Section 1: 8-K (8-K)

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 11, 2016

Vista Outdoor Inc.
(Exact name of registrant as specified in its charter)

Delaware	**1-36597**	**47-1016855**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

262 N University Drive **Farmington, UT**	**84025**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(801) 447-3000**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events.

Supplemental Guarantor Financial Information

Vista Outdoor Inc. ("Vista Outdoor") is filing with this Current Report on Form 8-K (this "Current Report") the audited consolidated and combined financial statements of Vista Outdoor and its subsidiaries as of March 31, 2016 and 2015 and for each of the years in the three-year period ended March 31, 2016 to include additional guarantor information in Note 19, Condensed Consolidating Financial Statements. Vista Outdoor's audited consolidated and combined financial statements and the notes thereto are filed as Exhibit 99.1 hereto and are incorporated herein by reference.

As previously disclosed, on August 11, 2015, Vista Outdoor completed its private offering of $350 million aggregate principal amount of unregistered 5.875% Senior Notes due 2023 (the "outstanding unregistered notes"). In connection with the private offering of the outstanding unregistered notes, Vista Outdoor entered into a registration rights agreement relating to the outstanding unregistered notes, pursuant to which Vista Outdoor is filing a Registration Statement on Form S-4 with the Securities and Exchange Commission to exchange the outstanding unregistered notes for new notes (the "exchange notes", and such exchange, the "exchange offer"). The outstanding unregistered notes are, and the exchange notes will be, fully and unconditionally guaranteed, jointly and severally, by Advanced Arrow S.de R.L. de C.V. and Hydrosport, S. de R.L. de C.V., each a 100% owned subsidiary of Vista Outdoor, and by certain of Vista Outdoor's 100% owned domestic subsidiaries (collectively, the "Subsidiary Guarantors"). The terms of the exchange notes will be identical in all material respects to the terms of the outstanding unregistered notes (except that the transfer restrictions, registration rights and payment of additional interest applicable to the outstanding unregistered notes will not apply to the exchange notes). In connection with the exchange offer, Vista Outdoor will be required, pursuant to Rule 3-10 of Regulation S-X, to include in its financial statements certain financial information with respect to Vista Outdoor, the Subsidiary Guarantors and non-guarantor subsidiaries of Vista Outdoor.

The audited consolidated and combined financial statements of Vista Outdoor and the notes related thereto have been updated solely to include in Note 19, Condensed Consolidating Financial Statements. All other information, including financial information, provided in Vista Outdoor's Form 10-K for the fiscal year ended March 31, 2016 (the "Form 10-K"), remains unchanged and this Current Report does not modify or update the disclosures in the Form 10-K in any other way. This Current Report should be read in conjunction with the Form 10-K.

Bushnell Financial Statements

As previously disclosed, on November 1, 2013, Bushnell Group Holdings, Inc. was acquired by Alliant Techsystems Inc. (which operated the business of Vista Outdoor prior to February 9, 2015). Due to the significance of the acquisition the audited consolidated statements of operations, comprehensive loss and cash flows of Bushnell Group Holdings, Inc. for the ten months ended October 31, 2013, and the notes thereto, are filed as Exhibit 99.2 hereto and are incorporated herein by reference.

CamelBak Financial Statements

As previously disclosed, on August 3, 2015, CamelBak Products, LLC ("CamelBak") was acquired by Vista Outdoor. Due to the significance of the acquisition the audited consolidated balance sheet of CamelBak as of December 31, 2014 and the audited consolidated statements of operations, comprehensive income and cash flows of CamelBak for the fiscal year ended December 31, 2014, and the notes thereto, are filed as Exhibit 99.3 hereto and are incorporated herein by reference.

The financial information relating to CamelBak as of and for the fiscal year ended December 31, 2014 included herein has been derived from the audited financial statements of CamelBak. Such financial statements were audited under the standards promulgated by the American Institute of Certified Public Accountants, but not the standards promulgated by the Public Company Accounting Oversight Board. We believe that this does not have a material impact on the understanding of CamelBak's results of operations, financial condition, liquidity and related operating and financial trends.

The unaudited consolidated balance sheet of CamelBak as of June 30, 2015 and the unaudited consolidated statements of operations, comprehensive income and cash flows of CamelBak for the quarter and six months ended June 30, 2015 and 2014, and the notes thereto, are filed as Exhibit 99.4 hereto and are incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(a) Exhibits

Exhibit No.	Description
23.1	Consent of Deloitte & Touche LLP relating to Vista Outdoor Inc.
23.2	Consent of Deloitte & Touche LLP relating to Bushnell Group Holdings, Inc.
23.3	Consent of Grant Thornton LLP relating to CamelBak Acquisition Corporation and Subsidiaries
99.1	Audited consolidated and combined financial statements of Vista Outdoor and subsidiaries as of March 31, 2016 and 2015 and for each of the years in the three-year period ended March 31, 2016, and the notes thereto.
99.2	Audited consolidated financial statements of Bushnell Group Holdings, Inc. for the ten months ended October 31, 2013, and the notes thereto.
99.3	Audited consolidated balance sheet of CamelBak Acquisition Corporation and Subsidiaries as of December 31, 2014 and audited consolidated statements of operations, comprehensive income and cash flows of CamelBak Acquisition Corporation and Subsidiaries for the fiscal year ended December 31, 2014, and the notes thereto.
99.4	Unaudited condensed consolidated balance sheet of CamelBak Acquisition Corporation and Subsidiaries as of June 30, 2015 and unaudited condensed consolidated statements of operations, comprehensive income and cash flows of CamelBak Acquisition Corporation and Subsidiaries for the three and six months ended June 30, 2015 and 2014
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

SIGNATURES

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

VISTA OUTDOOR INC.

By:	/s/ Stephen M. Nolan
Name:	Stephen M. Nolan
Title:	Senior Vice President and Chief Financial Officer

Date: August 11, 2016

EXHIBIT INDEX

Exhibit No.	Description
23.1	Consent of Deloitte & Touche LLP relating to Vista Outdoor Inc.
23.2	Consent of Deloitte & Touche LLP relating to Bushnell Group Holdings, Inc.
23.3	Consent of Grant Thornton LLP relating to CamelBak Acquisition Corporation and Subsidiaries
99.1	Audited consolidated and combined financial statements of Vista Outdoor and subsidiaries as of March 31, 2016 and 2015 and for each of the years in the three-year period ended March 31, 2016, and the notes thereto.
99.2	Audited consolidated financial statements of Bushnell Group Holdings, Inc. for the ten months ended October 31, 2013, and the notes thereto.
99.3	Audited consolidated balance sheet of CamelBak Acquisition Corporation and Subsidiaries as of December 31, 2014 and audited consolidated statements of operations, comprehensive income and cash flows of CamelBak Acquisition Corporation and Subsidiaries for the fiscal year ended December 31, 2014, and the notes thereto.
99.4	Unaudited condensed consolidated balance sheet of CamelBak Acquisition Corporation and Subsidiaries as of June 30, 2015 and unaudited condensed consolidated statements of operations, comprehensive income and cash flows of CamelBak Acquisition Corporation and Subsidiaries for the three and six months ended June 30, 2015 and 2014
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

(Back To Top)

Section 2: EX-23.1 (EXHIBIT 23.1)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement 333-201957 on Form S-8 of our report dated May 27, 2016 (except for Note 19 as to which the date is August 11, 2016), relating to the financial statements of Vista Outdoor Inc. and subsidiaries (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the financial statements being derived from the consolidated financial statements and accounting records of Alliant Techsystems Inc. and certain expense allocations from Alliant Techsystems Inc. corporate functions through February 8, 2015) appearing in this Current Report on Form 8-K of Vista Outdoor Inc.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota

August 11, 2016

(Back To Top)

Section 3: EX-23.2 (EXHIBIT 23.2)

Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statement No. 333-201957 on Form S-8 of Vista Outdoor Inc. of our report dated

August 13, 2014, relating to the consolidated financial statements of Bushnell Group Holdings, Inc. and subsidiaries, appearing in this Current Report on Form 8-K of Vista Outdoor Inc..

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota

August 11, 2016

(Back To Top)

Section 4: EX-23.3 (EXHIBIT 23.3)

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated March 12, 2015 with respect to the consolidated financial statements of CamelBak Acquisition Corporation and its subsidiaries for the year ended December 31, 2014 included in the Current Report of Vista Outdoor, Inc. on Form 8-K. We consent to the incorporation by reference of said report on Form S-8 (File No. 333-201957).

/s/ GRANT THORNTON LLP

San Fransisco, California
August 11, 2016

(Back To Top)

Section 5: EX-99.1 (EXHIBIT 99.1)

Exhibit 99.1

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Vista Outdoor Inc.
Farmington, Utah

We have audited the accompanying consolidated balance sheets of Vista Outdoor Inc. and subsidiaries (the "Company") as of March 31, 2016 and 2015, and the related consolidated and combined statements of comprehensive income, stockholders’ and parent company equity, and cash flows for each of the three years in the period ended March 31, 2016. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated and combined financial statements present fairly, in all material respects, the financial position of Vista Outdoor Inc. at March 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 1 and 15, prior to February 9, 2015 the accompanying combined financial statements were derived from the consolidated financial statements and accounting records of Alliant Techsystems Inc. The accompanying combined financial statements also include expense allocations for certain corporate functions historically provided by Alliant Techsystems Inc. and do not necessarily reflect the financial position, results of operations, and cash flows that would have existed if the Company had been a separate, stand-alone entity during the periods prior to February 9, 2015.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 31, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 27, 2016 (not presented herein) expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE, LLP

Minneapolis, Minnesota
May 27, 2016 (except for Note 19 as to which the date is August 11, 2016)

VISTA OUTDOOR INC.
CONSOLIDATED AND COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended March 31		
(Amounts in thousands except per share data)	**2016**	**2015**	**2014**
Sales, net	$ 2,270,734	$ 2,083,414	$ 1,873,919
Cost of sales	1,651,289	1,554,493	1,406,616
Gross profit	619,445	528,921	467,303
Operating expenses:			
Research and development	12,512	9,518	13,984
Selling, general, and administrative	344,175	283,029	219,512
Goodwill and tradename impairment	—	52,220	—
Income before interest and income taxes	262,758	184,154	233,807
Interest expense, net	(24,351)	(30,108)	(15,469)
Income before income taxes	238,407	154,046	218,338
Income tax provision	91,370	74,518	85,081
Net income	$ 147,037	$ 79,528	$ 133,257
Earnings per common share:			
Basic	$ 2.36	$ 1.25	$ 2.09
Diluted	$ 2.35	$ 1.25	$ 2.09
Weighted-average number of common shares outstanding:			
Basic	62,211	63,596	63,875
Diluted	62,568	63,857	63,875
Net income (from above)	$ 147,037	$ 79,528	$ 133,257
Other comprehensive income (loss), net of tax:			
Pension and other postretirement benefit liabilities:			
Reclassification of prior service credits for pension and postretirement benefit plans recorded to net income, net of tax benefit of $632, $83, and $0	(1,068)	(139)	—
Reclassification of net actuarial loss for pension and postretirement benefit plans recorded to net income, net of tax expense of $(3,276), $(1,334), and $0	5,524	2,246	—
Valuation adjustment for pension and postretirement benefit plans, net of tax expense of $5,917, $0, and $0	(9,968)	—	—
Change in fair value of derivatives, net of tax benefit of $0, $0, and $(251), respectively	—	—	401
Change in cumulative translation adjustment, net of tax (expense) benefit of $(41), $0, and $942	5,601	(50,643)	(1,505)
Total other comprehensive income (loss)	89	(48,536)	(1,104)
Comprehensive income	$ 147,126	$ 30,992	$ 132,153

See Notes to the Consolidated and Combined Financial Statements.

VISTA OUTDOOR INC.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands except share data)	March 31 2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 151,692	$ 263,951
Net receivables	428,398	361,694
Net inventories	440,240	375,621
Other current assets	29,334	13,452
Total current assets	1,049,664	1,014,718
Net property, plant, and equipment	203,485	190,607
Goodwill	1,023,451	782,163
Net intangible assets	650,472	517,482
Deferred charges and other non-current assets	15,562	7,476
Total assets	$ 2,942,634	$ 2,512,446
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 17,500	$ 17,500
Accounts payable	147,738	134,432
Accrued compensation	47,394	27,146
Accrued income taxes	12,171	9,569
Federal excise tax	27,701	23,194
Other accrued liabilities	116,397	96,071
Total current liabilities	368,901	307,912
Long-term debt	652,787	322,165
Deferred income tax liabilities	135,957	143,039
Accrued pension and postemployment liabilities	73,503	59,345
Other long-term liabilities	51,319	31,221
Total liabilities	1,282,467	863,682
Commitments and contingencies (Notes 11, 13 and 14)		
Common stock—$.01 par value:		
Authorized—500,000,000 shares		
Issued and outstanding— 60,825,914 shares at March 31, 2016 and 63,873,222 shares at March 31, 2015	608	639
Additional paid-in-capital	1,743,371	1,742,125
Retained earnings	166,421	19,384
Accumulated other comprehensive loss	(110,214)	(110,303)
Common stock in treasury, at cost— 3,138,525 shares held at March 31, 2016 and 85,940 shares held at March 31, 2015	(140,019)	(3,081)
Total stockholders' equity	1,660,167	1,648,764
Total liabilities and equity	$ 2,942,634	$ 2,512,446

See Notes to the Consolidated and Combined Financial Statements.

VISTA OUTDOOR INC.
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

(Amounts in thousands)	Years Ended March 31 2016	2015	2014
Operating Activities			
Net income	$ 147,037	$ 79,528	$ 133,257
Adjustments to net income to arrive at cash provided by operating activities:			
Depreciation	38,953	35,405	24,891
Amortization of intangible assets	33,661	31,146	20,011
Amortization of deferred financing costs	2,501	2,447	897
Goodwill and tradename impairment	—	52,220	—
Deferred income taxes	(457)	(947)	8,746
Loss (gain) on disposal of property	323	(136)	7,668
Share-based compensation	12,279	3,012	—
Excess tax benefits from share-based plans	—	(120)	—
Changes in assets and liabilities:			
Net receivables	(33,596)	(72,321)	(357)
Net inventories	(31,065)	40,991	8,970
Accounts payable	3,398	(37,837)	(32,277)
Accrued compensation	8,006	(9,047)	1,016
Accrued income taxes	(1,804)	17,246	(1,182)
Federal excise tax	4,535	6,935	9,042
Pension and other postretirement benefits	5,076	248	—
Other assets and liabilities	9,155	5,568	(8,372)
Cash provided by operating activities	198,002	154,338	172,310
Investing Activities			
Capital expenditures	(41,526)	(43,189)	(40,234)
Acquisitions of businesses, net of cash acquired	(462,050)	—	(1,301,687)
Proceeds from the disposition of property, plant, and equipment	372	320	174
Cash used for investing activities	(503,204)	(42,869)	(1,341,747)
Financing Activities			
Borrowings on line of credit	360,000	—	200,000
Repayments of line of credit	(360,000)	—	(200,000)
Proceeds from issuance of long-term debt	350,000	350,000	—
Payments made on bank debt	(17,500)	—	—
Net transfers from parent	—	16,181	206,678
Payment from former parent	6,500	—	—
Dividend paid to parent	—	(214,000)	—
Payments made on long-term debt to parent	—	(20,087)	(6,362)
Proceeds from issuance of long-term debt to parent	—	50,000	1,021,273
Payments made to extinguish debt	—	(50,000)	—
Payments made for debt issue costs	(4,379)	(10,991)	(12,273)
Purchase of treasury shares	(143,194)	(5,097)	—
Excess tax benefits from share-based plans	—	120	—
Proceeds from employee stock compensation plans	1,173	—	—
Cash provided by financing activities	192,600	116,126	1,209,316
Effect of foreign currency exchange rate fluctuations on cash	343	(3,648)	58
(Decrease) increase in cash and cash equivalents	(112,259)	223,947	39,937
Cash and cash equivalents at beginning of year	263,951	40,004	67
Cash and cash equivalents at end of year	$ 151,692	$ 263,951	$ 40,004
Supplemental Cash Flow Disclosures:			
Noncash investing activity:			

Capital expenditures included in accounts payable and other accrued liabilities	$	9,708	$	5,252	$	8,327
Noncash financing activity:						
Treasury stock purchased included in other accrued liabilities	$	779	$	1,773	$	—

See Notes to the Consolidated and Combined Financial Statements.

VISTA OUTDOOR INC.

CONSOLIDATED AND COMBINED STATEMENTS OF STOCKHOLDERS' AND PARENT COMPANY EQUITY

(Amounts in thousands except share data)	Common Stock $.01 Par Value Shares	Common Stock $.01 Par Value Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Parent's Equity	Total Equity
Balance, March 31, 2013	**—**	**$ —**	**$ —**	**$ —**	**$ (401)**	**$ —**	**$ 532,301**	**$ 531,900**
Comprehensive income	—	—	—	—	(1,104)	—	133,257	132,153
Net transfer from parent	—	—	—	—	—	—	206,678	206,678
Balance, March 31, 2014	**—**	**—**	**—**	**—**	**(1,505)**	**—**	**872,236**	**870,731**
Comprehensive income	—	—	—	19,384	(48,536)	—	60,144	30,992
Issuance of common stock in connection with Spin-Off	63,875,472	639	—	—	—	—	—	639
Restricted stock grants	180,095	—	(7,299)	—	—	7,299	—	—
Share-based compensation	—	—	3,012	—	—	—	—	3,012
Restricted stock units vested and issued	123,208	—	(5,280)	—	—	2,979	—	(2,301)
Treasury stock purchased	(162,000)	—	—	—	—	(6,870)	—	(6,870)
Employee benefit plans and other	(138,276)	—	—	—	—	(6,489)	—	(6,489)
Dividend paid to parent	—	—	—	—	—	—	(214,000)	(214,000)
Contribution from parent	—	—	1,751,692	—	(60,262)	—	(734,561)	956,869
Net transfer (to) from parent	—	—	—	—	—	—	16,181	16,181
Balance, March 31, 2015	**63,878,499**	**639**	**1,742,125**	**19,384**	**(110,303)**	**(3,081)**	**—**	**1,648,764**
Comprehensive income	—	—	—	147,037	89	—	—	147,126
Exercise of stock options	66,670	—	(1,748)	—	—	2,921	—	1,173
Restricted stock grants net of forfeitures	41,721	—	(3,672)	—	—	3,519	—	(153)
Share-based compensation	—	—	12,279	—	—	—	—	12,279
Restricted stock vested and shares withheld	11,133	—	(2,677)	—	—	(1,471)	—	(4,148)
Treasury stock purchased	(3,179,086)	(32)	—	—	—	(142,200)	—	(142,232)
Contribution from former parent and other	6,977	1	(2,936)	—	—	293	—	(2,642)
Balance, March 31, 2016	**60,825,914**	**$ 608**	**$1,743,371**	**$ 166,421**	**$ (110,214)**	**$ (140,019)**	**$ —**	**$ 1,660,167**

See Notes to the Consolidated and Combined Financial Statements.

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

(Amounts in thousands except share and per share data and unless otherwise indicated)

1. Summary of Significant Accounting Policies

Nature of Operations. Vista Outdoor Inc. (together with our subsidiaries, "we", "our", and "us") is a leading global designer, manufacturer and marketer of consumer products in the growing outdoor sports and recreation markets. We operate in two segments, Shooting Sports and Outdoor Products. Vista Outdoor is headquartered in Farmington, Utah and has manufacturing operations and facilities in 11 U.S. States, Canada, Mexico and Puerto Rico along with international sales and sourcing operations in Asia, Australia, Canada, Europe, and New Zealand. Vista Outdoor was incorporated in Delaware in 2014. Prior to February 9, 2015, the business was operated as the Sporting Group reporting segment of Alliant Techsystems Inc. ("ATK"). On April 28, 2014, Orbital ATK entered into a Transaction Agreement (the "Transaction Agreement") among Vista Outdoor, Vista Merger Sub Inc. ("Merger Sub") and Orbital Sciences Corporation ("Orbital"), providing for, among other things, the transfer of the businesses comprising ATK's Sporting Group reporting segment to Vista Outdoor (the "Sporting Transfers"), the distribution of all of the shares of Vista Outdoor common stock on a pro rata basis to the holders of ATK common stock (the "Spin-Off"), and the merger of Merger Sub with and into Orbital (the "ATK/Orbital Merger"), with Orbital surviving the ATK/Orbital Merger as a wholly owned subsidiary of ATK.

On February 9, 2015, ATK completed the Sporting Transfers and the Spin-Off, distributing to its stockholders two shares of Vista Outdoor common stock for every share of ATK common stock held as of record on February 2, 2015. In connection with the Spin-Off, Vista Outdoor filed a Registration Statement on Form 10 (as amended, the "Form 10") with the Securities and Exchange Commission (the "SEC"), which was declared effective on January 23, 2015. The Form 10 included an Information Statement describing the details of the Spin-Off and providing information as to our business and management.

Except where indicated, references below to transactions completed by Vista Outdoor prior to February 9, 2015, refer to transactions completed by or on behalf of the ATK Sporting Group reporting segment that are reflected on the consolidated and combined financial statements of Vista Outdoor.

Basis of Presentation. The consolidated and combined financial statements reflect our consolidated operations as a separate stand-alone entity beginning on February 9, 2015. Periods presented prior to the Spin-Off have been prepared on a stand-alone basis and are derived from the consolidated financial statements and accounting records of Orbital ATK and are presented on a combined basis. Subsequent to the Spin-Off, the financial statements are presented on a consolidated basis. The consolidated and combined financial statements reflect our financial position, results of operations and cash flows as our business was operated as part of Orbital ATK prior to the distribution, in conformity with U.S. generally accepted accounting principles.

Prior to February 9, 2015, the consolidated and combined statements of comprehensive income include expense allocations for certain corporate functions historically provided to us by Orbital ATK, including, but not limited to, human resources, employee benefits administration, treasury, risk management, audit, finance, tax, legal, information technology support, and other shared services. These allocations are reflected in the combined statements of operations within the expense categories to which they relate. The allocations were made on a direct usage basis when identifiable, with the remainder allocated on various bases that are further discussed in Note 15. Management of Vista Outdoor and Orbital ATK consider these allocations to be a reasonable reflection of the utilization of services by, or benefits provided to, us. The allocations may not, however, reflect the expense we would have incurred as a stand-alone company. Following our separation from Orbital ATK, we perform these functions using our resources or purchased services. For an interim period, however, some of these functions will continue to be provided by Orbital ATK under transition services agreements and other commercial agreements.

Prior to February 9, 2015, Orbital ATK maintained a number of defined benefit plans at a corporate level which our employees participated in, and as such, we were charged a portion of the expenses associated with these plans. Subsequent to February 9, 2015, we established separate defined benefit plans and the liabilities were transferred to us. The associated assets were transferred on July 1, 2016. See Note 10 for further detail.

Transactions between us and Orbital ATK prior to February 9, 2015 are reflected as effectively settled at the time of the transaction and are included in financing activities in the consolidated combined statements of cash flows.

Our consolidated and combined financial statements may not be indicative of our future performance and do not necessarily reflect what the results of operations and cash flows would have been had we operated as a stand-alone company during the periods presented prior to Spin-Off.

1. Summary of Significant Accounting Policies (Continued)

Principles of Consolidation and Combination. The consolidated and combined financial statements include our net assets and results of operations as described above. All intercompany transactions and accounts within the businesses have been eliminated.

All transactions between Orbital ATK and Vista Outdoor have been included in these combined financial statements. Prior to February 9, 2015, transactions with Orbital ATK or its affiliates are reflected in the combined statements of cash flows as changes in Orbital ATK's net investment within financing activities. Subsequent to February 9, 2015, transactions with Orbital ATK or its affiliates are reflected within the consolidated statements in the appropriate line item.

Fiscal Year. References in this report to a particular fiscal year refer to the year ended March 31 of that calendar year. Our interim quarterly periods are based on 13-week periods and end on Sundays.

Use of Estimates. The preparation of consolidated and combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates.

Revenue Recognition. Sales, net of estimates for discounts, returns, rebates, allowances, and excise taxes are recognized when persuasive evidence of an arrangement exists, the price is fixed and determinable, and all risks of ownership have been transferred, and payment is reasonably assured.

Cost of Sales. Cost of sales includes material, labor, and overhead costs associated with product manufacturing, including depreciation, amortization, purchasing and receiving, inspection, warehousing, product liability, warranty, and inbound and outbound shipping and handling costs.

Research and Development Costs. Research and development costs consist primarily of compensation and benefits and experimental work materials for our employees who are responsible for the development and enhancement of new and existing products. Research and development costs incurred to develop new products and to enhance existing products are charged to expense as incurred.

Selling, General, and Administrative Expense. Selling, General and Administrative expense includes, among other items, administrative salaries, benefits, commissions, advertising, insurance, and professional fees.

Advertising Costs. Advertising costs including print ads, commercials, catalogs, and brochures are expensed at time of first advertisement. Our co-op program is structured so that certain dealers are eligible for reimbursement of certain types of advertisements on qualifying product purchases and are accrued as purchases are made. Advertising costs totaled $65,775, $52,941, and $44,341 for the years ended March 31, 2016, 2015, and 2014, respectively.

Cash Equivalents. Cash equivalents are all highly liquid cash investments purchased with original maturities of three months or less.

Allowance for Doubtful Accounts. We maintain an allowance for doubtful receivables for estimated losses resulting from the inability of our trade customers to make required payments. We provide an allowance for specific customer accounts where collection is doubtful and also provide an allowance for customer deductions based on historical collection and write-off experience. Additional allowances would be required if the financial conditions of our customers deteriorated.

Inventories. Inventories are stated at the lower of cost, determined using the first-in, first-out ("FIFO") method, or market. Inventory costs associated with work in process inventory and finished goods include material, labor, and manufacturing overhead, while costs associated with raw materials and purchased finished goods include material and inbound freight costs. We provide inventory allowances for any excess and obsolete inventories and periodically write inventory amounts down to market when costs exceed market value.

Warranty Costs. We provide consumer warranties against manufacturing defects on certain products within the Shooting Sports and Outdoor Products segments with warranty periods ranging from one year to a lifetime. The estimated costs of such product warranties are recorded at the time the sale is recorded. Estimated future warranty costs are accrued at the time of sale based upon actual past experience, our current production environment as well as specific and identifiable warranties as applicable. See Note 8 for additional detail.

1. Summary of Significant Accounting Policies (Continued)

Accounting for Goodwill and Identifiable Intangible Assets.

Goodwill—We test goodwill for impairment on the first day of our fourth fiscal quarter or upon the occurrence of events or changes in circumstances that indicate that an asset might be impaired. We have determined that the reporting units for our goodwill impairment review are our operating segments, or components of an operating segment, that constitute a business for which discrete financial information is available, and for which segment management regularly reviews the operating results. We then evaluate these components to determine if they are similar and should be aggregated into one reporting unit for testing purposes.

The impairment test is performed using a two-step process. In the first step, we determine the estimated fair value of each reporting unit and compare it to the carrying value of the reporting unit, including goodwill. If the carrying amount of a reporting unit is higher than its fair value, an indication of goodwill impairment exists and the second step must be performed in order to determine the amount of the goodwill impairment. In the second step, we must determine the implied fair value of the reporting unit's goodwill, by allocating the estimated fair value of the reporting unit in a manner similar to a purchase price allocation. The implied fair value is compared to the carrying amount and if the carrying amount of the reporting unit's goodwill exceeds the implied fair value of its goodwill, an impairment loss must be recognized for the excess.

Identifiable Intangible Assets—Our primary identifiable intangible assets include trademarks and trade names, patented technology, and customer relationships. Identifiable intangible assets with finite lives are amortized and evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Identifiable intangibles with indefinite lives are not amortized and are tested for impairment annually on the first day of our fourth fiscal quarter, or more frequently if events warrant.

Our identifiable intangibles with indefinite lives consist of certain trademarks and trade names. The impairment test consists of a comparison of the fair value of the specific intangible asset with its carrying value. The fair value of these assets is measured using the relief-from-royalty method which assumes that the asset has value to the extent that the owner is relieved of the obligation to pay royalties for the benefits received from them. This method requires that we estimate the future revenue for the related brands and technology, the appropriate royalty rate, and the weighted average cost of capital. We base our fair values and estimates on assumptions we believe to be reasonable, but which are unpredictable and inherently uncertain. If the carrying amount of an asset is higher than its fair value, an impairment exists and the asset would be recorded at the fair value.

Stock-Based Compensation. Our stock-based compensation plans, which are described more fully in Note 14, provide for the grant of various types of stock-based incentive awards, including performance awards, total stockholder return performance awards ("TSR awards"), restricted stock/restricted stock units, and options to purchase common stock. The types and mix of stock-based incentive awards are evaluated on an ongoing basis and may vary based on our overall strategy regarding compensation, including consideration of the impact of expensing stock awards on our results of operations.

Performance awards are valued at the fair value of our stock as of the grant date and expense is recognized based on the number of shares expected to vest under the terms of the award under which they are granted. We use an integrated Monte Carlo simulation model to determine the fair value of the TSR awards and the calculated fair value is expensed over the vesting period. Restricted stock issued vests over periods ranging from one to four years and is valued based on the market value of our stock on the grant date. The estimated grant date fair value of stock options is expensed on a straight-line basis over the requisite service period, generally one to three years. The estimated fair value of each option is calculated using the Black-Scholes option-pricing model. See Note 14 for further details.

Prior to February 9, 2015, all of our stock-based compensation expense was attributable to our participation in Orbital ATK long-term incentive plans. Expense recognized prior to February 9, 2015 was based on awards attributable to those plans.

Income Taxes. Prior to the Spin-Off, our domestic operations were included in Orbital ATK's U.S. federal and state income tax returns and all income taxes have been paid by Orbital ATK. Our foreign operations have been included in our own tax filings and we have paid the taxes. Income tax expense and other income tax related information contained in these combined financial statements are presented on a separate tax return basis as if we filed our own tax returns. Prior to the Spin-Off, current domestic income tax liabilities are assumed to be immediately settled with Orbital ATK and are relieved through the Parent's equity in the statement of cash flows.

After the Spin-Off, we account for income taxes under the asset and liability method in accordance with the accounting standard for income taxes. The asset and liability method requires the recognition of deferred tax assets and liabilities for the

1. Summary of Significant Accounting Policies (Continued)

expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. Under this method, changes in tax rates and laws are recognized in income in the period such changes are enacted.

We record net deferred tax assets to the extent that we believe these assets will more likely than not be realized. In making such determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent results of operations. Significant estimates are required for this analysis. If we were to determine that the amount of deferred income tax assets we would be able to realize in the future had changed, we would make an adjustment to the valuation allowance which would decrease or increase the provision for income taxes.

The provision for federal, foreign, and state and local income taxes is calculated on income before income taxes based on current tax law and includes the cumulative effect of any changes in tax rates from those used previously in determining deferred tax assets and liabilities. Such provision differs from the amounts currently payable because certain items of income and expense are recognized in different reporting periods for financial reporting purposes than for income tax purposes.

We periodically assess our liabilities and contingencies for all periods that are currently open to examination or have not been effectively settled based on the most current available information. Where it is not more likely than not that our tax position will be sustained, we record the entire resulting tax liability and when it is more likely than not of being sustained, we record our best estimate of the resulting tax liability. To the extent our assessment of the tax outcome of these matters changes, such change in estimate will impact the income tax provision in the period of change. It is our policy to record interest and penalties related to income taxes as part of the income tax expense for financial reporting purposes.

Worker's Compensation. The liability for losses under our worker's compensation program has been actuarially determined and the portion of the worker's compensation liability that is related to our employees was $8,558 and $8,439 as of March 31, 2016 and 2015, respectively.

Translation of Foreign Currencies. Assets and liabilities of foreign subsidiaries are translated at current exchange rates and the effects of these translation adjustments are reported as a component of accumulated other comprehensive loss ("AOCL") in equity. Income and expenses in foreign currencies are translated at the average exchange rate during the period. Foreign exchange transaction gains and losses in fiscal years 2016, 2015, and 2014 were not material.

Earnings Per Share Data. Basic earnings per share ("EPS") is computed based upon the weighted average number of common shares outstanding for each period. Diluted EPS is computed based on the weighted average number of common shares and common equivalent shares. Common equivalent shares represent the effect of stock-based awards (see Note 14) during each period presented, which, if exercised, earned, or converted, would have a dilutive effect on earnings per share. On February 9, 2015, 63,875,000 shares of our common stock were distributed to Orbital ATK shareholders of record to complete the Spin-Off from ATK. For comparative purposes we have used weighted average shares of 63,875,000 to calculate basic and diluted EPS for all periods prior to the Spin-Off, as we had no outstanding common shares or dilutive stock-based awards.

In computing EPS for the fiscal years presented, earnings, as reported for each respective period, is divided by (in thousands):

	Year Ended March 31		
	2016	2015	2014
Basic EPS shares outstanding	62,211	63,596	63,875
Dilutive effect of stock-based awards	357	261	—
Diluted EPS shares outstanding	62,568	63,857	63,875
Shares excluded from the calculation of diluted EPS because the option exercise/threshold price was greater than the average market price of the common shares	139	122	—

(Amounts in thousands except share and per share data and unless otherwise indicated)

1. Summary of Significant Accounting Policies (Continued)

Comprehensive Loss.

The components of AOCL, net of income taxes, are as follows:

	March 31	
	2016	2015
Pension and other postretirement benefit liabilities	$ (63,667)	$ (58,155)
Cumulative translation adjustment	(46,547)	(52,148)
Total accumulated other comprehensive loss	$ (110,214)	$ (110,303)

The following table summarizes the changes in the balance of AOCL, net of income tax:

	Year ended March 31, 2016				Year ended March 31, 2015			
	Derivatives	Pension and other Postretire-ment Benefits	Cumulative translation adjustment	Total	Derivatives	Pension and other Postretire-ment Benefits	Cumulative translation adjustment	Total
Beginning of period unrealized gain (loss) in AOCL	$ —	$ (58,155)	$ (52,148)	$ (110,303)	$ —	$ —	$ (1,505)	$ (1,505)
Net decrease in fair value of derivatives	204	—	—	204	974	—	—	974
Net losses reclassified from AOCL, offsetting the price paid to suppliers (1)	(204)	—	—	(204)	(974)	—	—	(974)
Net actuarial losses reclassified from AOCL (2)	—	5,524	—	5,524	—	2,246	—	2,246
Prior service costs reclassified from AOCL (2)	—	(1,068)	—	(1,068)	—	(139)	—	(139)
Valuation adjustment for pension and postretirement benefit plans(2)	—	(9,968)	—	(9,968)	—	—	—	—
Adjustment due to Spin-Off (3)	—	—	—	—	—	(60,262)	—	(60,262)
Net change in cumulative translation adjustment	—	—	5,601	5,601	—	—	(50,643)	(50,643)
End of period unrealized gain (loss) in AOCL	$ —	$ (63,667)	$ (46,547)	$ (110,214)	$ —	$ (58,155)	$ (52,148)	$ (110,303)

(1) Amounts related to our derivative instruments that were reclassified from AOCL were recorded as a component of cost of sales for each period presented.

(2) Amounts related to our pension and other postretirement benefits that were reclassified from AOCL were recorded as a component of net periodic benefit cost for each period presented (Note 11).

(3) Adjustment represents the AOCL assumed upon the completion of the Spin-Off related to the pension plan and post-retirement and post-employment liabilities.

Fair Value of Nonfinancial Instruments. The carrying amount of receivables, inventory, accounts payable and accrued liabilities approximates fair value because of the short maturity of these instruments. See Note 2 for additional disclosure regarding fair value of financial instruments.

New Accounting Pronouncements. On May 28, 2014, the FASB issued Accounting Standard Update No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance. This guidance is effective for periods beginning after December 15, 2017 and early application is permitted for periods beginning after December 15, 2016. We are in the process of evaluating the impact this standard will have on us.

On April 7, 2015, the FASB issued Accounting Standard Update No. 2015-03 *Interest-Imputation of Interest (Subtopic 835-30)*, which simplified the presentation of debt issuance costs by requiring debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The standard allows for early adoption. We have elected to early adopt this standard and retrospectively present the change to the financial

1. Summary of Significant Accounting Policies (Continued)

statements. This resulted in a reclassification of $10,335 from Deferred charges and other non-current assets to Long-term debt in the fiscal year ended March 31, 2015.

On May 1, 2015, the FASB issued Accounting Standard Update No. 2015-07 *Fair Value Measurement (Topic 820)*, which permits a reporting entity, as a practical expedient, to measure the fair value of certain investments using the net asset value per share of the investment. The standard allows for early adoption. We have elected to early adopt this standard and present the change to the financial statements. This resulted in a change to the disclosure of pension assets within Note 10 for the current year. The prior year did not change as these assets reflected our estimated allocated portion of the assets that were held in the Orbital ATK asset pool on our behalf and does not reflect the precise assets that were transferred to us. The adoption of the standard had no impact on the valuation of assets.

On November 20, 2015, the FASB issued Accounting Standard Update No. 2015-17 *Income Taxes (Topic 740)*, which simplified the presentation of deferred taxes by requiring deferred tax assets and liabilities be classified as noncurrent in a classified statement of financial position. The standard allows for early adoption. We have elected to early adopt this standard and retrospectively present the change to the financial statements. This resulted in a reclassification of $50,343 from current deferred income tax assets to noncurrent deferred income tax liabilities in the fiscal year ended March 31, 2015.

On March 30, 2016, the FASB issued Accounting Standard Update No. 2016-09 *Improvements to Employee Share-Based Payment Accounting*, which simplifies several aspects of the accounting for employee share-based payment transactions including the accounting for income taxes, forfeitures and classification in the statement of cash flows. The standard allows for early adoption. We have elected to early adopt this standard and prospectively present the change to the financial statements given the immaterial nature of the prior period balances.

There are no other new accounting pronouncements that are expected to have a significant impact on our consolidated and combined financial statements.

2. Fair Value of Financial Instruments

The current authoritative guidance on fair value clarifies the definition of fair value, prescribes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value, and expands disclosures about the use of fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The valuation techniques required by the current authoritative literature are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect internal market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1—Quoted prices for identical instruments in active markets.

Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3—Significant inputs to the valuation model are unobservable.

The following section describes the valuation methodologies we use to measure our financial instruments at fair value.

Long-term Debt—The fair value of the variable-rate long-term debt is calculated based on current market rates for debt of the same risk and maturities. The fair value of the fixed-rate debt is based on market quotes for each issuance. We consider these to be Level 2 instruments.

Contingent Consideration—The acquisition-related contingent consideration liability represents the estimated fair value of additional future earn-outs payable for acquisitions of businesses that had earn-out clauses. The valuation of the contingent consideration will be evaluated on an ongoing basis and is based on management estimates and entity-specific assumptions, which are considered Level 3 inputs.

(Amounts in thousands except share and per share data and unless otherwise indicated)

2. Fair Value of Financial Instruments (Continued)

There were no financial assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2016 and 2015.

The following table presents our financial assets and liabilities that are not measured at fair value on a recurring basis. The carrying values and estimated fair values were as follows:

	As of March 31, 2016		As of March 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Fixed rate debt	$ 350,000	$ 366,625	$ —	$ —
Variable rate debt	$ 332,500	$ 332,500	$ 350,000	$ 350,000

3. Acquisitions

In accordance with the accounting standards regarding business combinations, the results of acquired businesses are included in our consolidated and combined financial statements from the date of acquisition. The purchase price for each acquisition is allocated to the acquired assets and liabilities based on fair value. The excess purchase price over estimated fair value of the net assets acquired is recorded as goodwill.

Savage Arms Acquisition

On June 21, 2013, we acquired Savage Arms, a leading manufacturer of sporting long guns. Operating under the brand names of Savage Arms, Stevens and Savage Range Systems, Savage Arms designs, manufactures and markets centerfire and rimfire rifles, shotguns and shooting range systems used for hunting as well as competitive and recreational target shooting. Savage Arms is included within the Shooting Sports segment. The purchase price was $315,000 net of cash acquired. We believe the acquisition complemented our growing portfolio of leading consumer brands and allowed us to build upon offerings with Savage Arms' prominent, respected brands known for accuracy, quality, innovation, value and craftsmanship. Savage Arms' sales distribution channels, new product development, and sophistication in manufacturing significantly increased our presence with a highly relevant product offering to distributors, retailers and consumers. Savage Arms employed approximately 400 employees at time of acquisition. The purchase price allocation was completed during the first quarter of fiscal year 2015. None of the goodwill generated in this acquisition will be deductible for tax purposes.

Bushnell Acquisition

On November 1, 2013, we acquired Bushnell. Bushnell is a leading global designer, marketer and distributor of branded sports optics, outdoor accessories and eyewear. Bushnell is included within the Outdoor Products segment. The purchase price was $985,000 net of cash acquired, subject to customary post-closing adjustments. We believe the acquisition broadened our existing capabilities in the commercial shooting sports market and expanded our portfolio of branded shooting sports products. In addition, this transaction enabled us to enter new sporting markets in golf and snow sports. We have leveraged Bushnell’s strong sourcing, marketing, branding and distribution capabilities and capitalized on Bushnell’s track record of successfully integrating acquisitions and delivering profitable growth. Bushnell employed approximately 1,100 employees at time of acquisition. The purchase price allocation was completed during the third quarter of fiscal year 2015. A portion of the goodwill generated in this acquisition will be deductible for tax purposes. The total amount of goodwill related to the acquisition deductible for tax purposes is $19,095.

Jimmy Styks Acquisition

On July 20, 2015, we completed the acquisition of Jimmy Styks, LLC ("Jimmy Styks"), using $40,000 of cash on hand with additional contingent consideration payable if incremental profitability growth milestones are achieved over the next three years. We determined a value of the future contingent consideration as of the acquisition date of $4,471 utilizing the Black Scholes option pricing model; the total amount paid may differ from this value. The option pricing model requires us to make assumptions including the risk-free rate, expected volatility, cash flows, and expected life. The risk-free rate is based on U.S. Treasury zero-coupon issues with a remaining term that approximates the expected life assumed at the date of acquisition. The expected option life is based on the contractual term of the agreement. Expected volatility is based on the average volatility of similar public companies' stock over the past three years. The discounted cash flows are based on our estimates of future performance of the business.

Jimmy Styks is a leading designer and marketer of stand up paddle boards and related accessories. Jimmy Styks' stand up paddle board portfolio provides easy-to-use platforms for water sport enthusiasts engaging in activities ranging from personal fitness to fishing and will help us expand our Outdoor Products operating segment. Jimmy Styks offers nearly 30 SKUs in epoxy, inflatable, soft and thermoform boards, as well as accessories. The preliminary purchase price allocation is subject to further refinement and may require significant adjustments to arrive at the final purchase price allocation. The majority of the goodwill generated in this acquisition will be deductible for tax purposes. Jimmy Styks is an immaterial acquisition to our company.

CamelBak Products Acquisition

On August 3, 2015, we completed the acquisition of CamelBak Products, LLC ("CamelBak") for total consideration of $412,500, subject to a customary working capital adjustment, utilizing cash on hand and borrowings under our existing credit facilities. CamelBak is the leading provider of personal hydration solutions for outdoor, recreation and military use.

CamelBak's products include hydration packs, reusable bottles and individual water purification and filtration systems. The preliminary purchase price allocation is subject to further refinement and may require significant adjustments to arrive at the final purchase price allocation. A portion of the goodwill generated in this acquisition will be deductible for tax purposes.

Current year results for acquisitions

Subsequent to the acquisition dates of the current year acquisitions, Vista Outdoor recorded sales of approximately $121,285 for the year ended March 31, 2016 and gross profit of approximately $47,929 for the year ended March 31, 2016, each associated with the operations of these acquired businesses and reflected in the Outdoor Products segment results.

Allocation of Consideration Transferred to Net Assets Acquired of Savage and Bushnell:

The purchase prices of Savage Arms and Bushnell were allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisitions. During fiscal year 2015, we recorded fair value adjustments to the preliminary purchase price allocation reported at March 31, 2014. Purchase price adjustments were applied retrospectively back to the date of the acquisitions. These adjustments did not have a material impact on net income (loss) in fiscal year 2014 and, therefore, we have not adjusted our net income (loss) for the year ended March 31, 2014.

(Amounts in thousands except share and per share data and unless otherwise indicated)

3. Acquisitions (Continued)

The following table summarizes the fair values of the assets acquired and liabilities assumed in the acquisitions as originally reported in our Form 10 for the year ended March 31, 2014 and as revised for adjustments made during fiscal year 2015:

Savage Arms Purchase Price Allocation

	As Originally Reported	As Revised
Purchase price net of cash acquired:		
Cash paid	$ 315,000	$ 315,000
Cash received for working capital	(2,498)	(2,498)
Total purchase price	312,502	312,502
Fair value of assets acquired:		
Net receivables	$ 39,374	$ 39,374
Net inventories	36,499	36,499
Tradename, technology, and customer relationship intangibles	126,600	126,600
Net property, plant, and equipment	24,965	24,965
Other assets	4,972	5,423
Total assets	232,410	232,861
Fair value of liabilities assumed:		
Accounts payable	14,461	14,461
Deferred tax liabilities	48,298	47,928
Other liabilities	22,314	21,733
Total liabilities	85,073	84,122
Net assets acquired	147,337	148,739
Goodwill	$ 165,165	$ 163,763

(Amounts in thousands except share and per share data and unless otherwise indicated)

3. Acquisitions (Continued)

Bushnell Purchase Price Allocation

	As Originally Reported	As Revised
Purchase price net of cash acquired:		
Cash paid	$ 985,000	$ 985,000
Cash paid for additional working capital	4,185	4,185
Total purchase price	989,185	989,185
Fair value of assets acquired:		
Net receivables	$ 108,434	$ 109,429
Net inventories	160,793	157,184
Tradename, technology, and customer relationship intangibles	364,843	364,700
Net property, plant, and equipment	25,080	25,055
Other assets	10,938	7,765
Total assets	670,088	664,133
Fair value of liabilities assumed:		
Accounts payable	80,092	80,099
Deferred income taxes	75,692	88,121
Other liabilities	30,025	30,932
Total liabilities	185,809	199,152
Net assets acquired	484,279	464,981
Goodwill	$ 504,906	$ 524,204

Intangible assets from above include:

	Value	Useful life (years)
Savage Arms		
Indefinite lived tradenames	$ 70,200	Indefinite
Tradenames	12,900	5-20
Customer Relationships	43,500	5-10
Bushnell		
Indefinite lived tradenames	$ 95,100	Indefinite
Tradenames	105,700	15
Technology	15,900	6-20
Customer Relationships	148,000	15

(Amounts in thousands except share and per share data and unless otherwise indicated)

3. Acquisitions (Continued)

Preliminary Allocation of Consideration Transferred to Net Assets Acquired for CamelBak:

The following amounts represent the preliminary determination of the fair value of identifiable assets acquired and liabilities assumed from the CamelBak acquisition. The final determination of the fair value of certain assets and liabilities will be completed within the required measurement period, which will be no later than 12 months from the date of acquisition. The size and breadth of the CamelBak acquisition will necessitate the use of this measurement period to adequately analyze and assess a number of the factors used in establishing the asset and liability fair values as of the acquisition date, including the finalization of tax impacts. Any potential adjustments made could be material in relation to the preliminary values presented below:

	August 3, 2015	
Purchase price net of cash acquired:		
Cash paid		$ 412,500
Cash paid for working capital		9,810
Total purchase price		422,310
Fair value of assets acquired:		
Net receivables	$ 30,093	
Net inventories	30,916	
Tradename, technology, and customer relationship intangibles	133,800	
Net property, plant, and equipment	7,985	
Other assets	4,460	
Total assets	207,254	
Fair value of liabilities assumed:		
Accounts payable	8,219	
Other liabilities	5,497	
Total liabilities	13,716	
Net assets acquired		193,538
Goodwill		$ 228,772

Intangible assets above include:

	Value	Useful life (years)
Indefinite lived tradename	$ 79,400	Indefinite
Customer relationships	49,400	10-20
Technology	5,000	7-17

3. Acquisitions (Continued)

Supplemental Pro Forma Data for Savage, Bushnell, and CamelBak:

We used the acquisition method of accounting to account for these acquisitions and, accordingly, the results of Savage Arms, Bushnell, and CamelBak are included in our consolidated and combined financial statements for the period subsequent to the date of acquisition. The following unaudited supplemental pro forma data for the year ended March 31, 2014 present consolidated information as if the acquisition had been completed on April 1, 2012 for Savage and Bushnell. The following supplemental pro forma data for the years ended March 31, 2016 and 2015 present consolidated and combined information as if the acquisition had been completed on April 1, 2014 for CamelBak. The pro forma results were calculated by combining our results with the standalone results of Savage Arms, Bushnell, and CamelBak for the pre-acquisition periods, which were adjusted to account for certain costs which would have been incurred during this pre-acquisition period:

	YEARS ENDED		
(Amounts in thousands except per share data)	March 31, 2016	March 31, 2015	March 31, 2014
Sales, net	$ 2,330,331	$ 2,230,241	$ 2,280,071
Net income	155,001	75,183	153,643
Basic earnings per common share	2.49	1.18	2.41
Diluted earnings per common share	2.48	1.18	2.41

The unaudited supplemental pro forma data above include the following significant non-recurring adjustments made to account for certain costs which would have been incurred if the Savage and Bushnell acquisitions had been completed on April 1, 2012, and the CamelBak acquisition had been completed April 1, 2014, as adjusted for the applicable tax impact:

	YEARS ENDED		
(Amounts in thousands)	March 31, 2016	March 31, 2015	March 31, 2014
Inventory step-up, net[1]	$ (647)	$ 647	$ (9,765)
Fees for advisory, legal, accounting services[2]	(4,288)	4,288	(12,475)

1. Adjustment reflects the increased cost of goods sold expense which results from the fair value step-up in inventory which was expensed over the first inventory cycle.
2. We removed the fees that were incurred in connection with the acquisition of Savage and Bushnell from fiscal 2014, and considered those fees as incurred during the first quarter of fiscal 2013 and the costs incurred in connection with the acquisition of CamelBak in fiscal 2016 and considered those fees as incurred during the first quarter of fiscal 2015. Costs were recorded in General and administrative expense.

We made no acquisitions during fiscal 2015.

4. Receivables

Receivables, are summarized as follows:

	March 31	
	2016	2015
Trade receivables	$ 446,032	$ 370,335
Other receivables	1,778	2,089
Less allowance for doubtful accounts	(19,412)	(10,730)
Net receivables	$ 428,398	$ 361,694

As of March 31, 2016, the largest individual customer account balance accounted for 13% of the total trade receivables balance. No other customer represented more than 10% of total trade receivables balance as of March 31, 2016. No customer represented more than 10% of the total trade receivables balance as of March 31, 2015.

(Amounts in thousands except share and per share data and unless otherwise indicated)

4. Receivables (Continued)

The following is a reconciliation of the changes in our allowance for doubtful accounts, discounts, and returns during fiscal year 2015 and 2016:

Balance at March 31, 2014	$ 5,621
Expense	6,875
Write-offs	(1,010)
Reversals and other adjustments	(756)
Balance at March 31, 2015	10,730
Expense	8,302
Write-offs	(1,556)
Reversals, discounts and other adjustments	1,936
Balance at March 31, 2016	$ 19,412

5. Inventories

Inventories consist of the following:

	March 31,	
	2016	2015
Raw materials	$ 91,898	$ 107,848
Work in process	61,864	53,740
Finished goods	286,478	214,033
Net inventories	$ 440,240	$ 375,621

6. Property, Plant, and Equipment

Property, plant, and equipment is stated at cost and depreciated over estimated useful lives using a straight-line method. Machinery and equipment are depreciated over 2 to 7 years and buildings and improvements are depreciated over 3 to 40 years. Depreciation expense was $38,953 in fiscal year 2016, $35,405 in fiscal year 2015, and $24,891 in fiscal year 2014.

We review property, plant, and equipment for impairment when indicators of potential impairment are present. When such impairment is identified, it is recorded as a loss in that period. Maintenance and repairs are charged to expense as incurred. Major improvements that extend useful lives are capitalized and depreciated. The cost and accumulated depreciation of property, plant, and equipment retired or otherwise disposed of are removed from the related accounts, and any residual values are charged or credited to income.

Property, plant, and equipment consists of the following:

	March 31	
	2016	2015
Land	$ 8,968	$ 8,614
Buildings and improvements	56,022	47,752
Machinery and equipment	286,577	250,210
Property not yet in service	39,970	39,110
Gross property, plant, and equipment	391,537	345,686
Less accumulated depreciation	(188,052)	(155,079)
Net property, plant, and equipment	$ 203,485	$ 190,607

(Amounts in thousands except share and per share data and unless otherwise indicated)

7. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill by segment were as follows:

	Shooting Sports	Outdoor Products	Total
Balance at March 31, 2014	$ 246,487	$ 600,647	$ 847,134
Impairment	(41,020)	—	(41,020)
Effect of foreign currency exchange rates	(947)	(23,004)	(23,951)
Balance at March 31, 2015	204,520	577,643	782,163
Acquisitions	—	238,824	238,824
Effect of foreign currency exchange rates	371	2,093	2,464
Balance at March 31, 2016	$ 204,891	$ 818,560	$ 1,023,451

The acquisitions in Outdoor Products related to the preliminary purchase price allocation for the previously discussed CamelBak and Jimmy Styks acquisitions.

As a result of the market correction in the prior year impacting demand for firearms and a decline in our near-term projected cash flows at the time in the Firearms reporting unit, during the quarter ended December 28, 2014 we determined a triggering event had occurred which indicated it was more likely than not that the fair value of the reporting unit was less than the book value. The fair value of the reporting unit is determined using both an income and market approach. The value estimated using a discounted cash flow model is weighted against the estimated value derived from the guideline company market approach method. This market approach method estimates the price reasonably expected to be realized from the sale of the company based on comparable companies.

The goodwill recorded within the Shooting Sports segment above is presented net of $41,020 of impairment losses. In addition, as a result of the market correction noted above we evaluated the fair value of the tradenames as well. We determined the fair value of the tradenames based on the relief of royalty method and used a royalty rate of 6% for the Savage Arms tradename based on public guideline royalty-based transactions and a discount rate of 16%. This analysis resulted in a $11,200 noncash impairment charge that was recorded within the Firearms reporting unit related to the non-amortizing Savage Arms tradename intangible. The remeasurement of goodwill and intangible assets is classified as a Level 3 fair value assessment as described in Note 2 due to the significance of unobservable inputs developed using company-specific information.

The goodwill recorded within Outdoor Products above is presented net of $47,791 of accumulated impairment losses recorded prior to April 1, 2014.

Net intangibles includes amortizing and non-amortizing assets consisting of trademarks, tradenames and brand names that are not being amortized as their estimated useful lives are considered indefinite.

Net intangibles consisted of the following:

	March 31, 2016			March 31, 2015		
	Gross carrying amount	Accumulated amortization	Total	Gross carrying amount	Accumulated amortization	Total
Tradenames	$ 185,162	$ (46,812)	$ 138,350	$ 184,660	$ (34,260)	$ 150,400
Patented technologies	27,900	(9,949)	17,951	22,600	(8,488)	14,112
Customer relationships and other	272,431	(50,757)	221,674	190,936	(31,064)	159,872
Total	485,493	(107,518)	377,975	398,196	(73,812)	324,384
Non-amortizing trade names	272,497	—	272,497	193,098	—	193,098
Net intangibles	$ 757,990	$ (107,518)	$ 650,472	$ 591,294	$ (73,812)	$ 517,482

(Amounts in thousands except share and per share data and unless otherwise indicated)

7. Goodwill and Intangible Assets (Continued)

The acquisitions in Outdoor Products related to the preliminary purchase price allocation for the previously discussed CamelBak and Jimmy Styks acquisitions. The assets in the table above are being amortized using a straight-line method over a weighted average remaining period of approximately 11.9 years. Amortization expense related to these assets was $33,661 in fiscal 2016, $31,146 in fiscal 2015, and $20,011 in fiscal 2014, which is included within cost of sales. We expect amortization expense related to these assets to be as follows:

Fiscal 2017	$	35,951
Fiscal 2018		35,951
Fiscal 2019		33,207
Fiscal 2020		32,324
Fiscal 2021		32,258
Thereafter		208,284
Total	$	377,975

(Amounts in thousands except share and per share data and unless otherwise indicated)

8. Other Accrued Liabilities

The major categories of other current and long-term accrued liabilities are as follows:

	March 31	
	2016	2015
In-transit inventory and other	$ 40,242	$ 39,236
Rebates	17,957	14,889
Interest	13,157	393
Employee benefits and insurance	11,131	14,375
Accrued advertising	10,315	8,073
Warranty	8,611	7,429
Customer obligations	9,613	5,982
Freight accrual	2,446	3,012
Product liability	1,622	1,534
Accrued taxes	1,303	1,148
Total other accrued liabilities—current	$ 116,397	$ 96,071
Non-current portion of accrued income tax liability	$ 25,421	$ 23,406
Contingent consideration	4,471	—
Management nonqualified deferred compensation plan	2,668	715
Environmental remediation	745	529
Performance share liability	—	641
Other	18,014	5,930
Total other long-term liabilities	$ 51,319	$ 31,221

We provide consumer warranties against manufacturing defects on certain products within the Shooting Sports and Outdoor Products segments with warranty periods ranging from one year to a lifetime. The estimated costs of such product warranties are recorded at the time the sale is recorded based upon actual past experience, our current production environment as well as specific and identifiable warranties as applicable. The warranty liability recorded at each balance sheet date reflects the estimated liability for warranty coverage for products delivered based on historical information and current trends. The following is a reconciliation of the changes in our product warranty liability during the periods presented:

Balance at March 31, 2014	$ 8,158
Payments made	(3,699)
Warranties issued	3,059
Changes related to preexisting warranties	(89)
Balance at March 31, 2015	7,429
Payments made	(5,397)
Warranties issued	5,879
Warranties assumed in acquisition	678
Changes related to preexisting warranties	22
Balance at March 31, 2016	$ 8,611

(Amounts in thousands except share and per share data and unless otherwise indicated)

9. Long-term Debt

On April 1, 2016, we refinanced our existing credit facility. See Note 18 for details.

Long-term debt, including the current portion, consisted of the following:

	March 31, 2016	March 31, 2015
Senior Credit Facility dated December 19, 2014:		
Term Loan due 2020	$ 332,500	$ 350,000
Revolving Credit Facility due 2020	—	—
Total principal amount of Credit Agreement	332,500	350,000
5.875% Senior Notes due 2023	350,000	—
Principal amount of long-term debt	682,500	350,000
Less: unamortized deferred financing costs	12,213	10,335
Carrying amount of long-term debt	670,287	339,665
Less: current portion	17,500	17,500
Carrying amount of long-term debt, excluding current portion	$ 652,787	$ 322,165

Credit Agreement

On December 19, 2014, we entered into a credit agreement (the “2014 Credit Agreement”), which was comprised of a senior secured term loan of $350,000 (the “Term Loan”) and a senior secured revolving credit facility of $400,000 (the “Revolving Credit Facility”), both of which were to mature on February 9, 2020.

The Term Loan was subject to quarterly principal payments of $4,375 beginning in June 2015, with the remaining balance due on February 9, 2020. Substantially all domestic tangible and intangible assets of Vista Outdoor and our subsidiaries were pledged as collateral under the 2014 Credit Agreement. Borrowings under the 2014 Credit Agreement bore interest at a rate equal to either the sum of a base rate plus a margin or the sum of a Eurodollar rate plus a margin. Each margin was based on our consolidated leverage ratio, as defined in the 2014 Credit Agreement, and based on the ratio in effect as of March 31, 2016, the base rate margin was 0.75% and the Eurodollar margin was 1.75%. The interest rate for the Term Loan as of March 31, 2016 was 2.18%. We pay a commitment fee on the unused portion of the Revolving Credit Facility based on our consolidated leverage ratio, and based on the ratio in effect as of March 31, 2016, this fee was 0.30%. As of March 31, 2016, we had no borrowings against our $400,000 Revolving Credit Facility and had outstanding letters of credit of $30,222, which reduced amounts available on the Revolving Credit Facility to $369,778. Debt issuance costs totaling approximately $11,000 were being amortized over the term of the Term Loan.

5.875% Notes

On August 11, 2015, we issued $350,000 aggregate principal amount of 5.875% Senior Notes (the “5.875% Notes”) that mature on October 1, 2023. These notes are unsecured and senior obligations. Interest on these notes is payable semi-annually in arrears on April 1 and October 1 of each year, starting on April 1, 2016. We have the right to redeem some or all of these notes from time to time on or after October 1, 2018, at specified redemption prices. Prior to October 1, 2018, we may redeem some or all of these notes at a price equal to 100% of their principal amount plus accrued and unpaid interest to the date of redemption and a specified make-whole premium. In addition, prior to October 1, 2018, we may redeem up to 35% of the aggregate principal amount of these notes with the net cash proceeds of certain equity offerings, at a price equal to 105.875% of their principal amount plus accrued and unpaid interest to the date of redemption. Debt issuance costs of approximately $4,300 are being amortized to interest expense over 8 years, the term of the notes.

Rank and Guarantees

The Credit Agreement obligations are guaranteed on a secured basis, jointly and severally and fully and unconditionally, by substantially all of our domestic subsidiaries. Vista Outdoor (the parent company issuer) has no independent assets or operations. We own 100% of all of these guarantor subsidiaries. The 5.875% Notes are senior unsecured obligations and will rank equally in right of payment with any future senior unsecured indebtedness and senior in right of payment to any future

(Amounts in thousands except share and per share data and unless otherwise indicated)

9. Long-term Debt (Continued)

subordinated indebtedness. The 5.875% Notes are fully and unconditionally guaranteed, jointly and severally, by our existing and future domestic subsidiaries that guarantee indebtedness under our Credit Agreement or that guarantee certain of our other indebtedness, or indebtedness of any subsidiary guarantor, in an aggregate principal amount in excess of $50,000. These guarantees are senior unsecured obligations of the applicable subsidiary guarantors. The guarantee by any subsidiary guarantor of our obligations in respect of the 5.875% Notes will be released in any of the following circumstances:

- if, as a result of the sale of its capital stock, such subsidiary guarantor ceases to be a restricted subsidiary;
- if such subsidiary guarantor is designated as an “Unrestricted Subsidiary”;
- upon defeasance or satisfaction and discharge of the 5.875% Notes; or
- if such subsidiary guarantor has been released from its guarantees of indebtedness under the Credit Agreement and all capital markets debt securities.

Scheduled Minimum Loan Payments

The scheduled minimum loan payments on outstanding long-term debt were as follows as of March 31, 2016:

Fiscal 2017	$	17,500
Fiscal 2018		17,500
Fiscal 2019		17,500
Fiscal 2020		280,000
Fiscal 2021		—
Thereafter		350,000
Total	$	682,500

Covenants and Default Provisions

Our Credit Agreement imposes restrictions, including limitations on our ability to incur additional debt, enter into capital leases, grant liens, pay dividends and make certain other payments, sell assets, or merge or consolidate with or into another entity. In addition, the Credit Agreement limits our ability to enter into sale-and-leaseback transactions. The Credit Agreement allows us to make unlimited “restricted payments” (as defined in the Credit Agreement), which, among other items, would allow payments for future share repurchases, as long as we maintain a certain amount of liquidity and maintain certain senior debt limits, with a limit, when those senior debt limits are not met, of $150,000 plus proceeds of any equity issuances plus 50% of net income since February 9, 2015. The Credit Agreement also requires that we meet and maintain specified financial ratios, including a minimum interest coverage ratio and a maximum consolidated leverage ratio. Our ability to comply with these covenants and to meet and maintain the financial ratios may be affected by events beyond our control. Borrowings under the Credit Agreement are subject to compliance with these covenants. As of March 31, 2016, we were in compliance with the financial covenants.

A failure to comply with the covenants in the Credit Agreement could prevent us from drawing under the revolving credit facility and could result in an event of default under the Credit Agreement, which could allow the creditors to accelerate the related indebtedness and proceed against the collateral that secures the indebtedness. We may not have sufficient liquidity to repay the indebtedness in such circumstances.

The indenture governing the 5.875% Notes contains covenants that, among other things, limit our ability to incur or permit to exist certain liens, sell, transfer or otherwise dispose of assets, consolidate, amalgamate, merge or sell all or substantially all of our assets, enter into transactions with affiliates, enter into agreements restricting our subsidiaries’ ability to pay dividends, incur additional indebtedness, pay dividends or make other distributions or repurchase or redeem our capital stock, prepay, redeem or repurchase certain debt and make loans and investments. A failure to comply with the covenants in the indenture could result in an event of default, which could allow the holders of the 5.875% Notes to accelerate the 5.875% Notes. We may not have sufficient liquidity to repay the 5.875% Notes in such circumstances.

The Credit Agreement and the indenture governing the 5.875% Notes contain cross-default provisions so that non-compliance with the covenants within one debt agreement could cause a default under other debt agreements as well.

9. Long-term Debt (Continued)

Cash Paid for Interest on Debt

Cash paid for interest totaled $8,808 in fiscal 2016 and $742 in fiscal 2015.

10. Employee Benefit Plans

Prior to February 9, 2015, our eligible U.S. employees and retirees participated in a defined benefit pension plan provided by Orbital ATK. Subsequent to February 9, 2015, we established a noncontributory defined benefit pension plan (the "Plan") which covers substantially all employees hired prior to January 1, 2007 and retained similar provisions as those that existed within the Orbital ATK plans. Eligible non-union employees hired on or after January 1, 2007 and certain union employees are not covered by a defined benefit plan, but substantially all of such employees receive an employer contribution through a defined contribution plan. On January 31, 2013, the Orbital ATK plans were amended to freeze the pension formula benefits effective June 30, 2013 and to implement a new cash balance formula applicable to pay and service starting July 1, 2013. In the current fiscal year there were no plan amendments or actuarial assumption changes that had a significant impact on benefit plan obligations. The total expense for these plans was $7,300, $4,732, and $5,936 for the fiscal years 2016, 2015, and 2014, respectively. The estimated expense for these plans for the fiscal year 2017 is $7,162.

The Company recognizes the funded status of its defined benefit pension plans and other postretirement benefit plans, measured as the difference between the fair value of the plan assets and the benefit obligation. Benefit obligation balances reflect the projected benefit obligation ("PBO") for our pension plans and accumulated PRB obligations ("APBO") or our other PRB plans. The weighted average discount rate used to determine the pension benefit obligation was 4.01% and 3.87% as of March 31, 2016 and 2015, respectively. The fair value of the plan assets was $148,168 and $164,967 as of March 31, 2016 and 2015, respectively. The benefit obligation was $221,645 and $225,095 as of March 31, 2016 and 2015, respectively, resulting in an unfunded liability of $73,477 and $60,128 as of March 31, 2016 and 2015, respectively, which is primarily recorded within Accrued pension and postemployment liabilities. As of March 31, 2015, $26,323, $89,584 and $49,060 of the pension plan investments were held in level 1, level 2, and level 3 instruments which reflects our estimated allocated portion of the assets that were held in the Orbital ATK asset pool on our behalf and does not reflect the precise assets that were transferred to us.

Our share of plan assets from Orbital ATK were transferred to us on July 1, 2015, and were subsequently directed into newly established investments at the designation of our Retirement Investment Committee.The plan assets are invested in a variety of financial funds which have investments in a variety of financial instruments including equities, fixed income, and hedge funds. Plan assets are invested in various asset classes that are expected to produce a sufficient level of diversification and investment return over the long term. The investment goals are (1) to meet or exceed the assumed actuarial rate of return of 6.75% and 7.25% over the long term within reasonable and prudent levels of risk as of March 31, 2016 and 2015, respectively, and (2) to preserve the real purchasing power of assets to meet future obligations.

Investments in financial funds are valued by multiplying the fund's net asset value ("NAV") per share with the number of units or shares owned as of the valuation date. NAV per share is determined by the fund's administrator or the Company's custodian by deducting from the value of the assets of the fund all its liabilities and the resulting number is divided by the outstanding number of shares or units. Investments held by the funds are valued on the basis of valuations furnished by a pricing service approved by the fund's investment manager, which determines valuations using methods based on market transactions for comparable securities and various relationships between securities which are generally recognized by institutional traders, or at fair value as determined in good faith by the fund's investment manager. For those assets that are invested within hedge funds there are certain restrictions on redemption of those assets including a one year lockup period from initial investment and thereafter a 65 day notice must be provided prior to redemption. There are no other significant restrictions on redemption of assets within other asset categories.

(Amounts in thousands except share and per share data and unless otherwise indicated)

10. Employee Benefit Plans (Continued)

The following benefit payments, which reflect expected future service, are expected to be paid in the years ending March 31. The pension benefits will be paid primarily out of the pension trust.

	Pension Benefits
2017	$ 11,450
2018	12,252
2019	13,194
2020	14,818
2021	13,971
2022 through 2026	$ 76,723

Defined Contribution Plan

The Company sponsors a defined contribution retirement plan, a 401(k) savings plan with an employee stock ownership ("ESOP") feature. The ESOP feature will be discontinued as of June 30, 2016. The plan is a tax-qualified retirement plan subject to the Employee Retirement Income Security Act of 1974 and covers most employees in the United States.

Total contributions in fiscal year 2016 were $14,914. Orbital ATK, on our behalf, contributed $12,936 in fiscal year 2015, and $10,057 in fiscal year 2014.

11. Income Taxes

Income before income taxes is as follows:

	Years Ended March 31		
	2016	2015	2014
Current:			
U.S.	$ 220,685	$ 133,027	$ 217,673
Non-U.S.	17,722	21,019	665
Income before income taxes	$ 238,407	$ 154,046	$ 218,338

Our income tax provision consists of:

	Years Ended March 31		
	2016	2015	2014
Current:			
Federal	$ 78,116	$ 61,202	$ 64,163
State	8,377	4,866	9,197
Non-U.S.	5,179	9,052	2,845
Deferred:			
Federal	(2,248)	150	8,356
State	(308)	410	(60)
Non-U.S.	2,254	(1,162)	580
Income tax provision	$ 91,370	$ 74,518	$ 85,081

(Amounts in thousands except share and per share data and unless otherwise indicated)

11. Income Taxes (Continued)

The items responsible for the differences between the federal statutory rate and our effective rate are as follows:

	Years Ended March 31		
	2016	2015	2014
Statutory federal income tax rate	35.0 %	35.0 %	35.0 %
State income taxes, net of federal impact	3.2 %	4.7 %	4.2 %
Domestic manufacturing deduction	(2.2)%	(2.9)%	(3.1)%
Nondeductible transaction costs	0.5 %	3.8 %	1.0 %
Nondeductible goodwill impairment	— %	9.3 %	— %
Other	1.8 %	(1.5)%	1.9 %
Income tax provision	38.3 %	48.4 %	39.0 %

Deferred income taxes arise because of differences in the timing of the recognition of income and expense items for financial statement reporting and income tax purposes. The net effect of these temporary differences between the carrying amounts of assets and liabilities are classified in the consolidated and combined financial statements of financial position as current or noncurrent assets or liabilities based upon the classification of the related assets and liabilities or, if there is no corresponding balance on the balance sheet, the expected period for reversal. As of March 31, 2016 and 2015, the components of deferred tax assets and liabilities were as follows:

	March 31,	
	2016	2015
Deferred Tax Assets:		
Inventory	$ 17,356	$ 22,617
Retirement benefits	25,996	22,594
Accounts receivable	10,952	9,523
Accruals for employee benefits	9,392	8,409
Other reserves	8,373	7,841
Loss and credit carryforwards	3,143	5,072
Other	945	—
Total deferred tax assets	76,157	76,056
Valuation allowance	(3,234)	(4,650)
Total net deferred assets	72,923	71,406
Deferred tax liabilities:		
Intangible assets	(184,486)	(186,737)
Property, plant and equipment	(24,394)	(24,785)
Other	—	(2,923)
Total deferred tax liabilities	(208,880)	(214,445)
Net deferred income tax liabilities	$ (135,957)	$ (143,039)

We believe it is more likely than not that the recorded deferred benefits will be realized through the reduction of future taxable income. Our recorded valuation allowance of $3,234 at March 31, 2016 relates to certain tax credits, net operating losses and interest carryforwards that are not expected to be realized before their expiration. The valuation allowance decreased during fiscal year 2016 primarily due to the expiration of certain capital losses and credits.

Included in the net deferred tax liability are federal, foreign and state net operating loss and credit carryovers, $2,992 of which expires in years ending from March 31, 2016 through March 31, 2036 and $151 that may be carried over indefinitely. The carryforwards presented above are net of any applicable uncertain tax positions.

(Amounts in thousands except share and per share data and unless otherwise indicated)

11. Income Taxes (Continued)

We have provided for U.S. deferred income taxes in the amount of $8,492 on undistributed earnings not considered indefinitely reinvested. Additionally, we have undistributed earnings of $26,541 generated from certain foreign subsidiaries for which no deferred tax liability has been recorded, as we intend to indefinitely reinvest these earnings. These undistributed earnings may become taxable in the United States upon a repatriation of assets from the subsidiary or a sale or liquidation of the subsidiary. Determination of the amount of any unrecognized deferred income tax liability on the temporary difference for these indefinitely reinvested undistributed earnings is not practicable.

Income tax paid, net of refunds, totaled $93,038 in fiscal 2016.

At March 31, 2016, and 2015, unrecognized tax benefits that have not been recorded in the financial statements amounted to $36,194 and $30,768, respectively, of which $29,884 and $25,875, respectively, would affect the effective tax rate. The remaining balance is related to deferred tax items which only impact the timing of tax payments. Although the timing and outcome of audit settlements are uncertain, it is reasonably possible that a $5,388 reduction of the uncertain tax benefits will occur in the next 12 months. The settlement of these unrecognized tax benefits could result in earnings from $0 to $4,574.

We have classified uncertain tax positions as non-current income tax liabilities unless expected to be paid within one year. A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, is as follows:

	Year ended March 31, 2016	Year ended March 31, 2015	Year ended March 31, 2014
Unrecognized Tax Benefits—beginning of period	$ 27,334	$ 23,237	$ 4,565
Gross increases—tax positions in prior periods	15,461	2,275	15,536
Gross decreases—tax positions in prior periods	—	(283)	—
Gross increases—current-period tax positions	2,776	2,262	3,220
Settlements	(14,210)	(52)	—
Lapse of statute of limitations	(718)	(105)	(84)
Unrecognized Tax Benefits—end of period	$ 30,643	$ 27,334	$ 23,237

We report income tax-related interest income within the income tax provision. Penalties and tax-related interest expense are also reported as a component of the income tax provision. As of March 31, 2016 and 2015, $3,046 and $1,662 of income tax-related interest and $2,505 and $1,772 of penalties were included in accrued income taxes, respectively. Our current tax provision included $1,443 of expense related to interest and penalties.

We entered into a Tax Matters Agreement with Orbital ATK that governs the respective rights, responsibilities and obligations of Vista Outdoor and Orbital ATK after the Spin-Off with respect to tax liabilities and benefits, tax attributes, tax contests and other tax sharing regarding U.S. federal, state, local and foreign income taxes, other tax matters and related tax returns. We have joint and several liability with Orbital ATK to the IRS for the consolidated U.S. federal income taxes of the Orbital ATK consolidated group relating to the taxable periods in which we were part of that group. However, the Tax Matters Agreement specifies the portion, if any, of this tax liability for which we bear responsibility, and Orbital ATK agrees to indemnify us against any amounts for which we are not responsible. The Tax Matters Agreement also provides special rules for allocating tax liabilities in the event that the Spin-Off is determined not to be tax-free. Though valid as between the parties, the Tax Matters Agreement is not binding on the IRS.

Prior to the Spin-Off, Orbital ATK or one of its subsidiaries files income tax returns in the U.S. federal and various U.S. state jurisdictions that included Vista Outdoor. In addition, certain of our subsidiaries file income tax returns in foreign jurisdictions. After the Spin-Off we file income tax returns in the U.S. federal, foreign and various U.S. state jurisdictions. With a few exceptions, Orbital ATK and its subsidiaries and Vista Outdoor are no longer subject to U.S. federal, state and local, or foreign income tax examinations by tax authorities prior to 2009. The IRS has completed the audits of Orbital ATK through fiscal year 2012 and is currently auditing Orbital ATK's tax returns for fiscal years 2013 and 2014. The IRS is also currently auditing our tax return that begins after the Spin-Off and ends on March 31, 2015. We believe appropriate provisions for all outstanding issues relating to our portion of these returns have been made for all remaining open years in all jurisdictions.

(Amounts in thousands except share and per share data and unless otherwise indicated)

12. Commitments

We lease land, buildings, and equipment under various operating leases, which generally have renewal options of one to five years. Rent expense was $18,959 in fiscal year 2016, $15,908 in fiscal year 2015, and $12,595 in fiscal year 2014.

The following table summarizes the operating lease payments expected to be paid in each of the following fiscal years:

2017	$	14,767
2018		10,781
2019		7,374
2020		5,043
2021		3,839
Thereafter		2,663
Total	$	44,467

We have known purchase commitments of $21,625 which are defined as an agreement to purchase goods or services that is enforceable and legally binding on us and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction.

13. Contingencies

Litigation. From time to time, we are subject to various legal proceedings, including lawsuits, which arise out of, and are incidental to, the conduct of our business. We do not consider any of such proceedings that are currently pending, individually or in the aggregate to be material to our business or likely to result in a material adverse effect on our operating results, financial condition, or cash flows.

Environmental Liabilities. Our operations and ownership or use of real property are subject to a number of federal, state, and local environmental laws and regulations, as well as applicable foreign laws and regulations, including those governing the discharge of hazardous materials, remediation of contaminated sites, and restoration of damage to the environment. We are obligated to conduct investigation and/or remediation activities at certain sites that we own or operate or formerly owned or operated.

We have been identified as a potentially responsible party (“PRP”), along with other parties, in regulatory agency actions associated with hazardous waste sites. As a PRP, we may be required to pay a share of the costs of the investigation and clean-up of these sites. While uncertainties exist with respect to the amounts and timing of the ultimate environmental liabilities, based on currently available information, we have concluded that these matters, individually or in the aggregate, will not have a material adverse effect on our operating results, financial condition, or cash flows. We have recorded a liability for environmental remediation of $765 as of March 31, 2016 and $558 as of March 31, 2015.

We could incur substantial additional costs, including cleanup costs, resource restoration, fines, and penalties or third-party property damage or personal injury claims, as a result of violations or liabilities under environmental laws or non-compliance with environmental permits. While environmental laws and regulations have not had a material adverse effect on our operating results, financial condition, or cash flows in the past, and we have environmental management programs in place to mitigate these risks, it is difficult to predict whether they will have a material impact in the future.

14. Stockholders' Equity

We have authorized 50,000,000 shares of preferred stock, par value $1.00, none of which has been issued.

We maintain an equity incentive plan (the “2014 Stock Incentive Plan” or the “Plan”), which became effective on February 10, 2015, following the Spin-Off from Orbital ATK. Orbital ATK maintained similar plans: the 1990 Equity Incentive Plan, the Non-Employee Director Restricted Stock Plan, and the 2005 Stock Incentive Plan, which governed the awards granted to employees and directors prior to the Spin-Off. The 2014 Stock Incentive Plan was established to govern the awards granted to our employees and directors under the prior Orbital ATK plans and provides for awards of stock options, restricted stock and restricted stock units, performance awards, and total stockholder return performance awards ("TSR awards") that will be granted to certain of our employees and directors subsequent to the Spin-Off. We issue treasury shares upon the payment of

(Amounts in thousands except share and per share data and unless otherwise indicated)

14. Stockholders' Equity (Continued)

performance awards, TSR awards, and restricted stock units, grant of restricted stock, or exercise of stock options and are accounted for as equity-based compensation awards.

Disclosures prior to February 10, 2015 represent our portion of the plans maintained by Orbital ATK in which our employees and directors participated. There are four types of awards outstanding that were issued under Orbital ATK's stock incentive plans: performance awards, TSR awards, restricted stock, and stock options. Orbital ATK issued treasury shares upon the payment of performance awards, TSR awards, and restricted stock units, grant of restricted stock, or exercise of stock options and are accounted for as equity-based compensation awards. On February 10, 2015, Orbital ATK converted or adjusted outstanding stock options and restricted stock to include both Orbital ATK shares and Vista Outdoor shares to replace awards denominated in Orbital ATK common shares. Performance shares and TSR awards were converted to restricted stock units or restricted stock and will vest over the remaining vesting period of the awards. The manner of conversion for each award reflected a mechanism intended to preserve the intrinsic value of each award, and generally on terms which were in all material respects identical to the terms of the awards it replaced.

As of March 31, 2016, we are authorized to issue up to 5,750,000 common shares under the 2014 Stock Incentive Plan, plus additional shares issuable pursuant to awards granted immediately prior to the Spin-Off in respect of equity-based awards of Orbital ATK granted under the Orbital ATK Stock Plans that were outstanding immediately prior to the Spin-Off and converted into awards subsequent to the Spin-Off. As of March 31, 2016, 4,792,877 common shares are available to be granted.

As of March 31, 2016, there were up to 202,983 shares reserved for performance awards for key employees. Performance shares are valued at the fair value of our stock as of the grant date and expense is recognized based on the number of shares expected to vest under the terms of the award under which they are granted. Of these shares,

- up to 105,713 shares will become payable only upon achievement of certain performance goals, including sales and return on invested capital, for the fiscal year 2017 through fiscal year 2019 period.

- up to 97,270 shares will become payable only upon achievement of certain performance goals, including sales and return on invested capital, for the fiscal year 2016 through fiscal year 2018 period.

As of March 31, 2016, there were up to 109,299 TSR awards reserved for key employees.

- up to 56,923 shares will become payable only upon achievement of certain total shareholder return targets, for the fiscal year 2017 through fiscal year 2019 period.

- up to 52,376 shares will become payable only upon achievement of certain performance goals, including sales and return on invested capital, for the fiscal 2016 through fiscal 2018 period.

The weighted average fair value per TSR award granted was $69.50 and $57.49 during fiscal years 2016 and 2015, respectively. We used an integrated Monte Carlo simulation model to determine the fair value of these awards. The Monte Carlo model calculates the probability of satisfying the market conditions stipulated in the award. This probability is an input into the trinomial lattice model used to determine the fair value of the awards as well as the assumptions of other variables, including the risk-free interest rate and expected volatility of our stock price in future periods. The risk-free rate is based on the U.S. dollar-denominated U.S. Treasury strip rate with a remaining term that approximates the life assumed at the date of grant. The weighted average assumptions used in estimating the value of the TSR awards were as follows:

	Fiscal 2016	Fiscal 2015
Risk-free rate	1.03%	0.93%
Expected volatility	30.72%	33.25%
Expected dividend yield	—%	—%
Expected award life	3	3

Restricted stock granted to non-employee directors and certain key employees totaled 89,118 shares in fiscal year 2016, and 174,818 shares in fiscal year 2015. Restricted shares vest over periods generally ranging from one to four years from the date of award and are valued at the fair market value of common stock as of the grant date.

(Amounts in thousands except share and per share data and unless otherwise indicated)

14. Stockholders' Equity (Continued)

Restricted stock units granted to certain key employees and non-employee directors totaled 91,434 shares in fiscal year 2016, and 132,541 shares in fiscal year 2015. Restricted stock units vest over periods generally ranging from one to three years from the date of award and are valued at the fair market value of common stock as of the grant date.

Stock options may be granted periodically, with an exercise price equal to the fair market value of common stock on the date of grant, and generally vest from one to three years from the date of grant. Options are generally granted with ten-year terms.

The weighted average fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model and represents the difference between fair market value on the date of grant and the estimated market value on the expected exercise date. The option pricing model requires us to make assumptions. The risk-free rate is based on U.S. Treasury zero-coupon issues with a remaining term that approximates the expected life assumed at the date of grant. Expected volatility is based on the average volatility of similar type public companies stock over the past seven years. The expected option life is based on the contractual term of the stock option and expected employee exercise and post-vesting employment termination trends. The weighted average fair value of options granted was $14.97, $14.94, and $35.34 during fiscal years 2016, 2015, and 2014, respectively. The following weighted average assumptions were used for grants:

	Year ended March 31, 2016	Year ended March 31, 2015	Year ended March 31, 2014
Risk-free rate	1.6%	1.59%	1.86%-2.07%
Expected volatility	23.47%	30.22%	25.95%-26.71%
Expected dividend yield	—%	—%	1.27%-1.58%
Expected option life	7 years	7 years	7 years

Total pre-tax stock-based compensation expense of $12,279, $3,012, and $2,398 was recognized during fiscal 2016, 2015, and 2014, respectively. The total income tax benefit recognized in the consolidated and combined statements of comprehensive income for share-based compensation was $4,963, $420, and $920 during fiscal years 2016, 2015, and 2014, respectively.

A summary of our stock option activity is presented below. Note that the activities presented for fiscal year 2015 prior to the Spin-Off and fiscal year 2014 represent the stock options held by our employees under the Orbital ATK long-term incentive award program in Orbital ATK shares. Subsequent to the Spin-Off shares represent those stock options outstanding in our stock.

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (per option)
Outstanding at March 31, 2013	126,972	$ 60.99		
Granted	31,541	129.60		
Exercised	(300)	54.84		
Forfeited/expired	(450)	54.84		
Outstanding at March 31, 2014	157,763	$ 74.74	8.3	$ 67.41
Conversion related to Spin-Off(a)	383,047			
Granted	67,710	$ 42.75		
Exercised	—			
Forfeited/expired	—			
Outstanding at March 31, 2015	608,520	$ 22.47	7.8	$ 20.35
Granted	70,821	52.09		
Exercised	(66,670)	17.60		
Forfeited/expired	—			
Outstanding at March 31, 2016	612,671	$ 26.42	7.4	$ 25.51
Options exercisable at:				

March 31, 2014	64,289	$	59.26	8.3	$	82.59
March 31, 2015	438,980	$	18.53	7.3	$	24.29
March 31, 2016	472,737	$	20.56	6.8	$	31.35

(Amounts in thousands except share and per share data and unless otherwise indicated)

14. Stockholders' Equity (Continued)

(a) The the number of stock options and the weighted average grant date fair value of the stock options converted is equal to the number of stock options and weighted average grant date fair value of such stock options prior to the Spin-Off, adjusted for the 2 for 1 stock conversion and for the Spin-Off conversion adjustment. Included in the conversion related to Spin-Off are awards related to employees both within our Company and remaining at Orbital ATK as a result of the Spin-Off.

The total intrinsic value of options exercised was $1,970 during fiscal year 2016. There were no options exercised during fiscal year 2015. The total intrinsic value of options exercised was $6 during fiscal year 2014. Total cash received from options exercised was $1,173 and $16 during fiscal years 2016 and 2014, respectively.

A summary of our performance share award, TSR award, restricted stock activity is presented below. Note that the activities presented for fiscal year 2015 prior to the Spin-Off and fiscal year 2014 represent the restricted stock held by our employees under the Orbital ATK long-term incentive award program in Orbital ATK shares. Subsequent to the Spin-Off shares represent those stock options outstanding in our stock

	Shares	Weighted Average Grant Date Fair Value
Nonvested at March 31, 2013	317,580	$ 64.78
Granted	85,152	123.56
Canceled/forfeited	(73,909)	69.06
Vested	(83,155)	66.90
Nonvested at March 31, 2014	245,668	$ 83.15
Conversion related to Spin-Off(a)	88,657	
Granted	342,863	47.29
Canceled/forfeited	—	—
Vested	(68,151)	20.88
Nonvested at March 31, 2015	609,037	$ 29.13
Granted	251,754	53.35
Canceled/forfeited	(31,265)	69.05
Vested	(80,756)	61.82
Nonvested at March 31, 2016	748,770	$ 32.08

(a) The number of performance share awards, TSR awards, and shares of restricted stock and the weighted average grant date fair value converted is equal to the number of shares and weighted average grant date fair value of such prior to the Spin-Off, adjusted for the 2 for 1 stock conversion and for the Spin-Off conversion adjustment. Included in the conversion related to Spin-Off are awards related to employees both within our Company and remaining at Orbital ATK as a result of the Spin-Off, as well as the conversion of all outstanding TSR and performance shares into restricted stock units.

As noted above, upon the Spin-Off from Orbital ATK certain performance shares and TSR awards were converted to restricted stock units and will vest over the remaining vesting period of the awards. Additionally, certain key employees received restricted stock unit grants during fiscal years 2016 and 2015, which will vest over the next one to three years. These restricted stock units will be settled with the issuance of shares upon vesting. A summary of our restricted stock unit award activity is presented below.

(Amounts in thousands except share and per share data and unless otherwise indicated)

14. Stockholders' Equity (Continued)

	Shares	Weighted Average Grant Date Fair Value
Nonvested at March 31, 2014	—	—
Conversion related to Spin-Off(a)	250,534	$ 20.74
Granted	132,541	42.75
Canceled/forfeited	—	—
Vested	(123,208)	15.21
Nonvested at March 31, 2015	259,867	$ 34.59
Granted	91,434	51.64
Canceled/forfeited	(22,788)	63.53
Vested	(61,692)	67.32
Nonvested at March 31, 2016	266,821	$ 30.40

(a) The number of restricted stock units converted represents the conversion of TSR and performance shares issued for long term incentive plans issued prior to the Spin-Off converted into restricted stock units to be vested over one to three years for certain key employees.

As of March 31, 2016, the total unrecognized compensation cost related to nonvested stock-based compensation awards was $24,696 and is expected to be realized over a weighted average period of 2.3 years.

Share Repurchases

On February 25, 2015, our Board of Directors authorized a new share repurchase program of up to $200,000 worth of shares of our common stock, executable over the next two years. The shares may be purchased from time to time in open market, block purchase, or negotiated transactions, subject to compliance with applicable laws and regulations. The new repurchase authorization also allows us to make repurchases under Rule 10b5-1 of the Securities Exchange Act of 1934. During fiscal year 2016, we repurchased 3,179,086 shares for $142,200. During fiscal year 2015, we repurchased 162,000 shares for $6,870.

15. Related Party Transactions

The consolidated and combined financial statements have been prepared on a stand-alone basis. However, prior to February 9, 2015, they were derived from the consolidated financial statements and accounting records of Orbital ATK.

Allocation of General Corporate Expenses

Prior to February 9, 2015, the consolidated and combined financial statements reflect an allocation of certain costs managed at the Orbital ATK level. These costs had historically been allocated to Vista Outdoor. These costs generally fall into one of the following categories:

- *Orbital ATK management and support services* – This category includes costs for functions such as acquisition transaction costs, human resources (talent acquisition/compensation), treasury, risk management, internal audit, finance, tax, legal, executive office, business development, government relations, and other administrative support. These costs were allocated to us based on a percentage of sales for all of Orbital ATK or as specifically identified. The consolidated and combined financial statements include Orbital ATK management and support services allocations included within the general and administrative expense totaling $33,593 for the period ending February 9, 2015 and $29,268 for the fiscal year ended March 31, 2014.

- *Infrastructure costs* – This category includes costs for functions such as information technology support, systems maintenance, and telecommunications. These costs were generally allocated to us using either sales, headcount, or fixed assets. The consolidated and combined statement of operations reflects infrastructure costs allocations included within

15. Related Party Transactions (Continued)

the general and administrative expense totaling $4,959 for the period ending February 9, 2015 and $4,947 for the fiscal year ended March 31, 2014.

- *Orbital ATK-provided benefits* – This category includes costs for group medical, dental and vision insurance, 401(k) savings plan, pension and postretirement benefits, and other benefits. These costs were generally allocated to us based on specific identification of the benefits provided to our employees participating in these benefit plans. Medical and dental, including the human resources and finance administration of those plans, are allocated to business units based upon their year-to-date enrolled medical headcount. Postretirement benefits, including the human resources and finance administration of those plans, were allocated based upon member headcount. Pension expense is actuarially determined for individual segments and was identified directly to those segments. The pension expense determined for composite pension segments was further allocated to individual segments using total payroll. The consolidated and combined financial statements include Orbital ATK-provided benefits allocations totaling $48,549 for the period ending February 9, 2015, and $45,605 for the fiscal year ended March 31, 2014.

Management believes that the methods of allocating these costs are reasonable and consistent with past practices.

Related Party Sales and Cost of Sales

Historically, we purchased and sold certain products and services to/from Orbital ATK businesses. Prior to the Spin-Off, purchases of products and services from these affiliated entities, which were recorded at sales price, were $170,783 through February 9, 2015, and $273,246 for the fiscal year ended March 31, 2014. Sales of products and services to these entities were $8,874 through February 9, 2015, and $12,422 for the fiscal year ended March 31, 2014.

Master Transition Services Agreement

We entered into a Master Transition Services Agreement with Orbital ATK, under which each of Orbital ATK or their respective affiliates provided us with certain services, including information technology, financial, procurement, human resource, benefits support and other specified services from Orbital ATK. These services were provided at cost and were completed by March 31, 2016 besides certain tax services described in the Tax Matters Agreement.

Tax Matters Agreement

We entered into a Tax Matters Agreement with Orbital ATK that governs the respective rights, responsibilities and obligations of Vista Outdoor and Orbital ATK after the Spin-Off with respect to tax liabilities and benefits, tax attributes, tax contests and other tax sharing regarding U.S. Federal, state, local and foreign income taxes, other tax matters and related tax returns. We have joint and several liability with Orbital ATK to the IRS for the consolidated U.S. Federal income taxes of the Orbital ATK consolidated group relating to the taxable periods in which we were part of that group. However, the Tax Matters Agreement specifies the portion, if any, of this tax liability for which we bear responsibility, and Orbital ATK agrees to indemnify us against any amounts for which we are not responsible. The Tax Matters Agreement also provides special rules for allocating tax liabilities in the event that the Spin-Off is determined not to be tax-free. The Tax Matters Agreement provides for certain covenants that may restrict the ability to pursue strategic or other transactions that otherwise could maximize the value of the business and may discourage or delay a change of control. For example, unless we (or Orbital ATK, as applicable) were to receive a supplemental private letter ruling from the IRS or an unqualified opinion from a nationally recognized tax advisor, or Orbital ATK were to grant us a waiver, we would be restricted until two years after the Spin-Off is consummated from entering into transactions which would result in an ownership shift in the Company of more than 30% (measured by vote or value) or divestitures of certain businesses or entities which could impact the tax-free nature of the Spin-Off. Though valid as between the parties, the Tax Matters Agreement is not binding on the IRS.

16. Operating Segment Information

We operate our business structure within two operating segments, which are defined based on the reporting and review process used by the chief operating decision maker, our Chief Executive Officer. Management reviews the operating segments based on net sales and gross profit. Certain significant selling and general and administrative expenses are not allocated to the segments. In addition, certain significant asset balances are not readily identifiable with individual segments and therefore cannot be allocated. Each segment is described below:

(Amounts in thousands except share and per share data and unless otherwise indicated)

16. Operating Segment Information (Continued)

- Shooting Sports, which generated 62% of our external sales in fiscal year 2016. The Shooting Sports product lines include centerfire ammunition, rimfire ammunition, shotshell ammunition, reloading components, centerfire rifles, rimfire rifles, shotguns and range systems.

- Outdoor Products, which generated 38% of our external sales in fiscal year 2016. The Outdoor Products product lines are archery/hunting accessories, global eyewear and sport protection products, golf, hydration products, optics, shooting accessories, tactical products and water sports. Archery/hunting accessories include high-performance hunting arrows, game calls, hunting blinds, game cameras and waterfowl decoys. Eyewear products include safety and protective eyewear, as well as fashion and sports eyewear. Golf products include laser rangefinders. Hydration products include hydration packs and water bottles. Optics products include binoculars, riflescopes and telescopes. Shooting accessories products include reloading equipment, clay targets, and premium gun care products. Tactical products include holsters, duty gear, bags and packs. Water sports products include stand up paddle boards.

No single customer accounted for more than 10% of our sales in fiscal year 2015. One customer accounted for approximately 10% and 12% of total fiscal years 2016 and 2014 sales, respectively. No other single customer contributed more than 10% of our sales in fiscal years 2016 and 2014.

Our sales to foreign customers were $347,520 in fiscal year 2016, $250,000 in fiscal year 2015, and $243,166 in fiscal 2014. During fiscal year 2016, approximately 41% of these sales were in Shooting Sports and 59% were in Outdoor Products. Sales to no individual country outside the United States accounted for more than 4% of our sales in fiscal years 2016 and 2015.

The following summarizes our results by segment:

	Year ended March 31, 2016			
	Shooting Sports	Outdoor Products	Corporate	Total
External sales	$ 1,408,973	$ 861,761	$ —	$ 2,270,734
Capital expenditures	24,397	10,904	9,515	44,816
Depreciation	27,772	11,181	—	38,953
Amortization of intangible assets	6,900	26,761	—	33,661
Gross profit	$ 376,957	$ 242,817	$ (329)	$ 619,445

	Year ended March 31, 2015			
	Shooting Sports	Outdoor Products	Corporate	Total
External sales	$ 1,353,092	$ 730,322	$ —	$ 2,083,414
Capital expenditures	29,664	7,214	1,327	38,205
Depreciation	22,965	12,435	5	35,405
Amortization of intangible assets	6,900	24,246	—	31,146
Gross profit	$ 331,145	$ 200,043	$ (2,267)	$ 528,921

	Year ended March 31, 2014			
	Shooting Sports	Outdoor Products	Corporate	Total
External sales	$ 1,422,442	$ 451,477	$ —	$ 1,873,919
Capital expenditures	31,634	8,600	—	40,234
Depreciation	16,497	8,394	—	24,891
Amortization of intangible assets	5,319	14,692	—	20,011
Gross profit	$ 382,971	$ 83,787	$ 545	$ 467,303

The sales above exclude intercompany sales between Outdoor Products and Shooting Sports of $3,181, $2,010, and $1,754 for the years ended March 31, 2016, 2015, and 2014, respectively.

(Amounts in thousands except share and per share data and unless otherwise indicated)

17. Quarterly Financial Data (unaudited)

Quarterly financial data is summarized as follows:

	Fiscal 2016 Quarter Ended			
	July 5,	October 4,	January 3,	March 31,
Sales, net	$ 514,497	$ 551,377	$ 592,557	$ 612,303
Gross profit	139,292	149,024	167,504	163,625
Net income	$ 33,891	$ 32,675	$ 43,159	$ 37,312
Earnings per common share:				
Basic	$ 0.54	$ 0.52	$ 0.70	$ 0.61
Diluted	$ 0.53	$ 0.52	$ 0.70	$ 0.61

	Fiscal 2015 Quarter Ended			
	June 29,	September 28,	December 28,	March 31,
Sales, net	$ 565,995	$ 525,149	$ 506,881	$ 485,389
Gross profit	143,451	128,595	134,037	122,838
Net income	$ 41,045	$ 33,745	$ (11,169)	$ 15,907
Earnings per common share:				
Basic(1)	$ 0.64	$ 0.53	$ (0.17)	$ 0.25
Diluted(1)	$ 0.64	$ 0.53	$ (0.17)	$ 0.25

(1) For the first three quarters in fiscal year 2015, basic and diluted earnings per common share were computed using the number of shares of our common stock outstanding on February 9, 2015.

18. Subsequent Events

On April 1, 2016, we completed the acquisition of BRG Sports Inc.’s Action Sports division, operated by Bell Sports Corp. The acquisition includes brands Bell, Giro, Blackburn, CoPilot, Krash, and Raskullz. Under the terms of the transaction, we paid $400,000 in cash, subject to customary working capital adjustments, and additional contingent consideration payable if incremental profitability growth milestones within the Bell Powersports product line are achieved. Action Sports remains headquartered in Scotts Valley, California and operates facilities in the U.S., Canada, Europe and Asia. The acquisition of Action Sports includes more than 600 employees worldwide. The preliminary purchase price allocation has not been completed as of May 27, 2016.

In order to finance the purchase of Action Sports, on April 1, 2016, we entered into an Amended and Restated Credit Agreement (the “2016 Credit Agreement”), which replaced the 2014 Credit Agreement and borrowed $80,000 on our revolving line of credit. The 2016 Credit Agreement is comprised of a Term A Loan of $640,000 and a $400,000 Revolving Credit Facility, both of which mature on April 1, 2021. The Term A Loan is subject to quarterly principal payments of $8,000, with the remaining balance due on April 1, 2021. With the exception of the Action Sports and its subsidiaries, substantially all domestic tangible and intangible assets of Vista Outdoor and its subsidiaries are pledged as collateral under the 2016 Credit Agreement. The domestic tangible and intangible assets of Action Sports and its subsidiaries will be pledged as collateral during fiscal 2017. Borrowings under the 2016 Credit Agreement bear interest at a rate equal to either the sum of a base rate plus a margin or the sum of a Eurodollar rate plus a margin. Each margin is based on our consolidated leverage ratio, as defined in the Agreement, and based on our current ratio, the base rate margin is 0.75% and the Eurodollar margin is 1.75%. We pay a commitment fee on the unused portion of the Revolving Credit Facility based on our consolidated leverage ratio, and based on the current ratio, this fee is 0.30%. Debt issuance costs of approximately $12,000 will be amortized over the term of the 2016 Credit Agreement. In connection with this financing activity, $1,521 of the unamortized deferred debt issuance costs related to the 2014 Credit Agreement will be written off in the first quarter of fiscal 2017.

19. Condensed Consolidating Financial Statements

In accordance with the provisions of the 5.875% Notes, the outstanding notes are guaranteed on an unsecured basis, jointly and severally and fully and unconditionally, by substantially all of Vista Outdoor domestic subsidiaries and by Advanced Arrow S. de R.L. de C.V. and Hydrosport, S. de R.L. de C.V. The parent company has no independent assets or operations. All of these guarantor subsidiaries are 100% owned by Vista Outdoor. These guarantees are senior or senior subordinated obligations, as applicable, of the applicable subsidiary guarantors.

The guarantee by any subsidiary guarantor of our obligations in respect of the 5.875% Notes will be released in any of the following circumstances:

- if, as a result of the sale of its capital stock, such subsidiary guarantor ceases to be a restricted subsidiary;
- if such subsidiary guarantor is designated as an “Unrestricted Subsidiary;”
- upon defeasance or satisfaction and discharge of the 5.875% Notes; or
- if such subsidiary guarantor has been released from its guarantees of indebtedness under the Credit Agreement and all capital markets debt securities.

The guarantee by any subsidiary guarantor of our obligations in respect of the 2016 Credit Agreement will be released in any of the following circumstances:

- if, as a result of the sale of its capital stock, such subsidiary guarantor ceases to be a subsidiary;
- if such subsidiary guarantor ceases to be a Domestic Subsidiary; or
- upon repayment of all obligations under the Credit Agreement.

In conjunction with the registration of the 5.875% Notes the consolidating financial information of the guarantor and non-guarantor subsidiaries is presented on the following pages.

19. Condensed Consolidating Financial Statements (Continued)

VISTA OUTDOOR INC.
CONSOLIDATED AND COMBINED STATEMENT OF COMPREHENSIVE INCOME

	Year Ended March 31, 2016				
(Amounts in thousands except per share data)	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Sales, net	$ —	$ 2,157,398	$ 225,901	$ (112,565)	$ 2,270,734
Cost of sales	—	1,615,516	149,043	(113,270)	1,651,289
Gross profit	—	541,882	76,858	705	619,445
Operating expenses:					
Research and development	—	12,512	—	—	12,512
Selling, general, and administrative	—	289,957	54,218	—	344,175
Income before interest and income taxes	—	239,413	22,640	705	262,758
Equity in income of subsidiaries	162,257	14,984	—	(177,241)	—
Interest expense, net	(24,351)	—	—	—	(24,351)
Income before income taxes	137,906	254,397	22,640	(176,536)	238,407
Income tax provision	(9,131)	92,140	8,079	282	91,370
Net income	$ 147,037	$ 162,257	$ 14,561	$ (176,818)	$ 147,037
Other comprehensive income (loss), net of tax:					
Net income (from above)	$ 147,037	$ 162,257	$ 14,561	$ (176,818)	$ 147,037
Total other comprehensive income (loss)	89	89	5,601	(5,690)	89
Comprehensive income	$ 147,126	$ 162,346	$ 20,162	$ (182,508)	$ 147,126

19. Condensed Consolidating Financial Statements (Continued)

VISTA OUTDOOR INC.
CONSOLIDATED AND COMBINED STATEMENT OF COMPREHENSIVE INCOME

	Year Ended March 31, 2015				
(Amounts in thousands except per share data)	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Sales, net	$ —	$ 1,958,204	$ 240,883	$ (115,673)	$ 2,083,414
Cost of sales	—	1,512,826	158,105	(116,438)	1,554,493
Gross profit	—	445,378	82,778	765	528,921
Operating expenses:					
Research and development	—	9,504	14	—	9,518
Selling, general, and administrative	—	225,073	57,956	—	283,029
Goodwill and tradename impairment	—	52,220	—	—	52,220
Income before interest and income taxes	—	158,581	24,808	765	184,154
Equity in income of subsidiaries	98,456	16,900	—	(115,356)	—
Interest expense, net	(30,108)	—	—	—	(30,108)
Income before income taxes	68,348	175,481	24,808	(114,591)	154,046
Income tax provision	(11,180)	77,025	8,446	227	74,518
Net income	$ 79,528	$ 98,456	$ 16,362	$ (114,818)	$ 79,528
Other comprehensive income (loss), net of tax:					
Net income (from above)	$ 79,528	$ 98,456	$ 16,362	$ (114,818)	$ 79,528
Total other comprehensive income (loss)	(48,536)	(48,536)	(50,643)	99,179	(48,536)
Comprehensive income (loss)	$ 30,992	$ 49,920	$ (34,281)	$ (15,639)	$ 30,992

19. Condensed Consolidating Financial Statements (Continued)

VISTA OUTDOOR INC.
CONSOLIDATED AND COMBINED STATEMENT OF COMPREHENSIVE INCOME

	Year Ended March 31, 2014				
(Amounts in thousands except per share data)	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Sales, net	$ —	$ 1,805,611	$ 136,766	$ (68,458)	$ 1,873,919
Cost of sales	—	1,364,790	104,520	(62,694)	1,406,616
Gross profit	—	440,821	32,246	(5,764)	467,303
Operating expenses:					
Research and development	—	11,489	2,495	—	13,984
Selling, general, and administrative	—	192,649	26,863	—	219,512
Income before interest and income taxes	—	236,683	2,888	(5,764)	233,807
Equity in income of subsidiaries	142,925	(3,775)	—	(139,150)	—
Interest expense, net	(15,469)	—	—	—	(15,469)
Income before income taxes	127,456	232,908	2,888	(144,914)	218,338
Income tax provision	(5,801)	89,983	3,018	(2,119)	85,081
Net income (loss)	$ 133,257	$ 142,925	$ (130)	$ (142,795)	$ 133,257
Other comprehensive income (loss), net of tax:					
Net income (loss) (from above)	$ 133,257	$ 142,925	$ (130)	$ (142,795)	$ 133,257
Total other comprehensive income (loss)	(1,104)	(1,104)	(1,505)	2,609	(1,104)
Comprehensive income (loss)	$ 132,153	$ 141,821	$ (1,635)	$ (140,186)	$ 132,153

19. Condensed Consolidating Financial Statements (Continued)

**VISTA OUTDOOR INC.
CONSOLIDATED BALANCE SHEET**

	March 31, 2016				
(Amounts in thousands except share data)	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 133,503	$ 18,189	$ —	$ 151,692
Net receivables	—	382,662	45,736	—	428,398
Due from affiliates, current	—	19,912	—	(19,912)	—
Net inventories	—	379,658	64,867	(4,285)	440,240
Other current assets	—	26,517	2,817	—	29,334
Total current assets	—	942,252	131,609	(24,197)	1,049,664
Net property, plant, and equipment	—	192,674	10,811	—	203,485
Investment in subsidiaries	2,530,524	36,865	—	(2,567,389)	—
Goodwill	—	911,715	111,736	—	1,023,451
Net intangible assets	—	613,869	36,603	—	650,472
Long-term due from affiliates	—	241,598	—	(241,598)	—
Deferred charges and other non-current assets	—	11,833	3,729	—	15,562
Total assets	$ 2,530,524	$ 2,950,806	$ 294,488	$ (2,833,184)	$ 2,942,634
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 17,500	$ —	$ —	$ —	$ 17,500
Accounts payable	—	134,334	13,404	—	147,738
Due to affiliates, current	—	—	19,912	(19,912)	—
Accrued compensation	—	43,826	3,568	—	47,394
Accrued income taxes	—	11,698	473	—	12,171
Federal excise tax	—	27,329	372	—	27,701
Other accrued liabilities	—	107,499	8,898	—	116,397
Total current liabilities	17,500	324,686	46,627	(19,912)	368,901
Long-term debt	652,787	—	—	—	652,787
Deferred income tax liabilities	—	127,483	8,192	282	135,957
Accrued pension and postemployment liabilities	—	73,503	—	—	73,503
Long-term due to affiliates	200,070	—	41,528	(241,598)	—
Other long-term liabilities	—	50,048	1,271	—	51,319
Total liabilities	870,357	575,720	97,618	(261,228)	1,282,467
Total stockholders' equity	1,660,167	2,375,086	196,870	(2,571,956)	1,660,167
Total liabilities and equity	$ 2,530,524	$ 2,950,806	$ 294,488	$ (2,833,184)	$ 2,942,634

19. Condensed Consolidating Financial Statements (Continued)

VISTA OUTDOOR INC.
CONSOLIDATED BALANCE SHEET

	March 31, 2015				
(Amounts in thousands except share data)	Parent Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$ —	$ 247,375	$ 16,576	$ —	$ 263,951
Net receivables	—	322,529	39,165	—	361,694
Due from affiliates, current	—	16,516	—	(16,516)	—
Net inventories	—	316,704	63,917	(5,000)	375,621
Other current assets	—	11,496	1,956	—	13,452
Total current assets	—	914,620	121,614	(21,516)	1,014,718
Net property, plant, and equipment	—	179,574	11,033	—	190,607
Investment in subsidiaries	2,025,072	60,289	—	(2,085,361)	—
Goodwill	—	672,891	109,272	—	782,163
Net intangible assets	—	478,919	38,563	—	517,482
Long-term due from affiliates	—	83,643	—	(83,643)	—
Deferred charges and other non-current assets	—	6,218	1,258	—	7,476
Total assets	$ 2,025,072	$ 2,396,154	$ 281,740	$ (2,190,520)	$ 2,512,446
LIABILITIES AND EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 17,500	$ —	$ —	$ —	$ 17,500
Accounts payable	—	122,220	12,212	—	134,432
Due to affiliates, current	—	—	16,516	(16,516)	—
Accrued compensation	—	24,049	3,097	—	27,146
Accrued income taxes	—	7,361	2,208	—	9,569
Federal excise tax	—	22,357	837	—	23,194
Other accrued liabilities	—	83,984	12,087	—	96,071
Total current liabilities	17,500	259,971	46,957	(16,516)	307,912
Long-term debt	322,165	—	—	—	322,165
Deferred income tax liabilities	—	135,284	7,470	285	143,039
Accrued pension and postemployment liabilities	—	59,345	—	—	59,345
Long-term due to affiliates	36,643	—	47,001	(83,644)	—
Other long-term liabilities	—	30,720	501	—	31,221
Total liabilities	376,308	485,320	101,929	(99,875)	863,682
Total stockholders' equity	1,648,764	1,910,834	179,811	(2,090,645)	1,648,764
Total liabilities and equity	$ 2,025,072	$ 2,396,154	$ 281,740	$ (2,190,520)	$ 2,512,446

19. Condensed Consolidating Financial Statements (Continued)

VISTA OUTDOOR INC.
CONSOLIDATED AND COMBINED STATEMENT OF CASH FLOWS

	Year Ended March 31, 2016				
(Amounts in thousands)	**Parent Issuer**	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Consolidated**
Operating Activities					
Cash provided by (used for) operating activities	$ (12,750)	$ 200,015	$ 10,737	$ —	$ 198,002
Investing Activities					
Capital expenditures	—	(38,918)	(2,608)	—	(41,526)
Due from affiliates	—	(279,808)	—	279,808	—
Acquisitions of businesses, net of cash acquired	(466,773)	4,723	—	—	(462,050)
Proceeds from the disposition of property, plant, and equipment	—	116	256	—	372
Cash used for investing activities	(466,773)	(313,887)	(2,352)	279,808	(503,204)
Financing Activities					
Due to affiliates	286,923	—	(7,115)	(279,808)	—
Borrowings on line of credit	360,000	—	—	—	360,000
Repayments of line of credit	(360,000)	—	—	—	(360,000)
Proceeds from issuance of long-term debt	350,000	—	—	—	350,000
Payments made on bank debt	(17,500)	—	—	—	(17,500)
Payment from former parent	6,500	—	—	—	6,500
Payments made for debt issue costs	(4,379)	—	—	—	(4,379)
Purchase of treasury shares	(143,194)	—	—	—	(143,194)
Proceeds from employee stock compensation plans	1,173	—	—	—	1,173
Cash provided by (used for) financing activities	479,523	—	(7,115)	(279,808)	192,600
Effect of foreign currency exchange rate fluctuations on cash	—	—	343	—	343
(Decrease) increase in cash and cash equivalents	—	(113,872)	1,613	—	(112,259)
Cash and cash equivalents at beginning of year	—	247,375	16,576	—	263,951
Cash and cash equivalents at end of year	$ —	$ 133,503	$ 18,189	$ —	$ 151,692

19. Condensed Consolidating Financial Statements (Continued)

VISTA OUTDOOR INC.
CONSOLIDATED AND COMBINED STATEMENT OF CASH FLOWS

	Year Ended March 31, 2015				
(Amounts in thousands)	**Parent Issuer**	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Consolidated**
Operating Activities					
Cash provided by (used for) operating activities	$ (17,258)	$ 147,935	$ 23,661	$ —	$ 154,338
Investing Activities					
Capital expenditures	—	(38,774)	(4,415)	—	(43,189)
Due from affiliates	—	113,181	—	(113,181)	—
Acquisitions of businesses, net of cash acquired	—	—	—	—	—
Proceeds from the disposition of property, plant, and equipment	—	20	300	—	320
Cash provided by (used for) investing activities	—	74,427	(4,115)	(113,181)	(42,869)
Financing Activities					
Due to affiliates	(98,868)	—	(14,313)	113,181	—
Proceeds from issuance of long-term debt	350,000	—	—	—	350,000
Net transfers (to) from former parent	16,181	—	—	—	16,181
Dividend to former parent	(214,000)	—	—	—	(214,000)
Payments made on long-term debt to former parent	(20,087)	—	—	—	(20,087)
Proceeds from issuance of long-term debt to former parent	50,000	—	—	—	50,000
Payments made to extinguish debt	(50,000)	—	—	—	(50,000)
Payments made for debt issue costs	(10,991)	—	—	—	(10,991)
Purchase of treasury shares	(5,097)	—	—	—	(5,097)
Excess tax benefits from share-based plans	120	—	—	—	120
Cash provided by (used for) financing activities	17,258	—	(14,313)	113,181	116,126
Effect of foreign currency exchange rate fluctuations on cash	—	—	(3,648)	—	(3,648)
Increase in cash and cash equivalents	—	222,362	1,585	—	223,947
Cash and cash equivalents at beginning of year	—	25,013	14,991	—	40,004
Cash and cash equivalents at end of year	$ —	$ 247,375	$ 16,576	$ —	$ 263,951

19. Condensed Consolidating Financial Statements (Continued)

VISTA OUTDOOR INC.
CONSOLIDATED AND COMBINED STATEMENT OF CASH FLOWS

	Year Ended March 31, 2014				
(Amounts in thousands)	**Parent Issuer**	**Guarantors**	**Non-Guarantors**	**Eliminations**	**Consolidated**
Operating Activities					
Cash provided by (used for) operating activities	$ (8,770)	$ 167,205	$ 13,875	$ —	$ 172,310
Investing Activities					
Capital expenditures	—	(36,443)	(3,791)	—	(40,234)
Due from affiliates	—	(142,646)	—	142,646	—
Acquisitions of businesses, net of cash acquired	(1,344,117)	37,005	5,425	—	(1,301,687)
Proceeds from the disposition of property, plant, and equipment	—	174	—	—	174
Cash used for investing activities	(1,344,117)	(141,910)	1,634	142,646	(1,341,747)
Financing Activities					
Due to affiliates	143,571	—	(925)	(142,646)	—
Borrowings on line of credit	200,000	—	—	—	200,000
Repayments of line of credit	(200,000)	—	—	—	(200,000)
Net transfers (to) from former parent	206,678	—	—	—	206,678
Payments made on long-term debt to former parent	(6,362)	—	—	—	(6,362)
Proceeds from issuance of long-term debt to former parent	1,021,273	—	—	—	1,021,273
Payments made for debt issue costs	(12,273)	—	—	—	(12,273)
Cash provided by financing activities	1,352,887	—	(925)	(142,646)	1,209,316
Effect of foreign currency exchange rate fluctuations on cash	—	—	58	—	58
Increase in cash and cash equivalents	—	25,295	14,642	—	39,937
Cash and cash equivalents at beginning of year	—	(282)	349	—	67
Cash and cash equivalents at end of year	$ —	$ 25,013	$ 14,991	$ —	$ 40,004

(Back To Top)

Section 6: EX-99.2 (EXHIBIT 99.2)

Exhibit 99.2

BUSHNELL Group HOLDINGS, inc. AND SUBSIDIARIES

Consolidated Financial Statements

As of October 31, 2013, and for the

Ten Months Ended October 31, 2013

(With Independent Auditors' Report Thereon)

INDEPENDENT AUDITORS' REPORT

To the Audit Committee of Alliant Techsystems Inc.
1300 Wilson Boulevard, Suite 400
Arlington, VA 22209

We have audited the accompanying consolidated financial statements of Bushnell Group Holdings, Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheet as of October 31, 2013 and the related consolidated statements of operations, comprehensive loss, stockholder’s equity, and cash flows for the ten months ended October 31, 2013, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bushnell Group Holdings, Inc. and subsidiaries as of October 31, 2013, and the results of their operations and their cash flows for the ten months ended October 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota

August 13, 2014

BUSHNELL GROUP HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Balance Sheet

October 31, 2013

(Dollar amounts in thousands)

Assets		October 31, 2013
Current assets:		
Cash	$	20,102
Accounts receivable, less allowances of $17,552 as of October 31, 2013		106,199
Inventories, net		154,951
Prepaids and other current assets		7,496
Deferred tax assets		20,771
Total current assets		309,519
Property, plant, and equipment, net		25,086
Inventories, noncurrent		4,420
Goodwill		191,262
Intangibles, net		296,972
Debt issue costs and other assets, net		4,552
Total assets	$	831,811
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable	$	79,596
Accrued expenses		32,093
Current portion of long-term debt		5,037
Total current liabilities		116,726
Long-term debt		604,988
Other liabilities		6,342
Deferred tax liabilities		92,746
Total liabilities		820,802
Commitments and contingencies (Note 9)		
Stockholder's equity		
Common stock, par value $0.01, 1,000 authorized, issued and outstanding for October 31, 2013		—
Additional paid in capital		130,980
Accumulated deficit		(122,954)
Accumulated other comprehensive income		2,983
Total stockholder's equity		11,009
Total liabilities and stockholder's equity	$	831,811

See accompanying notes to consolidated financial statements.

BUSHNELL GROUP HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statement of Operations

Ten Months Ended October 31, 2013

(Dollar amounts in thousands)

	Ten Months Ended October 31, 2013
Net sales	$ 473,093
Cost of goods sold (excluding amortization and depreciation)	310,811
Selling and marketing	76,147
General and administrative	25,504
Depreciation and amortization	27,062
Foreign currency gain	(374)
Other operating	9,034
Operating income	24,909
Interest expense	43,185
Loss before income taxes	(18,276)
Income tax benefit	(5,493)
Net loss	$ (12,783)

See accompanying notes to consolidated financial statements.

BUSHNELL GROUP HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Loss

Ten Months Ended October 31, 2013

(Dollar amounts in thousands)

	Ten Months Ended October 31, 2013
Net loss	$ (12,783)
Other comprehensive (loss) income, net of taxes:	
Foreign currency translation adjustments	168
Comprehensive loss	$ (12,615)

See accompanying notes to consolidated financial statements.

BUSHNELL GROUP HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statement of Stockholder's Equity

Ten Months Ended October 31, 2013

(Dollar amounts in thousands)

	Common Stock	Additional Paid in Capital	Accumulated deficit	Accumulated other comprehensive income	Total
Balance, December 31, 2012	$ —	$ 130,980	$ (110,171)	$ 2,815	$ 23,624
Net loss	—	—	(12,783)	—	(12,783)
Foreign currency translation adjustment, net of tax expense of $1,161	—	—	—	168	168
Balance, October 31, 2013	$ —	$ 130,980	$ (122,954)	$ 2,983	$ 11,009

See accompanying notes to consolidated financial statements.

BUSHNELL GROUP HOLDINGS, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Ten Months Ended October 31, 2013

(Dollar amounts in thousands)

		Ten Months Ended October 31, 2013
Cash flows from operating activities:		
Net loss	$	(12,783)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization		27,062
Deferred income taxes		(6,877)
Loss on disposal of fixed assets		9
Gain on foreign currency transactions		(278)
Gain on fair value of interest rate exchange agreement		(2,476)
Gain on fair value of foreign currency rate exchange agreement		(656)
Provision for bad debt		4,099
Amortization on debt issuance costs		1,382
Paid-in kind interest on subordinated note payable		9,421
Changes in assets and liabilities, net of businesses acquired:		
Accounts receivable		2,086
Inventories, net		(37,219)
Prepaids and other current assets		4,660
Accounts payable and accrued expenses		30,535
Other liabilities		(603)
Net cash provided by operating activities		18,362
Cash flows from investing activities:		
Purchase of property, plant, and equipment		(4,631)
Proceeds from sale of property, plant, and equipment		292
Payment for acquisition of Gold Tip (net of cash acquired)		(18,044)
Net cash used in investing activities		(22,383)
Cash flows from financing activities:		
Payments on long-term debt		(620)
Proceeds from long-term debt		20,024
Payment of contingent consideration of acquisition		(5,503)
Net cash provided by financing activities		13,901
Effect of exchange rate changes on cash		(2,099)
Net increase in cash and cash equivalents		7,781
Cash and cash equivalents, beginning of year		12,321
Cash and cash equivalents, end of year	$	20,102
Supplemental disclosures:		
Cash paid for:		
Interest	$	31,652
Income taxes, net		3,520
Noncash investing and financing activity for:		
Purchase of property, plant, and equipment in Accrued expenses	$	265

See accompanying notes to consolidated financial statements.

(1) Significant Accounting Policies

(a) *The Company*

Bushnell Group Holdings, Inc. (Bushnell), a Delaware corporation, is a wholly owned subsidiary of MidOcean Bushnell Holdings, L.P. (MidOcean). As more fully described in Note 1(p), on November 1, 2013, Bushnell was acquired by Alliant Techsystems, Inc.

Bushnell and its subsidiaries (the Company) markets and distributes Bushnell, Tasco, Uncle Mike's, Hoppe's, Butler Creek, Stoney Point, Bollé, Serengeti, Millett, Simmons, Night Optics, Cébé, Final Approach, and Primos product lines. Bushnell, Tasco, Millett, and Simmons source and distribute high-quality sports optics products including binoculars, riflescopes, telescopes, laser rangefinders, and related accessories. Uncle Mike's, Hoppe's, Butler Creek, Stoney Point, and Final Approach market and distribute high-quality innovative products for shooting and law enforcement including swivels, slings, holsters, belts, gun care products, and other accessories. Night Optics assembles and distributes premium night vision and thermal technologies for commercial, law enforcement and military applications. Primos manufactures and distributes game calls, trigger sticks, blinds, electronic calls, decoys, and other hunting accessories. Bollé, Cébé, and Serengeti source and distribute premium sunglasses, ski goggles, and safety and tactical eyewear. Bushnell is organized into four regions - North America, Europe and Middle East Africa, Asia Pacific, and Latin America. Principle offices and regional headquarters are located in Overland Park, Kansas; Suresnes, France; and Melbourne, Australia.

(b) *Principles of Consolidation and Concentrations*

The consolidated financial statements include the accounts of Bushnell and its subsidiaries. Intercompany balances have been eliminated in consolidation.

Approximately, 31.8% of net sales were to international customers for the ten months ended October 31, 2013.

(c) *Revenue Recognition and Accounts Receivable*

The Company recognizes revenue from product sales when the goods are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists, and the sales price is fixed and determinable. Sales are reduced by allowances and discounts. Amounts that are charged to customers to deliver products are included in sales, and the associated shipping and handling costs are included in cost of goods sold.

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and, therefore, are excluded from revenues in the consolidated statements of operations.

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company presents its account receivables net of allowances for cooperative advertising credits, cash discounts, sales returns, and doubtful accounts. The Company reviews these allowances and determines the amounts based on historical write-off experience.

(d) *Inventories*

Inventories are stated at the lower of cost (first-in, first-out (FIFO) method) or market. The company marks inventory items to the lower of cost or market by using forecasts, historical inventory and sale records to identify items that are discontinued, slow-moving or obsolete to determine those items where market is lower than cost. A reserve is established to reduce these items to market. The reserve for inventory was $16,366 as of October 31, 2013, due to quantities in excess of current requirements. Management believes that this reduces inventory to its lower of cost or market, and no additional loss will be incurred upon disposition of the excess quantities.

Noncurrent inventories consist of inventory items that Management believes, based on historical trends, will be sold; but for which the sales process will not be complete for more than one year.

(e) ***Property, Plant, and Equipment***

Property, plant, and equipment are stated at cost, net of accumulated depreciation. Property, plant, and equipment acquired in connection with business combinations are recorded at estimated fair values at the date of acquisition based primarily upon independent appraisals.

Depreciation is provided using the straight-line method, which depreciates costs over the estimated useful lives of the assets, which range from three to ten years. Maintenance and repairs are charged to expense as incurred. The cost and related accumulated depreciation are removed from the respective accounts upon retirement or sale of property, plant, and equipment. Gains or losses on disposal or sale of such property, plant, and equipment are reflected in income in the year of disposition.

(f) ***Goodwill and Intangible Assets***

Goodwill and intangible assets acquired in connection with business combinations are recorded at estimated fair values at the date of acquisition. Goodwill represents the excess of cost over fair value of the net assets of businesses acquired. The Company performs its annual impairment review of goodwill at September 30, or when a triggering event occurs between annual impairment tests using a qualitative analysis, step 0. The Company determined there was no impairment as of September 30, 2013. The Company has determined that the reporting units for its goodwill impairment review are based on geographical regions and include North & Latin America, Europe, and Asia Pacific which is how management regularly reviews the operating results. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives, and reviewed for impairment.

The components of intangible assets, with their respective useful lives, are as follows:

Trademarks	3 to 50 years
Customer lists	2 to 20 years
Patents and other	1 to 40 years

(g) ***Impairment of Long-Lived Assets***

Long-lived assets, such as property, plant, and equipment, and amortizable intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no impairment charges recorded during the period presented herein.

(h) ***Debt Issue Costs***

Fees associated with the issuance of indebtedness are capitalized and amortized over the life of the corresponding debt, using the effective-interest method. The amortization charges are included as additional interest expense.

(i) ***Translation of Foreign Currencies***

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates in effect as of the consolidated balance sheet dates. Foreign currency-denominated operations are translated at the weighted average exchange rate in effect during the period. Consolidated translation gains and losses are not included in determining net income, but are accumulated in other comprehensive income as a separate component of stockholders equity.

(j) ***Derivative Financial Instruments***

Derivative instruments are recorded on the consolidated balance sheets at their respective fair value. From time to time, the Company holds certain derivative instruments to manage various types of market risk from its day-to-day operations, primarily foreign currency exchange agreements and interest rate exchange agreements.
While management believes each of these instruments primarily were entered into in order to manage effectively the various market risks, the Company doesn't designate these instruments as hedges for accounting purposes as defined by Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 815, *Derivatives and Hedging*. As a result, changes in fair value are included in the statement of operations.

(k) ***Share-Based Compensation***

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost is recognized over the vesting period during which an employee is required to provide service in exchange for the award.

(l) ***Income Taxes***

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the consolidated financial statement carrying amounts and the tax bases of assets and liabilities and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Valuation allowances are provided if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

(m) ***Use of Estimates in Consolidated Financial Statements***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the valuation of the carrying amount of property, plant, and equipment; intangibles and goodwill; valuation allowances for receivables; inventories; and deferred income tax assets and tax valuation allowances. Actual results could differ from those estimates. Changes in estimates are recorded in the period that the change occurs.

(n) ***Advertising Costs***

Advertising costs are expensed as incurred. Advertising costs amounted to $24,277 for the ten months ended October 31, 2013. Advertising costs include but are not limited to buyer's guides, direct response advertising, industrial and consumer publications, catalogues, cooperative advertising, point-of-sale material, product placement, and sponsorships.

(o) ***Fair Value of Long Term Debt***

The fair value of the variable-rate long-term debt is calculated based on current market rates for debt of the same risk and maturities. The fair value of the fixed-rate debt is based on market quotes for each issuance. Management considers these to be Level 2 instruments.

(Dollar amounts in thousands)

(p) ***Subsequent Events***

The Company evaluated subsequent events for recognition or disclosure through August 13, 2014, the date on which the consolidated financial statements were available to be issued. Except as disclosed below, no matters were identified.

On November 1, 2013 the Company was acquired by Alliant Techsystems, Inc. pursuant to a Stock Purchase Agreement dated as of September 4, 2013 (the "Stock Purchase Agreement") among the Company, Bushnell Group Holdings, Inc., and MidOcean Bushnell Holdings, L.P. The consideration for the Bushnell Acquisition consisted of $985,000 in cash, net of cash acquired, and subject to customary post-closing adjustments.

On November 1, 2013, in connection with the acquisition discussed above, all borrowings under revolving credit agreements and long-term debt were repaid in full. The carrying value of the repaid revolving credit agreements and long-term debt at October 31, 2013 was $56,836 and $553,189, respectively.

Subsequent to October 31, 2013 the outstanding Class C-1 units of MidOcean, which were held by certain employees of the Company, vested and were settled, as more fully discussed in Note 10.

(2) **Acquisitions**

Effective February 1, 2013, the Company acquired 100% of the outstanding stock of Gold Tip, LLC, Bee Stinger, LLC, and Advanced Arrow S. de R.L. de C.V Mexico. Gold Tip is a leading manufacturer of arrows and archery products for target archery and bow and cross bow hunting. Bee Stinger manufacturers premium bow stabilizers. This acquisition is expected to enhance Bushnell's presence in the archery category. The purchase price included a cash payment of approximately $18,042. As a result of purchase accounting for Gold Tip, LLC, Bee Stinger, LLC and Advanced Arrow S. de R.L. de C.V Mexico, the Company wrote up inventory to fair value and subsequently charged the write-up of $374 to cost of sales as the inventory was sold. The consolidated statements of operations for the period ended October 31, 2013 reflect the inventory step-up in cost of goods sold.

The fair value of assets and liabilities recorded in connection with the acquisition is presented below:

	February 1, 2013
Accounts Receivable	$ 1,926
Inventory	4,454
Prepaids & Other	62
Fixed assets	1,437
Intangible assets	11,830
Goodwill	429
Total assets acquired	20,138
Current liabilities	(2,096)
Total purchase price	$ 18,042

Of the $11,830 of acquired intangible assets, $3,740 was assigned to trademarks, $2,590 was assigned to patents, and $5,500 was assigned to customer lists. All intangibles are being amortized on a straight-line basis over the expected useful life, which ranges from 5 to 40 years. The goodwill arising from the acquisition consists largely of expected future earnings and cash flows from the existing management team, as well as synergies created by the integration of the new business within the Company. The majority of the goodwill recognized is deductible for tax purposes.

(Dollar amounts in thousands)

(3) **Inventories**

The major components of inventories are as follows:

	October 31, 2013
Raw materials	$ 3,600
Work in process	13,081
Finished goods	142,690
Inventories, net	$ 159,371

We classify a portion of our inventories as non-current because we do not expect this portion to be sold within one year. The classification of our inventories is as follows:

	October 31, 2013
Current	$ 154,951
Non-current	4,420
Total Inventories	$ 159,371

(4) **Property, Plant, and Equipment**

The major components are as follows:

	October 31, 2013
Buildings and improvements	$ 5,081
Machinery and equipment	14,166
Furniture and fixtures	8,271
Computer software and equipment	17,598
Tooling	18,449
Construction in progress	3,370
Total property, plant, and equipment	66,935
Less accumulated depreciation	(41,849)
Property, plant, and equipment, net	$ 25,086

Depreciation expense for the ten months ended October 31, 2013 was $9,626.

(Dollar amounts in thousands)

(5) **Goodwill and Intangibles**

As of October, 31, 2013 intangible assets consist of the following:

	October 31, 2013			
	Gross carrying amount	**Weighted average amortization period (years)**	**Accumulated amortization**	**Net carrying amount**
Amortized intangible assets:				
Trademarks	$ 203,855	33	$ (44,054)	$ 159,801
Patents	38,902	8	(20,893)	18,009
Customer lists	96,228	10	(44,301)	51,927
Other intangibles	86,904	24	(19,669)	67,235
Total	$ 425,889		$ (128,917)	$ 296,972

Amortization expense for the ten months ended October 31, 2013 was $17,436. Estimated amortization for the next five years and thereafter would have been $21,000 in 2014; $20,459 in 2015; $19,836 in 2016; $18,881 in 2017; $17,922 in 2018; and $199,099 thereafter.

The changes in the carrying amount of goodwill are as follows:

Balance as of December 31, 2012	$ 191,620
Additions	29
Foreign currency fluctuation	(387)
Balance as of October 31, 2013	$ 191,262

The Company performed its annual assessment of the recoverability of the goodwill as of September 30, 2013 and concluded that the goodwill was not impaired.

(Dollar amounts in thousands)

(6) Long-Term Debt and Revolving Credit Facilities

Long-term debt consisted of the following:

	October 31, 2013
Revolving credit facility, due August 24, 2015.	$ 49,600
Canadian and Australian revolving credit facilities	7,236
Term debt, payable in 1% per annum, quarterly outstanding principal balance with interest at LIBOR plus 4.25% at October 31, 2013, interest due quarterly, with unpaid principal and interest due August 24, 2015. This debt was restructured by adding the remaining principal balance of the term debt due August 24, 2013, as noted below, during the period ended October 31, 2013	247,401
Term debt, payable in 1% per annum, quarterly outstanding principal balance with interest at LIBOR plus 4.5% at October 31, 2013 interest due quarterly, with unpaid prinicipal and interest due August 24, 2015	22,428
Second-lien term loan with interest at LIBOR plus 7.50% at October 31, 2013, interest due quarterly, with unpaid principal and interest due February 24, 2016	156,325
Second-lien term loan with interest at LIBOR plus 8.00% at October 31, 2013, interest due quarterly, with unpaid principal and interest due February 24, 2016	48,675
Subordinated note payable with PIK interest at 16.00%, compounded quarterly, with unpaid principal and interest due August 24, 2016	75,860
Night Optics USA, Inc. note payable, semi-annual payments of $0.5, with unpaid principal and interest due December 6, 2013 and interest at 8.00%	2,500
	610,025
Less current portion	(5,037)
	$ 604,988

As discussed in Note 1(p), on November 1, 2013, in connection with the Bushnell's acquisition by Alliant Techsystems, Inc., all borrowings under revolving credit agreements and long-term debt above were repaid in full. No premium or penalty was incurred as a result of this payoff.

Concurrent with the MidOcean purchase, Bushnell entered into a credit agreement (the Credit Agreement) consisting of $278,000 term debt and a $40,000 revolving credit facility. The borrowed funds were used, in part, to retire all existing debt instruments. On April 17, 2012 the Company completed an amendment of its Credit Agreement. Significant terms of the amendment included the extension of the maturity dates of the existing debt instruments by two years. This resulted in maturity dates ranging from August 2013 to August 2016. In addition, the amendment established a floor for the calculation of the periodic interest charge and increased the fixed spread added to this floor. The amendment also included an increase to the Revolving credit facility from $40,000 to $50,000. Incremental term loan borrowing of $71,575 was used to fund acquisition of OPT Holdings, Inc., amendment fees, and $13,575 pay down of the Subordinated Note Payable. The amendment changed the maximum consolidated leverage ratio to 7.00 from 5.25.

The effective-interest rate at October 31, 2013 for the Credit Agreement was at 5.75%. The effective-interest rate at October 31, 2013 for the revolving credit facility was 6.8728%. The Credit Agreement contains a material adverse change clause and a variety of covenants, including the requirement that the Company maintain a consolidated leverage ratio below a stated threshold, as well as maximum annual capital expenditures. As of October 31, 2013, the Company was in compliance with these covenants. The Credit Agreement is collateralized by substantially all of the domestic assets of the Company.
Also, in 2007, the Company entered into a Second Lien Credit Agreement consisting of $156,325 term debt. The effective-interest rate at October 31, 2013 was 9.0%. The Second Lien Credit Agreement contains a material adverse change clause and a variety of covenants, including the requirement that the Company maintain a consolidated leverage ratio below a stated threshold, as well as maximum annual capital expenditures. As of October 31, 2013, the Company was in compliance with these covenants. The Second Lien Credit Agreement is collateralized by substantially all of the domestic assets of the Company.

(Dollar amounts in thousands)

In 2007, the Company entered into a subordinated note payable (the Note). The Note bears Payment in Kind (PIK) interest at 16.0% per annum, compounded quarterly. The Note contains a maximum capital expenditure covenant and a material adverse change clause. As of October 31, 2013, the Company was in compliance with this covenant.

The Company's Australian subsidiary has a revolving credit facility primarily to fund working capital requirements. At October 31, 2013, the credit facility of A$3,500 Australian dollars, of which $3,326 (A$3,500) was outstanding, had an effective rate of interest of 6.67%. The facility is collateralized by substantially all of the assets of the subsidiary. The facility is subject to a variety of covenants that require the subsidiary to maintain certain ratios, including interest charge coverage, and capital adequacy. The covenants also establish a required minimum tangible net worth. As of October 31, 2013, the Company was in compliance with these covenants.

The Company's Canadian subsidiary has a revolving credit facility primarily to fund working capital requirements. At October 31, 2013, the credit facility in the amount of C$6,000 Canadian dollars, of which $3,928 (C$4,085) was outstanding, had an effective rate of interest of 4.25%. The facility was established in September 2009. The facility is collateralized by substantially all of the assets of the subsidiary. The facility is subject to a calculated borrowing base and the covenants establish a required total liabilities to tangible net worth ratio. At October 31, 2013, the Company was in compliance with these covenants.

In 2011, the Company entered into a note payable to the sellers of Night Optics for $4,000 due in semi-annual installments following the six month anniversary of the Closing Date (August 31, 2011). These semi-annual payments are $500 plus accrued and unpaid interest on the principal amount outstanding at the rate of 8% per annum. All unpaid principal and accrued but unpaid interest then outstanding will be due and payable on the second anniversary of the Closing Date. At October 31, 2013, the outstanding balance was $2,500.

Expenses amounting to $6,472, associated with the April 2012 credit agreement amendment were capitalized in 2012 and are being amortized over the terms of the financing agreements utilizing the effective-interest method. All other unamortized debt issue cost from the original credit agreement and amendments prior to April 2012 was written off and recorded within interest expense on the statement of operations. Amortization of $1,382 was recorded as interest expense during the ten months ended October 31, 2013.

Maturities of long-term debt for the years subsequent to October 31, 2013 would have been:

2014	$	5,037
2015		324,128
2016		280,860
	$	610,025

(7) Income Taxes

The provision for income taxes on income (loss) from continuing operations before income taxes is as follows:

		Ten Months Ended October 31, 2013
Current:		
Federal	$	—
State and foreign		3,762
Deferred income tax benefit		(9,255)
Income tax (benefit) expense	$	(5,493)

(Dollar amounts in thousands)

The difference between the provision for income taxes from continuing operations and the amount computed by applying the statutory federal income tax rate of 34% is due to differing tax rates in foreign jurisdictions, state income taxes, foreign tax credits, valuation allowances, and nondeductible expenses.

Included in deferred income tax benefit is $0 of net operating loss carryforwards (NOL) utilization for the ten months ended October 31, 2013.

Net deferred taxes consist of the following:

	October 31, 2013
Deferred tax assets:	
Accounts receivable and inventory reserves	$ 10,806
Property, plant, and equipment	472
Accrued liabilities	9,846
Foreign tax credits	854
Alternative minimum tax credits	505
Net operating and capital loss carryforwards	23,870
Total deferred tax assets	46,353
Less valuation allowance	6,952
Net deferred tax assets	39,401
Deferred tax liabilities:	
Intangible assets	(105,216)
Accrued interest and interest rate exchange agreement	(914)
Other	(5,246)
Total deferred tax liabilities	(111,376)
Net deferred tax liabilities	$ (71,975)

As of October 31, 2013, the Company has a net deferred tax liability of approximately $64,680, for domestic jurisdictions, and approximately $7,295, for foreign jurisdictions.

The Company is required to assess the ultimate realization of deferred tax assets using a “more-likely than-not” assessment of realization. In assessing the realizability of deferred tax assets, management considers whether it is “more likely than not” that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax-planning strategies in making this assessment.

The Company recorded a valuation allowance of $6,952 at October 31, 2013. The valuation allowance is based upon management’s assessment that it is more likely than not certain state NOLs, foreign tax credits, and capital losses will not be realized prior to expiration.

The Company cannot assure it will be able to realize its deferred tax assets or that future valuation allowances will not be required. The failure to realize deferred tax assets would adversely affect the Company’s results of operations and financial position. The Company believes that it is “more likely than not” that the deferred tax assets, net of the valuation allowance as of October 31, 2013, will be realized.

As of October 31, 2013, included in the net deferred tax liability, the Company had available NOL carryforwards and capital loss carryforwards for federal income tax purposes of approximately $20,678. These carryforwards expire in the years 2016 through 2031. A portion of these carryforwards are subject to Internal Revenue Code Section 382 limitations, which impact the timing and amounts of NOLs to be used annually. At October 31, 2013, the Company had available NOL and capital loss carryforwards for state income tax purposes of approximately $2,219, which begin to expire in 2015. Additionally, the Company had available NOL carryforwards for foreign income tax purposes of $973.

(Dollar amounts in thousands)

At October 31, 2013, the Company has elected to treat all of its earnings in foreign jurisdictions as permanently invested, with the exception of the United Kingdom (UK), Canada, Australia, and Hong Kong. Should these earnings be distributed, these amounts would be subject to US federal income tax at the statutory rate less available foreign tax credits, if any and potentially subject to withholding tax in the various jurisdictions. The taxes provided on the cumulative undistributed earnings of the UK, Canada, Australia, and Hong Kong were approximately $6,000.

The Company has classified uncertain tax positions as non-current income tax liabilities unless expected to be paid within one year. A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, is as follows:

		October 31, 2013
Unrecognized Tax Benefits—beginning of period	$	12,196
Gross increases—tax positions in prior periods		—
Gross decreases—tax positions in prior periods		—
Gross increases—current-period tax positions		—
Settlements		—
Lapse of statute of limitations		—
Unrecognized Tax Benefits—end of period	$	12,196

The Company evaluates whether tax positions taken by the Company will "more likely than not" be sustained upon examination by the appropriate taxing authority. It is the Company's policy to recognize interest and penalties related to income tax matters in income tax expense. As of October 31, 2013, the Company did have uncertain tax positions of $12,196. The settlements of these unrecognized tax positions as of October 31, 2013 could result in earnings from $0 to $11,668. No interest and penalties were recorded for the ten months ended October 31, 2013 as a result of NOL carryforwards.

While it is expected that the amount of unrecognized tax benefits will change in the next 12 months, the Company does not expect this change to have a material impact on the results of operations or the financial position of the Company.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state and local jurisdictions. Tax years 1997 through 2002 and 2006 through 2013 remain open to examination for U.S. federal income tax, and tax years 1997 through 2002 and 2006 through 2012 remain open to examination by significant state tax jurisdictions. The Company and its subsidiaries are also subject to income tax in various foreign jurisdictions. The tax years open to examination vary by jurisdiction from 2001 through 2013.

(8) Commitments and Contingencies

The Company leases certain facilities and equipment under operating leases expiring on various dates. Certain leases also contain option renewal periods and purchase options. Future minimum lease payments of significant, noncancelable operating, leases as of October 31, 2013 were:

2014	$	4,430
2015		3,769
2016		3,066
2017		2,211
2018		1,128
Thereafter		555
Total	$	15,159

(Dollar amounts in thousands)

Total rental expense for the ten months ended October 31, 2013 was $3,837.

The Company has a non-cancellable warehousing services agreement through March 2014. Future minimum payments under the agreement would have been $757 during the year ending October 31, 2014.

The Company also is party to certain litigation and claims arising out of the normal course of business. In the opinion of management, the Company's liability, if any, under any pending claims or litigation would not have a material adverse effect on the Company's financial position, results of its operations or cash flows.

The Company provides warranty reserves for product defects as they become known. Warranty claim reserves are reviewed periodically, and reserves are adjusted to reflect properly the remaining estimated costs to complete the repair or replacement. The warranty reserve is recorded in accrued expenses in the consolidated balance sheets. The following is a reconciliation of changes in the warranty reserve:

	Ten Months Ended October 31, 2013
Beginning balance	$ 3,185
Warranty provision	2,489
Warranty settlements	(2,815)
Foreign currency fluctuation	(41)
Ending balance	$ 2,818

(9) Employee Retirement Plans

The Company has a contributory retirement 401(k) plan (the 401(k) Plan) for substantially all of its hourly and salaried employees in the United States. Participants can contribute up to the maximum allowable by law of total eligible wages, subject to an index per year maximum. The Company will make matching contributions in an amount equal to 100% of the first 1% of eligible wages contributed by the participants and 50% of the next 6% of eligible wages contributed by the participants. Participants are immediately vested in their own contributions and vest at a rate of 25% per year in the Company's matching contributions. For the ten months ended October 31, 2013 the Company's matching contribution to the 401(k) Plan was $500.

(10) Equity Based Compensation

Employees of the Company hold Class C units of MidOcean the parent of the Company. All partnership units entitle a partner to allocations of profits and losses and distributions of cash and other property. The partnership may at any time issue all or any of the authorized but unissued units. Class C-1 units vest ratably over five years or 100% upon a sale of the partnership. Class C-2 common units vest ratably over five years so long as a performance target based on Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) are met or 100% upon sale of the partnership if internal rate of return targets are met. Unvested Class C units (incentive units, collectively) forfeit upon termination of the holder's employment with the partnership or any of its subsidiaries. The fair value of the incentive units at time of grant was not material.

The table below shows the activity for Class C-1 units and Class C-2 units issued to or held by employees of the Company through October 31, 2013.

	Authorized	December 31, 2012	Issued	Forfeited	October 31, 2013
Class C-1 units	655,000	648,000	3,000	—	651,000
Class C-2 units	294,000	286,000	3,000	—	289,000

In accordance with the Class C-1 units vesting terms discussed above, outstanding units totaling 651,000 vested. The 289,000 Class C-2 units did not vest as of October 31, 2013, as the internal rate of return targets discussed above were not met.

(11) **Derivatives**

On April 20, 2012, the Company terminated the interest rate exchange agreements from prior periods and entered into a new interest rate exchange agreement. The agreement involved the exchange of 1.69% fixed rate and LIBOR variable rate interest payments over the life of the agreement without the exchange of the underlying notional amount of $210,000 to mitigate the effects of fluctuation in interest rates on variable interest rate debt. The interest rate exchange agreement expires on April 20, 2015. For the ten months ended October 31, 2013, the Company recognized a gain of $1,904, from the change in the fair value of this interest exchange recorded in interest expense in the consolidated statements of operations with a corresponding offset recorded in other liabilities in the consolidated balance sheets.

From time to time, the Company enters into foreign currency exchange agreements to manage foreign currency exchange rate risk with respect to certain transactions denominated in foreign currencies. As of October 31, 2013, the Company had outstanding foreign currency exchange contracts with notional amounts of $8,610. For the ten months ended October 31, 2013, the Company recognized $236, from the change in the fair value of these foreign exchange agreements recorded in other operating expense in the consolidated statements of operations with a corresponding offset recorded in other current assets when a gain exists or accrued expenses when a loss exists in the consolidated balance sheets.

(12) **Fair Value Measurements**

(a) ***Fair Value of Financial Instruments***

The carrying value of the Company’s long-term obligations approximates its fair value at October 31, 2013. The carrying value of other financial instruments, consisting of cash, receivables, and payables, approximates fair value as a result of the short-term nature of these instruments. The fair value of interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data.

(b) ***Fair Value Hierarchy***

The Company adopted ASC Topic 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to measurements involving significant unobservable inputs (Level III measurements). The three levels of the fair value hierarchy are as follows:

Level I inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level II inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level III inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets and liabilities that are measured at fair value on a recurring basis:

(Dollar amounts in thousands)

		October 31, 2013
Other current assets (accrued expenses):		
Foreign currency derivatives (Level II)	$	170
Other liabilities:		
Interest rate derivatives (Level II)	$	5,068

(13) **Related Parties**

The Company has transactions with companies that are affiliated through common ownership. Significant transactions include management fees incurred with respect to related parties of $2,143 during the ten months ended October 31, 2013.

(Back To Top)

Section 7: EX-99.3 (EXHIBIT 99.3)

Exhibit 99.3

The financial information relating to CamelBak Acquisition Corporation and Subsidiaries as of and for the fiscal year ended December 31, 2014 included herein has been derived from the audited financial statements of CamelBak Acquisition Corporation and Subsidiaries. Such financial statements were audited under the standards promulgated by the American Institute of Certified Public Accountants, but not the standards promulgated by the Public Company Accounting Oversight Board. We believe that this does not have a material impact on the understanding of CamelBak Acquisition Corporation and Subsidiaries' results of operations, financial condition, liquidity and related operating and financial trends.

Consolidated Financial Statements and Report of Independent Certified Public Accountants

CamelBak Acquisition Corporation and Subsidiaries

December 31, 2014

Contents

Report of Independent Certified Public Accountants

Board of Directors and Stockholders
CamelBak Acquisition Corporation and Subsidiaries

We have audited the accompanying consolidated financial statements of CamelBak Acquisition Corporation and subsidiaries, which comprise the consolidated balance sheet as of December 31, 2014, and the related consolidated statement of comprehensive income, stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CamelBak Acquisition Corporation and subsidiaries as of December 31, 2014, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton, LLP

San Francisco, California
March 12, 2015

Consolidated balance sheet

		As of December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$	975,000
Accounts receivable, less allowances of $854,000 at December 31, 2014		22,598,000
Inventory		27,511,000
Current portion of deferred tax asset		2,795,000
Prepaid expenses and other current assets		1,726,000
Total current assets		55,605,000
Property and equipment, net		7,987,000
Goodwill		5,546,000
Intangible, net		162,761,000
Deferred debt issuance costs, net		1,708,000
Non-current portion of deferred tax asset		1,972,000
Other non-current assets		290,000
Total assets	$	235,869,000
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$	6,431,000
Accrued expenses		9,575,000
Line of credit		5,000,000
Current portion of long-term debt		1,000,000
Accrued interest expense		355,000
Current portion of deferred tax liability		269,000
Total current liabilities		22,630,000
Long-term debt, less current portion		94,628,000
Non-current portion of deferred tax liability		6,114,000
Other long-term liabilities		331,000
Tax liability		218,000
Total liabilities		123,921,000
Stockholders' equity		
Common stock, $0.01 par value per share; 11,500 shares authorized; 11,000 shares issued and outstanding at December 31, 2014		—
Series A preferred stock, $0.01 par value; 1,000 shares authorized; no shares issued and outstanding at December 31, 2014		—
Series B preferred stock, $0.01 par value; 1,000 shares authorized; no shares issued and outstanding at December 31, 2014		—
Additional paid-in capital		112,951,000
Accumulated deficit		(1,003,000)
Total stockholders' equity		111,948,000
Total liabilities and stockholders' equity	$	235,869,000

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

	Year ended December 31, 2014
Net sales	$ 148,675,000
Cost of sales	86,003,000
Gross profit	62,672,000
Selling, general and administrative	44,759,000
Income from operations	17,913,000
Other (income) expense, net	(247,000)
Interest expense	10,402,000
Net income before income taxes	7,758,000
Income taxes	3,144,000
Net income and comprehensive income	$ 4,614,000

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of stockholders' equity

	For the year ended December 31, 2014						
	Common stock		Preferred stock		Additional paid-in capital	Accumulated deficit	Total
	Shares	Amount	Shares	Amount			
Balance at December 31, 2013	$11,000	$ —	$ —	$ —	$ 112,006,000	$ (5,617,000)	$ 106,389,000
Accretion of incentive and profit interests	—	—	—	—	945,000	—	945,000
Net income	—	—	—	—	—	4,614,000	4,614,000
Balance at December 31, 2014	$11,000	$ —	$ —	$ —	$ 112,951,000	$ (1,003,000)	$ 111,948,000

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

		Year ended December 31, 2014
Cash flows from operating activities		
Net income	$	4,614,000
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation expense		4,528,000
Amortization expense		8,712,000
Deferred taxes		1,589,000
Amortization of debt issuance costs		591,000
Stock-based compensation expense		945,000
Allowance for doubtful accounts receivable		(1,000)
Loss on sales of assets		143,000
Changes in operating assets and liabilities		
Accounts receivable		(5,193,000)
Inventory		1,622,000
Prepaid expenses and other assets		(191,000)
Accounts payable		(398,000)
Accrued liabilities		1,407,000
Accrued interest expense		(67,000)
Accrued tax expense		439,000
Net cash provided by operating activities		18,740,000
Cash flows from investing activities		
Purchase of property and equipment		(3,959,000)
Proceeds from sale of property and equipment		26,000
Net cash used in investing activities		(3,933,000)
Cash flows from financing activities		
Payments on related party loans		(17,500,000)
Borrowing (repayments) on related party revolving credit facility		2,500,000
Loan origination fees		—
Net cash used in financing activities		(15,000,000)
Net decrease in cash and cash equivalents		(193,000)
Cash and cash equivalents - beginning of year		1,168,000
Cash and cash equivalents - end of year	$	975,000
Supplemental disclosures of cash flow information		
Interest paid	$	9,879,000
Income taxes paid	$	1,117,000

The accompanying notes are an integral part of these consolidated financial statements.

Notes to consolidated financial statements

Note 1 - Business and summary of significant accounting policies

Nature of business

CamelBak Acquisition Corporation (the "Company") was incorporated in Delaware and is headquartered in Petaluma, California. The Company is a wholly-owned subsidiary of CBAC Holdings, LLC ("CBAC"), a Delaware limited liability company.

On August 24, 2011, the Company entered into a stock purchase agreement with CamelBak Products, LLC ("CamelBak Products") and certain management stockholders pursuant to which the Company acquired all of the membership interests of CamelBak Products. Compass Group Diversified Holdings, LLC ("Compass"), a Delaware limited liability company, made loans to, and purchased a controlling interest in, the Company on August 24, 2011 and, as of December 31, 2014, owns 89.9% of the outstanding stock of the Company on a primary basis and 79.7% on a fully diluted basis.

The Company is a diversified hydration and personal protection platform offering products for outdoor, recreation and military applications. The Company offers a broad range of recreational / military hydration packs, reusable water bottles, specialized military gloves and performance accessories.

Accounting principles

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Subsequent events evaluation

Subsequent events have been evaluated through March 12, 2015, the date these financial statements were available to be issued.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future.

Use of estimates, continued

It is possible that actual conditions could be better or worse than anticipated when the Company developed the estimates and assumptions, which could materially affect the results of operations and financial position. Such changes could result in future impairment of goodwill, intangibles and long-lived assets, warranty reserve, allowance for doubtful accounts, inventory obsolescence, establishment of valuation allowances on deferred tax assets and increased tax liabilities among other things. Actual results could differ from those estimates.

Revenue recognition

In accordance with authoritative guidance on revenue recognition, the Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the seller's price to the buyer is fixed and determinable, and collection is reasonably assured. Shipping and handling costs are charged to operations when incurred and are classified as a component of cost of sales.

Note 1 - Business and summary of significant accounting policies (continued)

Revenue is recognized upon shipment of product to the customer, net of sales returns, sales taxes, and allowances. Appropriate reserves are established for anticipated returns and allowances based on past experience. Revenue is typically recorded at F.O.B. shipping point.

The Company offers sales incentives to certain customers, such as purchase volume rebates, and participates in cooperative advertising programs. The majority of sales incentives are recorded as a reduction of sales. Some qualifying cooperative advertising expenses qualify under the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 605-50, *Revenue Recognition, Customer Payments and Incentives* (FASB Emerging Issues Task Force Issue No. 01-9, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*), and are recorded in operating expenses.

Cash and cash equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Allowance for doubtful accounts

The Company uses estimates to determine the amount of the allowance for doubtful accounts in order to reduce accounts receivable to their estimated net realizable value. The Company estimates the amount of the required allowance by reviewing the status of past-due receivables and analyzing historical bad debt trends. Accounts outstanding longer than their contractual payment terms are considered past-due. The Company's estimate also includes analyzing existing economic conditions. When the Company becomes aware of circumstances that may impair a specific customer's ability to meet its financial obligations subsequent to the original sale, the Company will record an allowance against amounts due, and thereby reduce the net receivable to the amount it reasonably believes will be collectible. Allowance for doubtful accounts as of December 31, 2014 was $382,000.

Inventories

Inventories consist of raw materials, work-in-process ("WIP"), manufactured goods and purchased goods acquired for resale. Inventories are stated at the lower of cost or market, determined on the first-in, first-out ("FIFO") method. Cost includes raw materials, direct labor, manufacturing overhead and indirect overhead. Market value is based on current replacement cost for raw materials and on net realizable value for finished goods.

Property and equipment

Property and equipment is recorded at cost. The cost of major additions or betterments is capitalized, while maintenance and repairs that do not improve or extend the useful lives of the related assets are expensed as incurred.
Depreciation is provided principally on the straight-line method over estimated useful lives. Leasehold improvements are amortized over the life of the lease or the life of the improvement, whichever is shorter. Construction in progress is not depreciated until placed in service.

The ranges of useful lives are as follows:

Machinery and equipment	3-5 years
Computer equipment and software	3 years
Furniture and fixtures	5 years
Leasehold improvements	shorter of useful life or lease term

Property and equipment and other long-lived assets that have definitive lives are evaluated for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable ('triggering event'). Upon the occurrence of a triggering event, the asset is reviewed to assess whether the estimated undiscounted cash flows expected from the use of the asset plus residual value from the ultimate disposal exceeds the carrying value of the asset. If the carrying value exceeds the estimated recoverable amounts, the asset is written down to its fair value.

Note 1 - Business and summary of significant accounting policies (continued)

Fair value of financial instruments

The carrying value of the Company's financial instruments, including cash, accounts receivable, prepaid and other assets, accounts payable, accrued expenses and line of credit approximate their fair value due to the short-term nature. Term debt with a carrying value of $95,628,000 at December 31, 2014, approximated fair value. The fair value is based on interest rates that are currently available to the Company for issuance of debt with similar terms and remaining maturities.
The Company follows US GAAP guidance that has a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of the asset or liability as of the measurement date. The three levels are defined as follows:

Fair value of financial instruments, continued

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities as of the measurement date. The types of instruments which would generally be included in Level 1 include listed equity securities.

Level 2 - Inputs are observable for the asset or liability, either directly or indirectly, as of the measurement date, but are other than quoted prices in active markets as in Level 1. The types of instruments which would generally be included in this category include unlisted derivative financial instruments and fixed income investments.

Level 3 - Inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant judgment or estimation by the reporting entity. The types of instruments which would generally be included in this category include privately held investments, partnership interests and similar interests, and beneficial interests in trusts held by others.

Goodwill and intangibles

Goodwill represents the excess of the purchase price over the fair value of the assets acquired and liabilities assumed. The Company performs impairment reviews annually at the end of the year and more frequently in certain circumstances.

In accordance with accounting guidelines, the Company is able to make a qualitative assessment of whether it is more likely than not that the fair value is less than its carrying amount before applying the two-step goodwill impairment test. If the Company concludes that it is more likely than not that the fair value is not less than its carrying amount, it is not required to perform the two-step impairment test.

The first step of the process after the qualitative assessment fails is estimating the fair value based on a discounted cash flow ("DCF") model using revenue and profit forecast and a market approach which compares peer data and earnings multiples. The Company then compares those estimated fair values with the carrying values, which include allocated goodwill. If the estimated fair value is less than the carrying value, a second step is performed to compute the amount of the impairment by determining an "implied fair value" of goodwill. The determination of the "implied fair value" of goodwill requires the allocation of the estimated fair value to the assets and liabilities. Any unallocated fair value represents the "implied fair value" of goodwill, which is then compared to its corresponding carrying value. The Company cannot predict the occurrence of certain future events that might adversely affect the implied value of goodwill and/or the fair value of intangible assets. Such events include, but are not limited to, strategic decisions made in response to economic and competitive conditions, the impact of the economic environment on its customer base, and material adverse effects in relationships with significant customers.

The impact of over-estimating or under-estimating the implied fair value of goodwill could have a material effect on the results of operations and financial position. In addition, the value of the implied goodwill is subject to the volatility of the Company's operations which may result in significant fluctuation in the value assigned at any point in time.

Intangible assets include customer relationships and our core technology and are subject to amortization over their respective useful lives. These intangibles are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be fully recoverable. If facts and circumstances indicate that the carrying value might not be recoverable, projected undiscounted net cash flows associated with the related asset or group of assets over their estimated remaining useful life is compared against their respective carrying amounts. No impairments of intangible assets were identified in the year ended December 31, 2014.

Note 1 - Business and summary of significant accounting policies (continued)

In the event of impairment, the assets are written down to their estimated fair values based on the expected discounted future cash flows attributable to the assets. Trade names are considered to be indefinite life intangibles, and not amortized but are subject to testing for impairment annually.

Deferred debt issuance costs

Deferred debt issuance costs represent the costs associated with the issuance of debt instruments and are amortized over the life of the related debt instrument.

Warranties

The Company estimates the exposure to warranty claims based on both current and historical product sales data and warranty costs incurred. The Company assesses the adequacy of its recorded warranty liability quarterly and adjusts the amount as necessary. The warranty liability was $554,000 at December 31, 2014 and is included in accrued expenses on the accompanying balance sheet.

Foreign currency

The functional currency of the Company's foreign subsidiaries is the U.S. dollar. For currencies other than the U.S. dollar, the financial statements are translated into U.S. dollars using exchange rates in effect at year-end for assets and liabilities and average exchange rates during the year for results of operations.

Foreign currency transaction gains or losses are recognized in other income. The Company recorded foreign currency transaction loss of $173,000 during the year ended December 31, 2014.

Stock-based compensation

The Company recognizes expense related to stock-based payment transactions in which it receives employee services in exchange for equity instruments of CBAC. Stock-based compensation cost for these incentive and profits interest units is estimated at the grant date based on each unit's fair value as calculated by the Black-Scholes-Merton option-pricing model. The Company recognizes stock-based compensation as expense ratably on a straight-line basis over the requisite service period.

Income taxes

The Company is subject to taxation in the U.S. and various states and foreign jurisdictions. The Company may from time to time be assessed interest or penalties by tax jurisdictions, although any such assessments historically have been minimal and immaterial to its financial results. In the event the Company has such an assessment from a taxing authority, it is its accounting policy to recognize any interest and penalties as a component of income tax expense.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position.

The Company files U.S. federal, state and foreign income tax returns in multiple jurisdictions with varying statutes of limitations. Pursuant to the statute of limitations, the Company is open to audit by the various tax regulating authorities for the 2011-2013 tax years. However, the Company currently does not have examinations in progress with any tax regulating authorities that would cause it to record an additional tax liability.

Deferred income taxes

Deferred income taxes are calculated under the liability method. Deferred income taxes are provided for the differences between the basis of assets and liabilities for financial reporting and income tax purposes at the enacted tax rates. A valuation allowance is established when necessary to reduce deferred tax assets to the amount that is expected to more likely than not be realized. These deferred tax assets are comprised primarily of reserves not currently deductible for tax purposes. The temporary differences that have resulted in the recording of these tax assets may be used to offset taxable income in future periods, reducing the amount of taxes required to be paid. Realization of the deferred tax assets is dependent on generating sufficient

Note 1 - Business and summary of significant accounting policies (continued)

future taxable income. Based upon the expected future results of operations, the Company believes it is more likely than not that it will generate sufficient future taxable income to realize the benefit of existing temporary differences, although there can be no assurance of this. The impact of not realizing these deferred tax assets would result in an increase in income tax expense for such period when the determination was made that the assets are not realizable.

Advertising

Advertising costs are expensed as incurred and included in selling, general and administrative expense in the consolidated statements of comprehensive income. Advertising costs were $3,034,000 for the year ended December 31, 2014.

Research and development costs

Research and development costs are expensed as incurred and included in selling, general and administrative expense on the consolidated statements of comprehensive income. The Company incurred research and development expense of $3,119,000 for the year ended December 31, 2014.

Concentration of sales and credit risk

The Company maintains cash balances, where balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. From time to time, the Company maintains cash balances in excess of federally insured limits. The Company performs periodic credit evaluations of its customers. The Company maintains allowances for potential credit losses, and such losses have historically been within management's expectation.

The Company's top ten customers accounted for 46.0% of sales in fiscal year 2014. One customer accounted for more than 10% of the Company's sales in 2014. Two customers accounted for approximately 28.7% of accounts receivable at December 31, 2014.

The Company's products are primarily sold through retailers in the United States, Canada, and Europe and to various government agencies primarily in the United States and Europe. Sales in the United States and internationally accounted for 75.1% and 24.9% of gross sales in fiscal year 2014.

Comprehensive income

Comprehensive income is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. Comprehensive income was the same as the Company's net income for the year ended December 31, 2014.

Recently adopted and issued accounting pronouncements

In July 2013, the FASB issued amended guidance for the presentation of an unrecognized tax benefit when a net operating loss carry forward exists, which is effective for the Company January 1, 2014. This amended guidance requires an entity to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss carry forward, a similar tax loss or a tax credit carry forward. If an applicable deferred tax asset is not available or a company does not expect to use the applicable deferred tax asset, the unrecognized tax benefit should be presented as a liability in the financial statements and should not be combined with an unrelated deferred tax asset. The adoption of this guidance did not have a material impact on the Company's consolidated financial position or results of operations.

In February 2013, the FASB issued amended guidance for presenting comprehensive income, which was effective for the Company January 1, 2013 and applied prospectively. This amended guidance requires an entity to disclose significant amounts reclassified out of accumulated other comprehensive income by component and their corresponding effect on the respective line items in net income. The adoption of this guidance did not have a material impact on the Company's consolidated financial position or results of operations.

In May 2014, the FASB issued a comprehensive new revenue recognition standard. The new standard outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most

Note 1 - Business and summary of significant accounting policies (continued)

current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is designed to create greater comparability for financial statement users across industries, jurisdictions and capital markets and also requires enhanced disclosures. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. Early adoption is not permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

Reclassifications

Certain amounts previously reported under specific financial statement captions have been reclassified to be consistent with the current period presentation. This reclassifications had no impact on the total assets or total liabilities.

Note 2 - Inventory

Inventory at December 31 is comprised of the following:

		2014
Raw materials	$	3,160,000
Work in progress and subassemblies		2,624,000
Finished goods		21,727,000
Total	$	27,511,000

Note 3 - Property and equipment

Property and equipment at December 31 is comprised of the following:

		2014
Machinery and equipment	$	11,696,000
Computer equipment and software		3,646,000
Furniture and fixtures		1,831,000
Leaseholds improvements		1,099,000
		18,272,000
Less accumulated depreciation		(12,768,000)
Construction in progress		2,483,000
Total	$	7,987,000

Depreciation expense for the year ended December 31, 2014 was $4,528,000.

Note 4 - Goodwill and intangible assets

As of December 31, goodwill and intangible assets are comprised of the following:

		2014	Estimated useful life
Customer relationships	$	79,000,000	15
Technology		23,000,000	6-11
Patents		1,400,000	9
Non-compete agreements		1,200,000	1-2
		104,600,000	
Accumulated amortization:		(30,239,000)	
Trade names, not subject to amortization		88,400,000	
Total intangibles		162,761,000	
Goodwill	$	5,546,000	

Amortization of intangibles was approximately $8,712,000 for the year ended December 31, 2014.

Estimated charges to amortization expense of intangible assets over the next five years are as follows:

		As of December 31, 2014
Years ending December 31,		
2015	$	8,712,000
2016		8,712,000
2017		7,962,000
2018		6,462,000
2019		6,462,000
Thereafter		36,051,000
Total	$	74,361,000

Approximately $277,000 of goodwill is deductible for income tax purposes at December 31, 2014.

Note 5 - Debt

In connection with the acquisition of the Company, on August 24, 2011, the Company obtained a $25 million revolving line of credit (“Revolving Credit Facility”) from Compass, the majority shareholder.

The Company also obtained an $84 million loan commitment (“Term A”) from Compass. The Term A maturity date is August 31, 2017, or such earlier date pursuant to event of default as defined. The Term A loan requires quarterly principal payments of $250,000, commencing December 31, 2011 and continuing to the maturity date, with the remaining balance due August 31, 2017.

The Company also obtained a $47 million Term B Loan Commitment (“Term B”) from Compass. The Term B maturity date is August 31, 2018, or such earlier date pursuant to event of default as defined. The Term B loan requires full payment on the maturity date.

On March 6, 2012, the Company funded the preferred stock redemption partially with cash through debt with Compass of $19,233,000. This included $12,822,000 of Term A and $6,411,000 of Term B. The original credit agreement was amended to increase Term A debt and Term B debt principal to $96,822,000 and $53,411,000 respectively. The additional commitment fee was waived in connection with the amendment. No other significant terms were modified. For further discussion of preferred stock redemption, see Note 9.

Note 5 - Debt (continued)

On July 1, 2013, the Company entered into a new credit agreement with Compass that replaced the former credit agreement. Interest rates changed for Term A, Term B and the Revolving Credit Facility. No other significant terms were modified. The Company paid a commitment fee of $160,000 in connection with the new credit agreement.

At the Company's option, advances under the Revolving Credit Facility and Term A loan interest can be either base rate or LIBOR. Base rate loans bear interest at a fluctuating rate per annum equal to the greater of the prime rate of interest or the sum of the Federal Funds Rate plus 0.5% for the relevant period, plus a margin ranging from 3.00% to 4.00% based upon the Total Debt to EBITDA Ratio. The base rate margin ranged from 3.50% to 4.50% under the previous credit agreement. LIBOR rate is the greater of 1.00% or the applicable LIBOR rate, plus a margin ranging from 4.00% to 5.00% based upon the Total Debt to EBITDA Ratio. The LIBOR margin ranged from 4.50% to 5.50% under the previous credit agreement.

Term B interest is at a rate per annum of 12.5% comprised only of cash interest. Under the former credit agreement, Term B interest was at a rate per annum of 13.5% comprised of cash interest of 12.0% per annum and additional non-cash interest ("PIK") at a rate per annum of 1.5%. The Company had the right in their discretion, but not obligation, to pay all or any portion of the accrued but undischarged PIK interest in cash at any time.

The Company pays an unused availability fee quarterly equal to 0.5% of the unused portion of the Revolving Credit Facility. The borrowing availability under the Revolving Credit Facility at December 31, 2014 was approximately $19.9 million.

The loans and Revolving Credit Facility with Compass are collateralized by the Company's right, title and interest in the Company's net assets except for certain excluded intangible assets as defined in the collateral agreement with Compass. The loan agreements also include certain financial covenants including, but not limited to, requirements to maintain certain fixed charges and leverage ratios. As of December 31, 2014, the Company was in compliance with all financial covenants under its credit agreements.

As of December 31, long-term debt and the related current portion consist of the following:

		2014
Term A loan	$	42,217,000
Term B loan		53,411,000
		95,628,000
Less current portion		(1,000,000)
Long-term debt	$	94,628,000

As of December 31, 2014 the schedule of future maturities of long-term debt is as follows:

		As of December 31, 2014
Year ending December 31,		
2015	$	1,000,000
2016		1,000,000
2017		40,217,000
2018		53,411,000
2019		—
Total	$	95,628,000

Note 6 - Income taxes

The Company is subject to federal, state, and foreign income taxes.

As of December 31, components of the Company's income tax provision are as follows:

		2014
Current taxes		
Federal	$	1,380,000
State		92,000
Foreign		153,000
Total current taxes		1,625,000
Deferred taxes		
Federal		1,298,000
State		221,000
Foreign		—
Total deferred taxes		1,519,000
Total tax expense	$	3,144,000

As of December 31, the tax effects of temporary differences that have resulted in the creation of deferred tax assets and deferred tax liabilities are as follows:

		2014
Deferred tax assets		
Accrued expenses and reserves	$	1,953,000
Transaction costs		1,463,000
Section 263A		936,000
Depreciation		385,000
State taxes		30,000
Total deferred tax assets	$	4,767,000
Deferred tax liabilities		
Intangible assets	$	(6,078,000)
Prepaid expenses		(269,000)
Section 481		(36,000)
Total deferred tax liabilities		(6,383,000)
Total net deferred liability	$	(1,616,000)

As of December 31, the reconciliation between the Federal Statutory Rate and the effective income tax rate for 2014 is as follows:

	2014
United States Federal Statutory Rate	34.00%
Foreign and state income taxes	3.24%
Permanent items	1.15%
Non-deductible profit interest	4.14%
Increasing research activities and R&D credits	(1.84)%

Other	(0.16)%
Effective income tax rate	40.53%

Note 6 - Income taxes (continued)

In 2013, the Company recorded a liability in the amount of $148,000 due to the uncertainty of its research and development credits. The Company recorded an additional liability for 2014 credits in the amount of $70,000. The Company does not anticipate any significant changes to its ASC 740-10 reserve within 12 months.

Note 7 - Commitments and contingencies

Leases

The Company leases facilities and equipment under various operating arrangements. Certain of the leases are subject to escalation clauses and renewal periods.

The future minimum rental commitments at December 31, 2014 under operating leases having an initial or remaining non-cancelable term of one year or more are as follows:

		As of December 31, 2014
Year ending December 31,		
2015	$	1,481,000
2016		1,819,000
2017		1,785,000
2018		1,659,000
2019		1,296,000
Thereafter		441,000
Total	$	8,481,000

For the year ended December 31, 2014, the Company incurred $2,122,000 in rent expenses.

Legal

In the ordinary course of business, the Company may become the subject of various claims and litigation. The Company maintains insurance to cover many of its potential losses, and it is subject to various deductibles with respect to its insurance. It is possible, however, that an unexpected claim, lawsuit, judgment or result could be made or rendered against the Company in cases in which it could be uninsured, underinsured or in amounts beyond the amounts it currently has reserved or anticipates incurring.

Note 8 - Incentive and profit interest compensation

In consideration of its employment and services provided to CamelBak Products, CBAC awarded, to certain employees and directors of the Company, incentive interests of Class A units (“Class A Units”), profit interests of Class B units (“Class B Units”), and profit interests of Class C units (“Class C Units”), as defined in CBAC’s Limited Liability Company Agreement. CamelBak Products is a wholly-owned subsidiary of the Company.
Under CBAC’s Limited Liability Company Agreement and subsequent amendments, CBAC is authorized to issue 11,500 Class A Units, 956 Class B Units, and 477 Class C Units.

Valuation assumptions

The Company uses the Black-Scholes-Merton option-pricing model to estimate the fair value of the units granted. Expected term is based on time that a liquidity event would most likely occur. Estimated volatility is based on an analysis of comparable companies. The Company bases the risk-free interest rate on the implied yield currently available on U.S. Treasury strips maturing at the expected term. The Company does not anticipate paying dividends over the expected term and therefore used 0% for dividend yield.

Note 8 - Incentive and profit interest compensation (continued)

No units were granted in 2014. The fair value of each unit granted was estimated on the date of grant based on the following weighted-average assumptions for the fiscal year ended December 31, 2012:

	As of December 31, 2012
Expected term in years	5.00
Expected volatility	35.5%
Risk free interest rate	0.9%
Dividend yield	0%

A summary of the Company's incentive and profits interest activity is as follows for the year ended December 31, 2014:

	Class A Units		Class B Units		Class C Units	
	Number of units	Weighted-average grant date fair value	Number of units	Weighted-average grant date fair value	Number of units	Weighted-average grant date fair value
Outstanding at January 1, 2014	8	$ 9,063	949	$ 3,545	477	$ 2,552
Granted	—		—		—	
Balance at December 31, 2014	8	$ 9,063	949	$ 3,545	477	$ 2,552
Non-vested at January 1, 2014	8	$ 9,063	610	$ 3,545	307	$ 2,552
Granted	—	—	—	—	—	—
Vested	—	—	(227)	3,545	(114)	2,552
Non-vested at December 31, 2014	8	$ 9,063	383	$ 3,545	193	$ 2,552
Vested and expected to vest after December 31, 2014	8	$ 9,063	949	$ 3,545	477	$ 2,552

Valuation assumptions (continued)

As of December 31, 2014, there was a total unrecognized incentive and profit interest compensation expense of $1,727,000 that will be recognized over a period of approximately 2 remaining years.

For the year ended December 31, 2014, the Company recognized $945,000 of incentive and profit interest compensation in selling, general and administrative expense in the consolidated statement of comprehensive income. The incentive and profit interests agreements are administered by the Board of the Company or, if established by the Board, the Compensation Committee of the Board, which has the authority to determine the type of profit and incentive award, as well as the terms and conditions of the awards. As of December 31, 2014, only profit and incentive interests have been granted.

Note 9 - Stockholder's equity

On August 24, 2011, the Company entered into a stock purchase agreement with CamelBak Products and certain management stockholders pursuant to which the Company acquired all of the membership interests of CamelBak Products. Compass made loans to and purchased an 89.9% controlling interest in the Company. The purchase price, including proceeds from noncontrolling interests, was approximately $258.6 million (excluding acquisition-related costs).

Compass funded its portion of the acquisition through funds provided by a private placement of 1,575,000 of its common shares at the closing price of $12.50 per share on August 23, 2011, to CGI Magyar Holdings LLC ("CMH"), Compass' largest

Note 9 - Stockholder's equity

shareholder. In addition, an affiliate of CMH purchased $45.0 million of 11% convertible preferred stock in the Company and the Company management and certain other investors invested in the transaction alongside Compass, collectively representing an approximate 10.1% initial noncontrolling interest on both a primary and fully diluted basis.

Classes of stock
The Company is authorized to issue two classes of stock designated as common stock, $0.01 par value per share, and preferred stock, $0.01 par value per share. The preferred stock may be issued in one or more series. The first series consists of 1,000 shares of Series A Convertible Preferred Stock, $0.01 par value. The second series consist of 1,000 shares of 11% Series B Cumulative Redeemable Preferred Stock, $0.01 par value. The total number of shares of all classes of capital stock that the Company is authorized to issue is 13,500 shares as follows: 11,500 shares of common stock and 2,000 of preferred stock. At December 31, 2014, 11,000 common stock shares were issued.

Repurchase of preferred stock

On March 6, 2012, the Company redeemed its 11% convertible preferred stock for $45.3 million plus accrued dividends of $2.7 million, from an affiliate of CMH ($47.7 million), and noncontrolling shareholders ($0.3 million). The Company funded the redemption with its cash through debt with Compass and an equity contribution from Compass of $19.2 million and $25.9 million, respectively. In addition, noncontrolling shareholders of the Company invested $2.9 million of equity in order for Compass and noncontrolling shareholders to maintain existing ownership percentages of the Company's common stock of 89.9% and 10.1%, respectively.

Note 10 - Employee retirement plan

The Company maintains a 401(k) plan for employees who are at least 21 years of age, and the employees are eligible to participate the 1st of the month after 30 days of employment. Non-resident aliens and part-time/temporary/seasonal employees are not eligible. Company contributions are based on the amounts contributed by eligible employees up to 3% of an eligible employee's salary. The total employer contributions were $255,000 for the year ended December 31, 2014.

Note 11 - Related party transactions

During fiscal year 2014, the Company entered into various loans with its majority stockholder, Compass. Amounts outstanding were $101,124,000 as of December 31, 2014. Interest and commitment fees paid on the Compass loans were $9,983,000 for the year ended December 31, 2014. In addition, there was an annual management fee of $500,000 for the year ended December 31, 2014, to Compass Group Management, LLC, the manager of the day-to-day operations and affairs of Compass.

Note 12 - Subsequent Events

On January 1, 2015, the Company amended the credit agreement with Compass. The outstanding Term B Loan was paid in full with proceeds from an additional Revolving Loan in the amount of $10,000,000, and the advance of an additional Term A Loan. Interest rates changed for the Term A and the Revolving Credit Facility. No other significant terms were modified. The Company paid an amendment fee of $100,000 in connection with the amended credit agreement.

(Back To Top)

Section 8: EX-99.4 (EXHIBIT 99.4)

Exhibit 99.4

Condensed Consolidated Financial Statements

CamelBak Acquisition Corporation and Subsidiaries

June 30, 2015 and 2014 and December 31, 2014

(unaudited)

Contents

Condensed consolidated balance sheets (unaudited)

	As of June 30, 2015 unaudited	As of December 31, 2014 unaudited
Assets		
Current assets		
Cash and cash equivalents	$ 1,761,000	$ 975,000
Accounts receivable, less allowances of $921,000 and $854,000 at June 30, 2015 and December 31, 2014, respectively	28,084,000	22,598,000
Inventory	30,773,000	27,511,000
Current portion of deferred tax asset	2,355,000	2,795,000
Prepaid expenses and other current assets	3,208,000	1,726,000
Total current assets	66,181,000	55,605,000
Property and equipment, net	7,865,000	7,987,000
Goodwill	5,546,000	5,546,000
Intangible, net	158,405,000	162,761,000
Deferred debt issuance costs, net	1,562,000	1,708,000
Non-current portion of deferred tax asset	1,934,000	1,972,000
Other non-current assets	279,000	290,000
Total assets	$ 241,772,000	$ 235,869,000
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	$ 7,569,000	$ 6,431,000
Accrued expenses	7,521,000	9,575,000
Line of credit	14,000,000	5,000,000
Current portion of long-term debt	1,000,000	1,000,000
Accrued interest expense	913,000	355,000
Accrued taxes	843,000	—
Current portion of deferred tax liability	455,000	269,000
Total current liabilities	32,301,000	22,630,000
Long-term debt, less current portion	84,128,000	94,628,000
Non-current portion of deferred tax liability	6,942,000	6,114,000
Other long-term liabilities	432,000	331,000
Tax liability	237,000	218,000
Total liabilities	124,040,000	123,921,000
Stockholders' equity		
Common stock, $0.01 par value per share; 11,500 shares authorized; 11,000 shares issued and outstanding at June 30, 2015 and December 31, 2014	—	—
Series A preferred stock, $0.01 par value; 1000 shares authorized; no shares issued and outstanding at June 30, 2015 and December 31, 2014	—	—
Series B preferred stock, $0.01 par value; 1000 shares authorized; no shares issued and outstanding at June 30, 2015 and December 31, 2014	—	—
Additional paid-in capital	113,410,000	112,951,000

Accumulated earnings (deficit)		4,322,000		(1,003,000)
Total stockholders' equity		117,732,000		111,948,000
Total liabilities and stockholders' equity	$	241,772,000	$	235,869,000

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

Condensed consolidated statements of comprehensive income (unaudited)

	For the three months ended		For the six months ended	
	June 30,	June 30,	June 30,	June 30,
	2015	2014	2015	2014
	unaudited	unaudited	unaudited	unaudited
Net sales	$ 42,574,000	$ 40,879,000	$ 79,496,000	$ 79,649,000
Cost of sales	23,673,000	23,500,000	45,364,000	45,365,000
Gross profit	18,901,000	17,379,000	34,132,000	34,284,000
Selling, general and administrative	11,616,000	11,550,000	22,497,000	22,600,000
Income from operations	7,285,000	5,829,000	11,635,000	11,684,000
Other (income) expense, net	(967,000)	20,000	(634,000)	12,000
Interest expense	1,656,000	2,693,000	3,288,000	5,363,000
Net income before income taxes	6,596,000	3,116,000	8,981,000	6,309,000
Income taxes	2,669,000	1,465,000	3,656,000	2,967,000
Net income and comprehensive income	$ 3,927,000	$ 1,651,000	$ 5,325,000	$ 3,342,000

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

Condensed consolidated statements of stockholders' equity (unaudited)

	For the periods ended June 30, 2015 and December 31, 2014 (unaudited)						
	Common stock		Preferred stock		Additional paid-in capital	Accumulated earnings (deficit)	Total
	Shares	Amount	Shares	Amount			
Balance at January 1, 2014	11,000	$ —	—	$ —	$ 111,061,000	$ (9,627,000)	$ 101,434,000
Accretion of incentive and profit interests	—	—	—	—	945,000	—	945,000
Net income	—	—	—	—	—	4,010,000	4,010,000
Balance at December 31, 2014	11,000	—	—	—	112,951,000	(1,003,000)	111,948,000
Accretion of incentive and profit interests	—	—	—	—	459,000	—	459,000
Net income	—	—	—	—	—	5,325,000	5,325,000
Balance at June 30, 2015	11,000	$ —	—	$ —	$ 113,410,000	$ 4,322,000	$ 117,732,000

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

Condensed consolidated statements of cash flows (unaudited)

	For the six months ended ended	
	June 30, 2015	June 30, 2014
	unaudited	unaudited
Cash flows from operating activities		
Net income	$ 5,325,000	$ 3,342,000
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation expense	1,935,000	2,493,000
Amortization expense	4,356,000	4,356,000
Deferred taxes	1,511,000	1,725,000
Amortization of debt issuance costs	246,000	296,000
Stock-based compensation expense	459,000	473,000
Allowance for doubtful accounts receivable	42,000	157,000
Loss on sales of assets	—	5,000
Changes in operating assets and liabilities		
Accounts receivable	(5,528,000)	(12,414,000)
Inventory	(3,262,000)	4,492,000
Prepaid expenses and other assets	(1,836,000)	(57,000)
Accounts payable	1,138,000	1,199,000
Accrued liabilities	(1,942,000)	(1,958,000)
Accrued interest expense	558,000	589,000
Accrued tax expense	1,197,000	793,000
Net cash provided by operating activities	4,199,000	5,491,000
Cash flows from investing activities		
Purchase of property and equipment	(1,813,000)	(2,133,000)
Proceeds from sale of property and equipment	—	14,000
Net cash used in investing activities	(1,813,000)	(2,119,000)
Cash flows from financing activities		
Payments on related party loans	(10,500,000)	(500,000)
Borrowing on related party revolving credit facility	29,000,000	15,000,000
Repayments on related party revolving credit facility	(20,000,000)	(16,000,000)
Loan origination fees	(100,000)	—
Net cash used in financing activities	(1,600,000)	(1,500,000)
Net increase in cash and cash equivalents	786,000	1,872,000
Cash and cash equivalents - beginning of period	975,000	1,168,000
Cash and cash equivalents - end of period	$ 1,761,000	$ 3,040,000
Supplemental disclosures of cash flow information		
Interest paid	$ 2,484,000	$ 4,477,000
Income taxes paid	$ 1,334,000	$ 394,000

The accompanying notes are an integral part of these condensed consolidated financial statements (unaudited).

Notes to consolidated condensed financial statements (unaudited)

Note 1 - Basis of Presentation and Responsibility for Interim Financial Statements

Basis of presentation

The financial information included in this interim report includes the accounts of CamelBak Acquisition Corporation and subsidiaries (the Company). All significant intercompany balances have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements included herein have been prepared in U.S. dollars and in accordance with U.S. generally accepted accounting principles (U.S. GAAP) by the Company without audit and, accordingly, do not include all of the annual disclosures required by U.S. GAAP. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's annual report for the year ended December 31, 2014.

In the opinion of management, the unaudited interim consolidated financial statements reflect all normal, recurring adjustments considered necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented using management's best estimates and assumptions where appropriate. Management's estimates and assumptions about future events affect reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are inherently subject to judgment and actual results could differ.

Subsequent events evaluation

Subsequent events have been evaluated through August 11, 2016, the date these financial statements were available to be issued.

Fair value of financial instruments

The carrying value of the Company's financial instruments, including cash, accounts receivable, prepaid and other assets, accounts payable, accrued expenses and line of credit approximate their fair value due to the short-term nature. Term debt with a carrying value of $85,128,000 and $95,628,000 at June 30, 2015 and December 31, 2014, respectively, approximated fair value. The fair value is based on interest rates that are currently available to the Company for issuance of debt with similar terms and remaining maturities. These are considered level 2.

The Company follows US GAAP guidance that has a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of the asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities as of the measurement date. The types of instruments which would generally be included in Level 1 include listed equity securities.

Level 2 - Inputs are observable for the asset or liability, either directly or indirectly, as of the measurement date, but are other than quoted prices in active markets as in Level 1. The types of instruments which would generally be included in this category include unlisted derivative financial instruments and fixed income investments.

Level 3 - Inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant judgment or estimation by the reporting entity. The types of instruments which would generally be included in this category include privately held investments, partnership interests and similar interests, and beneficial interests in trusts held by others.

Warranties

The Company estimates the exposure to warranty claims based on both current and historical product sales data and warranty costs incurred. The Company assesses the adequacy of its recorded warranty liability quarterly and adjusts the amount as

Note 1 - Basis of Presentation and Responsibility for Interim Financial Statements (continued)

necessary. The warranty liability was $679,000 and $554,000 at June 30, 2015 and December 31, 2014, respectively, and is included in accrued expenses on the accompanying balance sheets.

Foreign currency

The functional currency of the Company's foreign subsidiaries is the U.S. dollar. For currencies other than the U.S. dollar, the financial statements are translated into U.S. dollars using exchange rates in effect at year-end for assets and liabilities and average exchange rates during the year for results of operations.
Foreign currency transaction gains or losses are recognized in other income. The Company recorded foreign currency transaction net gain of $196,000 and net loss of $125,000 during the 3 and 6 month periods ended June 30, 2015 and net gain of $2,000 and $38,000 for the 3 and 6 month periods ended June 30, 2014, respectively.

Advertising

Advertising costs are expensed as incurred and included in selling, general and administrative expense in the consolidated statements of comprehensive income. Advertising costs were $365,000 and $631,000 for the 3 and 6 month periods ended June 30, 2015 and $814,000 and $1,546,000 for the 3 and 6 month periods ended June 30, 2014, respectively.

Research and development costs

Research and development costs are expensed as incurred and included in selling, general and administrative expense on the consolidated statements of comprehensive income. The Company incurred research and development expense of $1,094,000 and $1,910,000 for the 3 and 6 month periods ended June 30, 2015 and $900,000 and $1,635,000 for the 3 and 6 month periods ended June 30, 2014, respectively.

Concentration of sales and credit risk

The Company maintains cash balances, where balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 and from time to time, the Company maintains cash balances in excess of federally insured limits. The Company performs periodic credit evaluations of its customers. The Company maintains allowances for potential credit losses, and such losses have historically been within management's expectation.

The Company's top ten customers accounted for 51.1% and 47.2% for the 3 and 6 month periods ended June 30, 2015 and 49.3% and 45.8% for the 3 and 6 month periods ended June 30, 2014. One customer accounted for more than 10% of the Company's sales for the 3 and 6 month periods ended June 30, 2015 and June 30, 2014. Two customers accounted for approximately 29.0% and 28.7% of accounts receivable at June 30, 2015 and December 31, 2014, respectively.

The Company's products are primarily sold through retailers in the United States, Canada, and Europe and to various government agencies primarily in the United States and Europe. Sales in the United States accounted for 83.8% and 79.3% for the 3 and 6 month periods ended June 30, 2015 and 78.6% and 76.3% for the 3 and 6 month periods ended June 30, 2014. International sales accounted for 16.1% and 20.7% for the 3 and 6 month periods ended June 30, 2015 and 21.4% and 23.7% for the 3 and 6 month periods ended June 30, 2014, respectively.

Recently adopted and issued accounting pronouncements

In 2014, the FASB issued a new accounting standard to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The new standard defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In 2015, the FASB issued an update to defer the effective date of this new standard by one year. The new standard is effective for annual reporting periods beginning after December 15, 2018 with early adoption permitted using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain

Note 1 - Basis of Presentation and Responsibility for Interim Financial Statements (continued)

practical expedients as defined within the standard; or (ii) retrospective with the cumulative effect of initially applying the standard recognized at the date of initial application and providing certain additional disclosures as defined per the standard.

In April 2015, the FASB issued ASU No. 2015-03 in order to simplify presentation of debt issuance costs, the amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct

deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17, Income Taxes (“Topic 740”), Balance Sheet Classification of Deferred Taxes (“ASU 2015-17”). The objective is to simplify the presentation of deferred income taxes; the amendments require that deferred tax assets and liabilities be classified as noncurrent in a classified balance sheet. ASU 2015-17 will be effective for fiscal years beginning after December 15, 2017. Earlier application is permitted for all entities as of the beginning of an annual reporting period. The amendment may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented.

In February 2016, the FASB issued an accounting pronouncement related to the accounting for leases. This pronouncement requires lessees to record most leases on their balance sheet, while expense recognition on the statement of operations remains similar to current lease accounting guidance. The guidance also eliminates real estate-specific provisions and modifies certain aspects of lessor accounting. Under the new guidance, lease classification as either a finance lease or an operating lease will determine how lease-related revenue and expense are recognized. The pronouncement is effective for fiscal years beginning after December 15, 2019.

The Company is currently evaluating the impact of the adoption of these standards on its consolidated financial statements.

Note 2 - Inventory

Inventory is comprised of the following:

	June 30, 2015	December 31, 2014
Raw materials	$ 4,211,000	$ 3,160,000
Work in progress and subassemblies	2,767,000	2,624,000
Finished goods	23,795,000	21,727,000
Total	$ 30,773,000	$ 27,511,000

Note 3 - Goodwill and intangible assets

As of June 30, 2015 and December 31, 2014, goodwill and intangible assets are comprised of the following:

	June 30, 2015	Estimated useful life
Customer relationships	$ 79,000,000	15
Technology	23,000,000	6-11
Patents	1,400,000	9
Non-compete agreements	1,200,000	1-2
	104,600,000	
Accumulated amortization:	(34,595,000)	
Trade names, not subject to amortization	88,400,000	
Total intangibles	158,405,000	
Goodwill	$ 5,546,000	

	December 31, 2014	Estimated useful life
Customer relationships	$ 79,000,000	15
Technology	23,000,000	6-11
Patents	1,400,000	9
Non-compete agreements	1,200,000	1-2
	104,600,000	
Accumulated amortization:	(30,239,000)	
Trade names, not subject to amortization	88,400,000	
Total intangibles	162,761,000	
Goodwill	$ 5,546,000	

Amortization expense for the quarters ended June 30, 2015 and 2014 was $2,178,000. For the six month periods ended June 30, 2015 and 2014 it was $4,356,000.

Estimated charges to amortization expense of intangible assets over the next five years are as follows:

	As of June 30, 2015
Years ending December 31,	
Remainder of 2015	$ 4,356,000
2016	8,712,000
2017	7,962,000
2018	6,462,000
2019	6,462,000
Thereafter	36,051,000
Total	$ 70,005,000

Note 4 - Debt

On January 1, 2015, the Company amended the credit agreement with Compass Group Diversified Holdings, LLC ("Compass"). The outstanding Term B Loan was paid in full with proceeds from an additional Revolving Loan in the amount of $10,000,000, and the advance of an additional Term A Loan. Interest rates changed for the Term A and the Revolving Credit Facility. No other significant terms were modified. The Company paid an amendment fee of $100,000 in connection with the amended credit agreement which is being amortized over the life of the loan.

Note 4 - Debt (continued)

The Term A maturity date is August 31, 2017. The Term A loan requires quarterly principal payments of $250,000, commencing December 31, 2011 and continuing to the maturity date, with the remaining balance due August 31, 2017. Prior to repayment The Term B loan maturity date was August 31, 2018.

At the Company's option, advances under the Revolving Credit Facility and Term A loan interest can be either base rate or LIBOR. Base rate loans bear interest at a fluctuating rate per annum equal to the greater of the prime rate of interest or the sum of the Federal Funds Rate plus 0.5%, plus a margin ranging from 3.00% to 5.00% based upon the Total Debt to EBITDA Ratio.

The base rate margin ranged from 3.00% to 4.00% prior to the loan amendment. LIBOR rate is the greater of 1.00% or the applicable LIBOR rate, plus a margin ranging from 4.00% to 6.00% based upon the Total Debt to EBITDA Ratio. The LIBOR margin ranged from 4.00% to 5.00% prior to the loan amendment.

Term B interest was at a rate per annum of 12.5% comprised only of cash interest. The Company had the right in their discretion, but not obligation, to pay all or any portion of the accrued but undischarged PIK interest in cash at any time.

The Company pays an availability fee quarterly equal to 0.5% of the unused portion of the Revolving Credit Facility. The borrowing availability under the Revolving Credit Facility at June 30, 2015 and December 31, 2014 was approximately $10.9 million and $19.9 million, respectively.

The Term A and Revolving Credit Facility with Compass are collateralized by the Company's right, title and interest in the Company's net assets except for certain excluded intangible assets as defined in the collateral agreement with Compass. The loan agreements also include certain financial covenants including, but not limited to, requirements to maintain certain fixed charges and leverage ratios. As of June 30, 2015 and December 31, 2014, the Company was in compliance with all financial covenants under its credit agreements.

Long-term debt and the related current portion consist of the following:

	June 30, 2015	December 31, 2014
Term A loan	$ 85,128,000	$ 42,217,000
Term B loan	—	53,411,000
	85,128,000	95,628,000
Less current portion	(1,000,000)	(1,000,000)
Long-term debt	$ 84,128,000	$ 94,628,000

Note 5 - Income taxes

The Company determines the interim tax provision by applying an estimate of the annual effective tax rate to the year-to-date pretax book income and adjusts for discrete items, if any, during the reporting period. The effective income tax rate for the three and six months ended June 30, 2015 and 2014 was 40.6% and 47.0%, respectively.

Note 6 - Commitments and contingencies

Legal

In the ordinary course of business, the Company may become the subject of various claims and litigation. The Company maintains insurance to cover many of its potential losses, and it is subject to various deductibles with respect to its insurance. It is possible, however, that an unexpected claim, lawsuit, judgment or result could be made or rendered against the Company in cases in which it could be uninsured, underinsured or in amounts beyond the amounts it currently has reserved or anticipates incurring.

Note 7 - Employee retirement plan

The Company maintains a 401(k) plan for employees who are at least 21 years of age, and the employees are eligible to participate the 1st of the month after 30 days of employment. Non-resident aliens and part-time/temporary/seasonal employees are not eligible. Company contributions are based on the amounts contributed by eligible employees up to 3% of an eligible employee's salary. The total employer contributions were $71,000 and $142,000 for the 3 and 6 month periods ended June 30, 2015 and $65,000 and $131,000 for the 3 and 6 month periods ended June 30, 2014, respectively.

Note 8 - Related party transactions

The Company entered into various loans and other related party transactions with its majority stockholder, Compass. Total related party amounts outstanding were $100,045,000 and $101,124,000 as of June 30, 2015 and December 31, 2014, respectively. Interest and commitment fees paid on the Compass loans were $1,516,000 and $2,514,000 for the 3 and 6 month periods ended June 30, 2015 and $2,587,000 and $4,513,000 for the 3 and 6 month periods ended June 30, 2014, respectively. In addition, there was an annual management fee of $125,000 and $250,000 for the 3 and 6 month periods ended June 30, 2015 and June 30, 2014, to Compass Group Management, LLC, the manager of the day-to-day operations and affairs of Compass.

Note 9 - Subsequent Events

On August 3, 2015, Vista Outdoor, Inc. completed the acquisition of CamelBak Products, LLC for total consideration of $412,500,000, subject to a customary working capital adjustment, utilizing cash on hand and borrowings under our existing credit facilities.

(Back To Top)