compared to the same period in 2018.

Net Cash From Financing Activities

Consolidated net cash used in financing activities was $8,195 during the six months ended June 30, 2019, compared to $5,377 during the six months ended June 30, 2018. The increase in cash used during the six months ended June 30, 2019 compared to the same period in 2018 was primarily due to net repayments to the revolving line of credit, the purchase of treasury stock, and dividend payments, and was partially offset by proceeds from exercise of stock options.

Net Operating Loss

As of December 31, 2018, the Company had net operating loss (“NOL”) and research and experimentation credit for U.S. federal income tax purposes of $141,067 and $3,791, respectively. The Company believes its NOL will offset some of 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. None of the NOL available to offset taxable income will expire until 2021 or later, subject to compliance with Section 382 of the Internal Revenue Code of 1986, as amended.

As of December 31, 2018, the Company’s gross deferred tax asset was $47,922. The Company has recorded a valuation allowance of $42,122, resulting in a net deferred tax asset of $5,800, before deferred tax liabilities of $8,719. The Company has provided a valuation allowance against a portion of the net deferred tax assets as of December 31, 2018, because the ultimate realization of those assets does not meet the more likely than not criteria. The majority of the Company’s deferred tax assets consist of net operating loss carryforwards for federal tax purposes. If a change in control were to occur, these could be limited under Section 382 of the Internal Revenue Code of 1986 (“Code”), as amended.

Credit Agreement

On May 3, 2019, the Company together with certain of its direct and indirect domestic subsidiaries (the “Borrowers”) and the other loan parties party thereto entered into a Credit Agreement with JPMorgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto, for borrowings of up to $60,000 under a revolving credit facility (including up to $5,000 for letters of credit), and borrowings of up to $40,000 under a term loan facility that is available to be drawn until May 3, 2020. The Credit Agreement also permits the Borrowers, subject to certain requirements, to arrange with lenders for an aggregate of up to $50,000 of additional revolving and/or term loan commitments (both of which are currently uncommitted), for potential aggregate revolving and term loan commitments under the Credit Agreement of up to $150,000. The Credit Agreement matures on May 3, 2024.

The Borrowers may elect to have the revolving and term loans under the Credit Agreement bear interest at an alternate base rate or a Eurodollar rate plus an applicable rate. The applicable rate for these borrowings will range from 0.50% to 1.25% per annum, in the case of alternate base rate borrowings, and 1.50% to 2.25% per annum, in the case of Eurodollar borrowings. The applicable rate was initially 0.875% per annum, in the case of alternate base rate borrowings, and 1.875% per annum, in the case of Eurodollar borrowings, however, it may be adjusted from time to time based upon the level of the Company’s consolidated total leverage ratio. The Credit Agreement also requires the Borrowers to pay a commitment fee on the unused portion of the revolving and term loan commitments. Such commitment fee will range between 0.15% and 0.25% per annum, and is also based upon the level of the Company’s consolidated total leverage ratio.

As of June 30, 2019, the Company had drawn approximately $16,650 of the $60,000 revolving loan commitment, and none of the $40,000 term loan commitment, that was available for borrowing under the Credit Agreement. As of June 30, 2019, the interest rate for such loans was 4.3055%.

On May 3, 2019, concurrent with entering into the Credit Agreement, the Company’s previous credit facility with JPMorgan Chase Bank, N.A., which provided for a revolving commitment of up to $75,000, was terminated.

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, 2018.

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-15I and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”)) as of June 30, 2019, 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 June 30, 2019, were effective.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting that occurred during the six months ended June 30, 2019, 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, 2018.

ITEM 6. EXHIBITS

Exhibit	Description
10.1	Credit Agreement, effective as of May 3, 2019, by and among the Company, Black Diamond Retail, Inc., Black Diamond Retail – Alaska, LLC, Sierra Bullets, L.L.C., SKINourishment, LLC, the other loan parties party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and the other lenders from time to time party thereto. (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on May 6, 2019 and incorporated herein by reference).
10.2	Pledge and Security Agreement, effective as of May 3, 2019, by and among the Company, Black Diamond Equipment, Ltd., Black Diamond Retail, Inc., Sierra Bullets, L.L.C., Everest/Sapphire Acquisition, LLC, BD European Holdings, LLC, SKINourishment, LLC, Black Diamond Retail – Alaska, LLC, the other grantors party thereto, and JPMorgan Chase Bank, N.A. (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q, filed with the Commission on May 6, 2019 and incorporated herein by reference).
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. **
101.INS	XBRL Instance Document *
101.SCH	XBRL Taxonomy Extension Schema Document *
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document *
101.LAB	XBRL Taxonomy Extension Label Linkbase Document *
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document *
*	Filed herewith
**	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: August 5, 2019

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: August 5, 2019	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: August 5, 2019	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 June 30, 2019 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: August 5, 2019

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 June 30, 2019 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: August 5, 2019	By:	/s/ Aaron J. Kuehne
	Name:	Aaron J. Kuehne
	Title:	Chief Administrative Officer and Chief Financial Officer (Principal Financial Officer)