

ROCKY BRANDS, INC.
Form 10-Q
July 29, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015

OR

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

For the transition period from _____ to _____

Commission file number: **001-34382**

ROCKY BRANDS, INC.

(Exact name of registrant as specified in its charter)

Ohio **31-1364046**
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

39 E. Canal Street, Nelsonville, Ohio 45764

(Address of Principal Executive Offices, Including Zip Code)

(740) 753-1951

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

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

Large accelerated filer " Accelerated filer x Non-accelerated filer " Smaller reporting company "
(Do not check if a smaller reporting company)

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

As of July 24, 2015, 7,564,313 shares of Rocky Brands, Inc. common stock, no par value, were outstanding.

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ROCKY BRANDS, INC.

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PART I - FINANCIAL INFORMATION**ITEM 1 - FINANCIAL STATEMENTS****ROCKY BRANDS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

	June 30, 2015 (Unaudited)	December 31, 2014	June 30, 2014 (Unaudited)
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	\$4,526,938	\$ 4,616,694	\$3,960,134
Trade receivables – net	58,073,165	55,807,103	54,088,664
Other receivables	605,019	476,480	754,889
Inventories	86,478,155	85,237,042	86,438,290
Income tax receivable	56,540	-	7,039
Deferred income taxes	1,291,907	1,291,907	1,104,050
Prepaid expenses	2,672,643	2,553,442	2,657,619
Total current assets	153,704,367	149,982,668	149,010,685
FIXED ASSETS – net	25,258,833	26,264,641	27,641,771
IDENTIFIED INTANGIBLES	36,615,202	36,681,644	36,741,214
OTHER ASSETS	269,620	299,490	348,958
TOTAL ASSETS	\$215,848,022	\$ 213,228,443	\$213,742,628
LIABILITIES AND SHAREHOLDERS' EQUITY:			
CURRENT LIABILITIES:			
Accounts payable	\$19,436,481	\$ 15,116,131	\$18,433,803
Accrued expenses:			
Salaries and wages	1,500,561	1,773,061	2,127,934
Taxes - other	521,327	532,470	539,919
Accrued freight	500,113	683,482	858,244
Commissions	555,781	681,185	698,799
Accrued duty	2,693,060	2,693,223	2,430,325
Income taxes payable	-	2,687,535	-
Other	1,346,625	1,042,653	1,157,565
Total current liabilities	26,553,948	25,209,740	26,246,589
LONG TERM DEBT	35,593,360	36,270,373	43,359,640
DEFERRED INCOME TAXES	12,928,048	12,928,048	11,750,718
DEFERRED LIABILITIES	389,208	472,364	293,823
TOTAL LIABILITIES	75,464,564	74,880,525	81,650,770
COMMITMENTS AND CONTINGENCIES			
SHAREHOLDERS' EQUITY:			

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Common stock, no par value; 25,000,000 shares authorized; issued and outstanding June 30, 2015 - 7,562,069; December 31, 2014 - 7,550,126 and June 30, 2014 - 7,543,210	70,667,372	70,460,672	70,304,984
Retained earnings	69,716,086	67,887,246	61,786,874
Total shareholders' equity	140,383,458	138,347,918	132,091,858
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$215,848,022	\$ 213,228,443	\$213,742,628

See notes to the interim unaudited condensed consolidated financial statements.

ROCKY BRANDS, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(UNAUDITED)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
NET SALES	\$68,583,196	\$68,822,520	\$134,034,499	\$134,605,804
COST OF GOODS SOLD	45,934,563	46,236,858	89,414,556	90,166,993
GROSS MARGIN	22,648,633	22,585,662	44,619,943	44,438,811
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	19,395,298	20,041,283	38,963,245	40,556,822
INCOME FROM OPERATIONS	3,253,335	2,544,379	5,656,698	3,881,989
OTHER INCOME AND (EXPENSES):				
Interest expense, net	(176,186)	(225,299)	(341,262)	(443,972)
Other – net	4,524	6,381	(58,816)	232
Total other - net	(171,662)	(218,918)	(400,078)	(443,740)
INCOME BEFORE INCOME TAXES	3,081,673	2,325,461	5,256,620	3,438,249
INCOME TAX EXPENSE	1,079,000	814,000	1,840,000	1,203,000
COMPREHENSIVE INCOME	\$2,002,673	\$1,511,461	\$3,416,620	\$2,235,249
NET INCOME PER SHARE				
Basic	\$0.26	\$0.20	\$0.45	\$0.30
Diluted	\$0.26	\$0.20	\$0.45	\$0.30
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic	7,561,850	7,543,173	7,560,603	7,541,462
Diluted	7,578,713	7,545,319	7,572,467	7,542,871

See notes to the interim unaudited condensed consolidated financial statements.

ROCKY BRANDS, INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

	Six Months Ended	
	June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$3,416,620	\$2,235,249
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,591,306	3,380,985
Loss on disposal of fixed assets	-	110,065
Stock compensation expense	197,958	151,414
Change in assets and liabilities		
Receivables	(2,394,601)	(5,447,997)
Inventories	(1,241,113)	(8,266,620)
Other current assets	(175,741)	106,977
Other assets	29,870	5,093
Accounts payable	4,111,475	7,273,763
Accrued and other liabilities	(3,059,298)	1,920,737
Net cash provided by operating activities	4,476,476	1,469,666
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(2,309,005)	(5,214,536)
Investment in trademarks and patents	(1,176)	(1,603)
Proceeds from sale of fixed assets	-	27,850
Net cash used in investing activities	(2,310,181)	(5,188,289)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facility	36,407,387	41,443,827
Repayments of revolving credit facility	(37,084,400)	(36,472,385)
Proceeds from stock option exercises	8,742	-
Dividends paid on common stock	(1,587,780)	(1,508,302)
Net cash (used in) provided by financing activities	(2,256,051)	3,463,140
DECREASE IN CASH AND CASH EQUIVALENTS	(89,756)	(255,483)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,616,694	4,215,617
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$4,526,938	\$3,960,134

See notes to the interim unaudited condensed consolidated financial statements.

ROCKY BRANDS, INC.**AND SUBSIDIARIES****NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015 AND 2014****1. INTERIM FINANCIAL REPORTING**

In the opinion of management, the accompanying interim unaudited condensed consolidated financial statements reflect all adjustments that are necessary for a fair presentation of the financial results. All such adjustments reflected in the unaudited interim condensed consolidated financial statements are considered to be of a normal and recurring nature. The results of the operations for the three and six months ended June 30, 2015 and 2014 are not necessarily indicative of the results to be expected for the whole year. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2014.

2. TRADE RECEIVABLES

Trade receivables are presented net of the related allowance for uncollectible accounts of approximately \$1,053,000, \$1,002,000 and \$887,000 at June 30, 2015, December 31, 2014 and June 30, 2014, respectively. The allowance for uncollectible accounts is calculated based on the relative age and size of trade receivable balances. Our credit policy generally provides that trade receivables will be deemed uncollectible and written-off once we have pursued all reasonable efforts to collect on the account.

3. INVENTORIES

Inventories, net of reserves, are comprised of the following:

	June 30, 2015 (Unaudited)	December 31, 2014	June 30, 2014 (Unaudited)
Raw materials	\$14,307,340	\$ 11,702,762	\$16,017,918
Work-in-process	1,018,399	577,127	1,081,286
Finished goods	71,152,416	72,957,153	69,339,086

Total	\$86,478,155	\$85,237,042	\$86,438,290
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4. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information is as follows:

	(Unaudited) Six Months Ended June 30,	
	2015	2014
Interest	\$332,387	\$387,994
Federal, state and local income taxes, net of refunds	\$4,583,560	\$964,750
Fixed asset purchases in accounts payable	\$294,363	\$133,508

5. PER SHARE INFORMATION

Basic earnings per share (“EPS”) is computed by dividing net income applicable to common shareholders by the weighted average number of common shares outstanding during each period. The diluted earnings per share computation includes common share equivalents, when dilutive. There are no adjustments to net income necessary in the calculation of basic and diluted earnings per share.

A reconciliation of the shares used in the basic and diluted income per common share computation for the three months ended June 30, 2015 and 2014 is as follows:

	(Unaudited) Three Months Ended June 30,		(Unaudited) Six Months Ended June 30,	
	2015	2014	2015	2014
Weighted average shares outstanding	7,561,850	7,543,173	7,560,603	7,541,462
Dilutive restricted share units	11,719	2,146	9,370	1,409
Dilutive stock options	5,144	-	2,494	-
Dilutive weighted average shares outstanding	7,578,713	7,545,319	7,572,467	7,542,871

Weighted average shares that were antidilutive and therefore not included in the calculation of earnings per share were 77,428 and 40,250 for the three months ended June 30, 2015 and 2014, respectively. Weighted average shares that were antidilutive and therefore not included in the calculation of earnings per share were 82,374 and 44,336 for the six months ended June 30, 2015 and 2014, respectively.

6. RECENT FINANCIAL ACCOUNTING STANDARDS

Recently adopted accounting standards

In April 2014, the FASB issued ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of an Entity. The amendments in this update change the requirements for reporting discontinued operations in Subtopic 205-20. A discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when any of the following occurs: 1. The component of an entity or group of components of an entity meets the criteria in paragraph 205-20-45-1E to be classified as held for sale. 2. The component of an entity or group of components of an entity is disposed of by sale. 3. The component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff). The update is effective for all disposals (or classifications as held for sale) of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. The adoption of this standard did not have an effect on our consolidated financial statements.

Accounting standards not yet adopted

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). The amendments in this update supersede the revenue recognition requirements in Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, the amendments supersede the cost guidance in Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts, and create new Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers. In summary, the core principle of Topic 606 is that an entity recognizes 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 update is effective for public entities for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early application is not permitted. We have not yet determined the impact this ASU will have on our consolidated financial statements.

In June 2014, the FASB issued ASU No. 2014-12, Compensation – Stock Compensation (Topic 718). Some share-based payment awards that require a specific performance target to be achieved before the employee can benefit from the award, also require an employee to render service until the performance target is achieved. In some cases, the terms of an award may provide that the performance target could be achieved after an employee completes the requisite service period. That is, the employee would be entitled to benefit from the award regardless of whether the employee is rendering service on the date the performance target is achieved. Some entities account for those performance targets as performance conditions that affect the vesting of the award and, therefore, do not reflect the

performance target in the estimate of the grant-date fair value. Others treat them as nonvesting conditions that affect the grant-date fair value of the award. The amendments apply to reporting entities that grant their employees share-based payments in which the terms of the award provide that a performance target can be achieved after the requisite service period. The update is effective for public entities for annual reporting periods beginning after December 15, 2015. Early adoption is permitted. We have not yet determined the impact this ASU will have on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40). Currently, there is no guidance in GAAP about management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern or to provide related footnote disclosures. The amendments in this update provide that guidance. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. The amendments require management to assess an entity’s ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term *substantial doubt*, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management’s plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management’s plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The update is effective for public entities for annual reporting periods beginning after December 15, 2016. Early adoption is permitted.

In January 2015, the FASB issued ASU No. 2015-01, Income Statement – Extraordinary and Unusual Items (Subtopic 225-20). The objective of this update is to simplify the income statement presentation requirements in Subtopic 225-20 by eliminating the concept of extraordinary items. Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence. Eliminating the extraordinary classification simplifies income statement presentation by altogether removing the concept of extraordinary items from consideration. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption.

In April 2015, the FASB issued ASU No. 2015-03, Interest – Imputation of Interest (Subtopic 835-30). The objective of this update is 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. The amendments in this update are effective for fiscal years beginning after December 15, 2015. Early adoption of the amendments in this Update is permitted for financial statements that have not been previously issued. An entity should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, an entity is required to comply with the applicable disclosures for a change in an accounting principle. These disclosures include the nature of and reason for the change in accounting principle, the transition method, a description of the prior-period information that has been retrospectively adjusted, and the effect of the change on the financial statement line items (that is, debt issuance cost asset and the debt liability). We have not yet determined the impact this ASU will have on our consolidated financial statements.

7. INCOME TAXES

We file income tax returns in the U.S. Federal jurisdiction and various state and foreign jurisdictions. We are no longer subject to U.S. Federal tax examinations for years before 2012. In 2014, we were subjected to an IRS examination for our consolidated U.S. Federal return for the year 2011. There were no adjustments to our return as a result of that examination. State jurisdictions that remain subject to examination range from 2010 to 2014. Foreign jurisdiction tax returns that remain subject to examination range from 2009 to 2014 for Canada and from 2009 to 2014 for Puerto Rico. We do not believe we have any uncertain tax positions.

Our policy is to accrue interest and penalties on any uncertain tax position as a component of income tax expense. As of June 30, 2015, no such expenses were recognized during the quarter.

We provided for income taxes at an estimated effective tax rate of 35% for the three and six month periods ended June 30, 2015 and 2014.

8. INTANGIBLE ASSETS

A schedule of intangible assets is as follows:

June 30, 2015 (unaudited)	Gross Amount	Accumulated Amortization	Carrying Amount
Trademarks:			
Wholesale	\$32,343,578	\$ -	\$32,343,578
Retail	2,900,000	-	2,900,000
Patents	2,595,477	2,297,187	298,290
Customer relationships	2,200,000	1,126,666	1,073,334
Total Identified Intangibles	\$40,039,055	\$ 3,423,853	\$36,615,202

December 31, 2014	Gross Amount	Accumulated Amortization	Carrying Amount
Trademarks:			
Wholesale	\$32,343,578	\$ -	\$32,343,578
Retail	2,900,000	-	2,900,000
Patents	2,594,301	2,269,569	324,732
Customer relationships	2,200,000	1,086,666	1,113,334
Total Identified Intangibles	\$40,037,879	\$ 3,356,235	\$36,681,644

June 30, 2014 (unaudited)	Gross Amount	Accumulated Amortization	Carrying Amount
Trademarks:			
Wholesale	\$32,343,578	\$ -	\$32,343,578
Retail	2,900,000	-	2,900,000
Patents	2,586,460	2,242,157	344,303
Customer relationships	2,200,000	1,046,667	1,153,333
Total Identified Intangibles	\$40,030,038	\$ 3,288,824	\$36,741,214

Amortization expense for intangible assets was \$33,801 and \$33,741 for the three months ended June 30, 2015 and 2014, respectively and \$67,618 and \$67,489 for the six months ended June 30, 2015 and 2014, respectively. The weighted average amortization period for patents is 15 years.

Estimate of Aggregate Amortization Expense for the years ending December 31,:

2016 \$132,180

2017	127,612
2018	121,468
2019	113,484
2020	110,578

9. CAPITAL STOCK

On May 7, 2014, our shareholders approved the 2014 Omnibus Incentive Plan (the “2014 Plan”). The 2014 Plan includes 500,000 of our common shares that may be granted under various types of awards as described in the 2014 Plan. As of June 30, 2015, we were authorized to issue 399,493 shares under this plan.

Service Based Restricted Stock

In the first quarter of 2015, we issued 28,000 restricted stock units to certain members of our management that will be settled in one share of common stock of the company per unit. These restricted stock units vest in increments of 25% per year over the next four years. We valued the units at a fair value of \$13.42 per unit, which was the closing price of our stock on the last trading date prior to the grant date. In the first quarter of 2014, we issued 23,000 restricted stock units under the 2004 Stock Incentive Plan to certain members of our management that will be settled in one share of common stock of the company per unit. These restricted stock units vest in increments of 25% per year over the next four years. We valued the units at a fair value of \$14.57 per unit, which was the closing price of our stock on the last trading date prior to the grant date. For the three and six months ended June 30, 2015, we recorded expense of \$41,109 and \$82,219, respectively, related to these restricted stock unit issuances.

Performance Based Restricted Stock

In the first quarter of 2015, we made available up to 32,000 performance based restricted stock units to certain members of our management. Shares underlying the performance based restricted stock units will be issued upon achieving certain established EPS goals at the end of fiscal year 2016. In the first quarter of 2014, we made available up to 23,000 performance based restricted stock units under the 2004 Stock Incentive Plan to certain members of our management. Shares underlying the performance based restricted stock units will be issued upon achieving certain established EPS goals at the end of fiscal year 2015. For the three and six months ended June 30, 2015 and 2014, we did not record any expense related to these performance based restricted stock units as it is uncertain if we will reach the performance goals.

Stock Options

In the first quarter of 2015, we issued 28,000 stock options to certain members of our management. These stock options vest in increments of 20% per year over the next five years. The options are exercisable at \$13.42 per option, which was the closing price of our stock on the last trading date prior to the grant date. We have determined the fair value of the options to be \$4.70 per option using the Black Scholes calculation. The significant assumptions utilized

for the Black Scholes calculations consist of an expected life of 6.5 years, historical volatility of 46.20%, a risk free interest rate of 1.92%, a dividend yield of 2.99% and an initial employee forfeiture rate of 3.8%. Our expected life estimate is based on the sum of the vesting terms divided by the number of vesting tranches. In the first quarter of 2014, we issued 23,000 stock options under the 2004 Stock Incentive Plan to certain members of our management. These stock options vest in increments of 20% per year over the next five years. The options are exercisable at \$14.57 per option, which was the closing price of our stock on the last trading date prior to the grant date. We have determined the fair value of the options to be \$5.94 per option using the Black Scholes calculation. The significant assumptions utilized for the Black Scholes calculations consist of an expected life of 6.5 years, historical volatility of 52.04%, a risk free interest rate of 2.41%, a dividend yield of 2.75% and an employee forfeiture rate of 3.8%. For the three and six months ended June 30, 2015, we recorded expense of \$12,370 and \$24,739, respectively, related to these stock option issuances.

The following summarizes stock option transactions from January 1, 2015 through June 30, 2015:

	Shares	Weighted Average Exercise Price
Options outstanding at January 1, 2015	23,000	\$ 14.57
Issued	28,000	\$ 13.42
Exercised	(600)	\$ 14.57
Forfeited	(800)	\$ 14.57
Options outstanding at June 30, 2015	49,600	\$ 13.92
Options exercisable at:		
January 1, 2015	-	\$ -
June 30, 2015	4,000	\$ 14.57
Unvested options at June 30, 2015	45,600	\$ 13.86

During the three and six month periods ended June 30, 2015, we issued 1,944 and 5,591 shares of common stock to members of our Board of Directors, respectively. We recorded compensation expense of \$42,000 and \$91,000 for the three and six month periods ended June 30, 2015, respectively, which was the fair market value of the shares on the grant dates. The shares are fully vested.

In June 2009, our Board of Directors adopted a Rights Agreement, which provides for one preferred share purchase right to be associated with each share of our outstanding common stock. Shareholders exercising these rights would become entitled to purchase shares of Series B Junior Participating Cumulative Preferred Stock. The rights are exercisable after the time when a person or group of persons without the approval of the Board of Directors acquire beneficial ownership of 20 percent or more of our common stock or announce the initiation of a tender or exchange offer which if successful would cause such person or group to beneficially own 20 percent or more of the common stock. Such exercise would ultimately entitle the holders of the rights to purchase at the exercise price, shares of common stock of the surviving corporation or purchaser, respectively, with an aggregate market value equal to two times the exercise price. The person or groups effecting such 20 percent acquisition or undertaking such tender offer would not be entitled to exercise any rights. The Rights Agreement was renewed in June 2012 and expires in June 2017.

10.SEGMENT INFORMATION

We have identified three reportable segments: Wholesale, Retail and Military. Wholesale includes sales of footwear and accessories to several classifications of retailers, including sporting goods stores, outdoor specialty stores, mail order catalogs, independent retailers, mass merchants, retail uniform stores, and specialty safety shoe stores. Retail includes all sales from our consumer websites, stores and all sales in our Lehigh division. Military includes sales to the U.S. Military. The following is a summary of segment results for the Wholesale, Retail, and Military segments.

	(Unaudited) Three Months Ended June 30,		(Unaudited) Six Months Ended June 30,	
	2015	2014	2015	2014
NET SALES:				
Wholesale	\$53,939,378	\$56,712,072	\$104,919,071	\$109,792,879
Retail	10,181,252	10,064,663	22,036,011	21,169,674
Military	4,462,566	2,045,785	7,079,417	3,643,251
Total Net Sales	\$68,583,196	\$68,822,520	\$134,034,499	\$134,605,804
GROSS MARGIN:				
Wholesale	\$17,511,084	\$18,155,363	\$33,814,108	\$34,775,997
Retail	4,543,506	4,159,166	9,891,951	9,180,829
Military	594,043	271,133	913,884	481,985
Total Gross Margin	\$22,648,633	\$22,585,662	\$44,619,943	\$44,438,811

Segment asset information is not prepared or used to assess segment performance.

11.LONG-TERM DEBT

In October 2010, we entered into a financing agreement with PNC Bank (“PNC”) to provide a \$70 million credit facility. In December 2014, we amended and restated the credit facility to increase the facility to \$75 million and extend the term of the facility an additional five years. The credit facility’s base interest rate is the current prime rate less 0.25%, however the credit facility provides us the option to borrow on up to eight fixed loans at LIBOR plus 1.25% in accordance with the 2014 amended and restated credit agreement. The LIBOR rate is determined based on the fixed loan maturities, which vary from 30, 60, 90, or 180 days. As of June 30, 2015, December 31, 2014 and June 30, 2014, we had approximately \$31.0 million, \$35.0 million and \$40.0 million, respectively, in fixed LIBOR borrowings under the credit facility.

The total amount available under our amended and restated revolving credit facility is subject to a borrowing base calculation based on various percentages of accounts receivable and inventory. As of June 30, 2015, we had \$35.6

million in borrowings under this facility and total capacity of \$75 million.

Our amended and restated credit facility contains a restrictive covenant which requires us to maintain a fixed charge coverage ratio. This restrictive covenant is only in effect upon a triggering event taking place (as defined in the amended and restated credit facility agreement). At June 30, 2015, there was no triggering event and the covenant was not in effect.

Our amended and restated revolving credit facility matures in November 2019. We have no other long-term debt.

12. FINANCIAL INSTRUMENTS

Generally accepted accounting standards establish a framework for measuring fair value. The fair value accounting standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard clarifies how to measure fair value as permitted under other accounting pronouncements.

The fair value accounting standard defines fair value as the exchange price that would be received for 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 at the measurement date. This standard also establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

· Level 1 – Quoted prices in active markets for identical assets or liabilities.

· Level 2 – Observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

· Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The fair values of cash, accounts receivable, other receivables and accounts payable approximated their carrying values because of the short-term nature of these instruments. Accounts receivable consists primarily of amounts due from our customers, net of allowances. Other receivables consist primarily of amounts due from employees (sales persons' advances in excess of commissions earned and employee travel advances); other customer receivables, net of allowances; and expected insurance recoveries. The carrying amounts of our revolving line of credit and other short-term financing obligations also approximate fair value, as they are comparable to the available financing in the marketplace during the year.

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

The following table sets forth, for the periods indicated, information derived from our Interim Unaudited Condensed Consolidated Financial Statements, expressed as a percentage of net sales. The discussion that follows the table should be read in conjunction with our Interim Unaudited Condensed Consolidated Financial Statements.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net Sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost Of Goods Sold	67.0 %	67.2 %	66.7 %	67.0 %
Gross Margin	33.0 %	32.8 %	33.3 %	33.0 %
Selling, General and Administrative Expenses	28.3 %	29.1 %	29.1 %	30.1 %
Income From Operations	4.7 %	3.7 %	4.2 %	2.9 %

Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

Net sales. Net sales for the three months ended June 30, 2015 were \$68.6 million compared to \$68.8 million for the same period in 2014. Wholesale sales for the three months ended June 30, 2015 were \$53.9 million compared to \$56.7 million for the same period in 2014. The \$2.8 million decrease in Wholesale sales was the result of a \$2.5 million decrease in our commercial military footwear category, a \$0.8 million decrease in our apparel sales and a \$0.6 million decrease in our lifestyle footwear category, partially offset by a \$1.1 million increase in our outdoor footwear category. Retail sales for the three months ended June 30, 2015 were \$10.2 million compared to \$10.1 million for the same period in 2014. Military segment sales for the three months ended June 30, 2015 were \$4.5 million, compared to \$2.0 million in the same period in 2014. We have received an order to fulfill a contract to the U.S. Military to produce “Hot Weather” combat boots. Shipments to the U.S. Military for both periods were made under this order.

Gross margin. Gross margin for the three months ended June 30, 2015 was \$22.6 million, or 33.0% of net sales, compared to \$22.6 million, or 32.8% of net sales, in the same period last year. Wholesale gross margin for the three months ended June 30, 2015 was \$17.5 million, or 32.5% of net sales, compared to \$18.2 million, or 32.0% of net sales, in the same period last year. The 50 basis point increase was primarily due to a prior year product sale at reduced prices to a key retail partner that reduced margins in the prior year period. The Retail gross margin for the three months ended June 30, 2015 was \$4.5 million, or 44.6% of net sales, compared to \$4.2 million, or 41.3% of net sales, for the same period in 2014. The 330 basis point increase was largely due to a shift in sales mix to higher margin business. This is primarily due to lower sales on contract business to a major U.S. city. Military gross margin for the three months ended June 30, 2015 was \$0.6 million, or 13.3% of net sales, compared to \$0.3 million, or 13.3%

of net sales, for the same period in 2014.

SG&A expenses. SG&A expenses were \$19.4 million, or 28.3% of net sales, for the three months ended June 30, 2015, compared to \$20.0 million, or 29.1% of net sales for the same period in 2014. The \$0.6 million decrease is related primarily to lower incentive compensation of \$0.8 million.

Interest expense. Interest expense was \$0.2 million in the three months ended June 30, 2015, compared to \$0.2 million for the same period in the prior year.

Income taxes. Income tax expense for the three months ended June 30, 2015 was \$1.1 million, compared to \$0.8 million for the same period a year ago. We provided for income taxes at effective tax rates of 35% in 2015 and 2014.

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Net sales. Net sales for the six months ended June 30, 2015 were \$134.0 million compared to \$134.6 million for the same period in 2014. Wholesale sales for the six months ended June 30, 2015 were \$104.9 million compared to \$109.8 million for the same period in 2014. The \$4.9 million decrease in Wholesale sales was the result of a \$3.3 million decrease in our commercial military footwear category, a \$1.8 million decrease in our work footwear category and a \$1.1 million decrease in our lifestyle footwear category, which was partially offset by a \$1.2 million increase in our outdoor footwear category and a \$1.0 million increase in our western footwear category. The work footwear category was primarily down from the prior year period due to a decrease in private label footwear shipments. In addition, the lifestyle footwear category was lower than the prior year period as a result of a \$1.8 million decrease in the Creative Recreation brand. Retail sales for the six months ended June 30, 2015 were \$22.0 million compared to \$21.2 million for the same period in 2014. Military segment sales for the six months ended June 30, 2015, were \$7.1 million, compared to \$3.6 million in the same period in 2014. We have received an order to fulfill a contract to the U.S. Military to produce “Hot Weather” combat boots. Shipments to the U.S. Military for both periods were made under this order.

Gross margin. Gross margin for the six months ended June 30, 2015 was \$44.6 million, or 33.3% of net sales, compared to \$44.4 million, or 33.0% of net sales, in the same period last year. Wholesale gross margin for the six months ended June 30, 2015 was \$33.8 million, or 32.2% of net sales, compared to \$34.8 million, or 31.7% of net sales, in the same period last year. The 50 basis point increase was primarily due to a prior year product sale at reduced prices to a key retail partner that reduced margins in the first six months of 2014. The Retail gross margin for the six months ended June 30, 2015 was \$9.9 million, or 44.9% of net sales, compared to \$9.2 million, or 43.4% of net sales, for the same period in 2014. The 150 basis point increase was largely due to a shift in sales mix to higher margin business. This is primarily due to lower sales on contract business to a major U.S. city. Military gross margin for the six months ended June 30, 2015 was \$0.9 million, or 12.9% of net sales, compared to less than \$0.5 million, or 13.2% of net sales, for the same period in 2014.

SG&A expenses. SG&A expenses were \$39.0 million, or 29.1% of net sales, for the six months ended June 30, 2015, compared to \$40.6 million, or 30.1% of net sales for the same period in 2014. The \$1.6 million decrease is primarily related to lower incentive compensation of \$0.8 million and lower freight expense of \$0.7 million.

Interest expense. Interest expense was \$0.3 million in the six months ended June 30, 2015, compared to \$0.4 million for the same period in the prior year.

Income taxes. Income tax expense for the six months ended June 30, 2015 was \$1.8 million, compared to \$1.2 million for the same period a year ago. We provided for income taxes at effective tax rates of 35% in 2015 and 2014.

Liquidity and Capital Resources

Our principal sources of liquidity have been our income from operations and borrowings under our amended and restated credit facility.

Over the last several years our principal uses of cash have been for working capital and capital expenditures to support our growth. Our working capital consists primarily of trade receivables and inventory, offset by accounts payable and accrued expenses. Our working capital fluctuates throughout the year as a result of our seasonal business cycle and business expansion and is generally lowest in the months of January through March of each year and highest during the months of May through October of each year. We typically utilize our revolving credit facility to fund our seasonal working capital requirements. As a result, balances on our revolving credit facility will fluctuate significantly throughout the year. Our capital expenditures relate primarily to projects relating to our property, merchandising fixtures, molds and equipment associated with our manufacturing operations, retail sales fleet and for information technology. Capital expenditures were \$2.3 million for the first six months of 2015, compared to \$5.2 million for the same period in 2014. Total capital expenditures for 2015 are anticipated to be approximately \$6.1 million.

In October 2010, we entered into a financing agreement with PNC Bank (“PNC”) to provide a \$70 million credit facility. In December 2014, we amended and restated the credit facility to increase the facility to \$75 million and extend the term of the facility an additional five years. The credit facility’s base interest rate is the current prime rate less 0.25%, however the credit facility provides us the option to borrow on up to eight fixed loans at LIBOR plus 1.25% in accordance with the 2014 amended and restated credit agreement. The LIBOR rate is determined based on the fixed loan maturities, which vary from 30, 60, 90, or 180 days. As of June 30, 2015, December 31, 2014 and June 30, 2014, we had approximately \$31.0 million, \$35.0 million and \$40.0 million, respectively, in fixed LIBOR borrowings under the credit facility. The amended and restated credit facility matures in November 2019.

The total amount available under our amended and restated revolving credit facility is subject to a borrowing base calculation based on various percentages of accounts receivable and inventory. As of June 30, 2015, we had \$35.6 million in borrowings under this facility and total capacity of \$75 million.

Our amended and restated credit facility contains a restrictive covenant which requires us to maintain a fixed charge coverage ratio. This restrictive covenant is only in effect upon a triggering event taking place (as defined in the amended and restated credit facility agreement). At June 30, 2015, there was no triggering event and the covenant was not in effect.

Our amended and restated revolving credit facility matures in November 2019. We have no other long-term debt maturities.

Operating Activities. Cash provided by operating activities totaled \$4.5 million and \$1.5 million for the six months ended June 30, 2015 and 2014, respectively. Cash provided by operating activities for the six months ended June 30, 2015 was primarily impacted by increases in accounts payable, partially offset by decreases in accrued liabilities and increases in accounts receivable and inventory. Cash provided by operating activities for the six months ended June 30, 2014 was primarily impacted by increases in accounts payable and accrued liabilities, partially offset by increases in accounts receivable and inventory.

Investing Activities. Cash used in investing activities was \$2.3 million for the six months ended June 30, 2015, compared to \$5.2 million in the same period of 2014. Cash used in investing activities reflects an investment in property, plant and equipment of \$2.3 million in 2015 and \$5.2 million in 2014. Our 2015 and 2014 expenditures primarily relate to investments in molds and equipment associated with our manufacturing operations and for information technology.

Financing Activities. Cash used in financing activities for the six months ended June 30, 2015 was \$2.3 million and was primarily related to the payment of \$1.6 million of dividends on common stock and a net decrease under the revolving credit facility of \$0.7 million. Cash provided by financing activities for the six months ended June 30, 2014 was \$3.5 million and was primarily related to a net increase under the revolving credit facility of \$5.0 million, partially offset by the payment \$1.5 million of dividends on common stock.

Inflation

We cannot determine the precise effects of inflation; however, inflation continues to have an influence on the cost of materials, salaries, and employee benefits. We attempt to offset the effects of inflation through increased selling prices, productivity improvements, and reduction of costs.

Critical Accounting Policies and Estimates

“Management’s Discussion and Analysis of Financial Condition and Results of Operations” discusses our interim condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. A summary of our significant accounting policies is included in the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 31, 2014.

Our management regularly reviews our accounting policies to make certain they are current and also to provide readers of the interim condensed consolidated financial statements with useful and reliable information about our operating results and financial condition. These include, but are not limited to, matters related to accounts receivable, inventories, intangibles and income taxes. Implementation of these accounting policies includes estimates and judgments by management based on historical experience and other factors believed to be reasonable. This may include judgments about the carrying value of assets and liabilities based on considerations that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our management believes the following critical accounting policies are most important to the portrayal of our financial condition and results of operations and require more significant judgments and estimates in the preparation of our interim condensed consolidated financial statements.

Revenue recognition

Revenue principally consists of sales to customers, and, to a lesser extent, license fees. Revenue is recognized when the risk and title passes to the customer, while license fees are recognized when earned. Customer sales are recorded net of allowances for estimated returns, trade promotions and other discounts, which are recognized as a deduction from sales at the time of sale.

Accounts receivable allowances

Management maintains allowances for uncollectible accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The allowance for uncollectible accounts is calculated based on the relative age and size of trade receivable balances.

Sales returns and allowances

We record a reduction to gross sales based on estimated customer returns and allowances. These reductions are influenced by historical experience, based on actual customer returns and allowances. The actual amount of sales returns and allowances realized may differ from our estimates. If we determine that sales returns or allowances should be either increased or decreased, then the adjustment would be made to net sales in the period in which such a determination is made.

Inventories

Management identifies slow moving or obsolete inventories and estimates appropriate loss provisions related to these inventories. Historically, these loss provisions have not been significant as the vast majority of our inventories are considered saleable, and we have been able to liquidate slow moving or obsolete inventories through our factory outlet stores or through various discounts to customers. Should management encounter difficulties liquidating slow moving or obsolete inventories, additional provisions may be necessary. Management regularly reviews the adequacy of our inventory reserves and makes adjustments to them as required.

Intangible assets

Intangible assets, including goodwill, trademarks and patents are reviewed for impairment annually, and more frequently, if necessary. We perform such testing of goodwill and indefinite-lived intangible assets in the fourth quarter of each year or as events occur or circumstances change that would more likely than not reduce the fair value of the asset below its carrying amount.

In assessing whether indefinite-lived intangible assets are impaired, we must make certain estimates and assumptions regarding future cash flows, long-term growth rates of our business, operating margins, weighted average cost of capital and other factors such as discount rates, royalty rates, cost of capital, and market multiples to determine the fair value of our assets. These estimates and assumptions require management's judgment, and changes to these estimates and assumptions could materially affect the determination of fair value and/or impairment for each of our other indefinite-lived intangible assets. Future events could cause us to conclude that indications of intangible asset impairment exist. Impairment may result from, among other things, deterioration in the performance of our business, adverse market conditions, adverse changes in applicable laws and regulations, competition, or the sale or disposition of a reporting segment. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

Income taxes

Management has recorded a valuation allowance to reduce its deferred tax assets for a portion of state and local income tax net operating losses that it believes may not be realized. We have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance; however, in the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.

Except for the historical information contained herein, the matters discussed in this Quarterly Report on Form 10-Q include certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Those statements include, but may not be limited to, all statements regarding our and management's intent, belief, and expectations, such as statements concerning our future profitability and our operating and growth strategy. Words such as "believe," "anticipate," "expect," "will," "may," "should," "intend," "plan," "estimate," "potential," "continue," "likely" and similar expressions are intended to identify forward-looking statements. Investors are cautioned that all forward-looking statements contained in this Quarterly Report on Form 10-Q and in other statements we make involve risks and uncertainties including, without limitation, the factors set forth under the caption "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2014, and other factors detailed from time to time in our other filings with the Securities and Exchange Commission. One or more of these factors have affected, and in the future could affect our businesses and financial results and could cause actual results to differ materially from plans and projections. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, there can be no assurance that any of the forward-looking statements included in this Quarterly Report on Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. All forward-looking statements made in this Quarterly Report on Form 10-Q are based on information presently available to our management. We assume no obligation to update any forward-looking statements.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes since December 31, 2014.

ITEM 4 – CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, our management, with the participation of our chief executive officer and chief financial officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 promulgated under the Exchange Act. Based upon this evaluation, our chief executive officer and our chief financial officer concluded that our disclosure controls and procedures were (1) designed to ensure that material information relating to our Company is accumulated and made known to our management, including our chief executive officer and chief financial officer, in a timely manner, particularly during the period in which this report was being prepared, and (2) effective, in that they provide reasonable assurance that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

Management believes, however, that a controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Internal Controls. There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) during our fiscal quarter ended June 30, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

None

ITEM 1A - RISK FACTORS

There have been no material changes to our risk factors as disclosed in Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014.

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

None

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 – MINE SAFETY DISCLOSURES

None

ITEM 5 - OTHER INFORMATION

None

ITEM 6 - EXHIBITS

**EXHIBIT EXHIBIT
NUMBER DESCRIPTION**

- | | |
|---------|---|
| 31 (a)* | Certification pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) of the Chief Executive Officer. |
| 31 (b)* | Certification pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) of the Chief Financial Officer. |
| 32 (a)+ | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer. |
| 32 (b)+ | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer. |

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Attached as Exhibits 101 to this report are the following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015 formatted in XBRL ("eXtensible Business Reporting Language"): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Statements of Cash Flows, and (vi) related notes to these financial statements.

* Filed with this report.

+Furnished with this report.

SIGNATURE

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 thereunto duly authorized.

Rocky Brands, Inc.

Date: July 29, 2015 /s/ James E. McDonald

James E. McDonald, Executive Vice President and Chief Financial Officer*

*In his capacity as Executive Vice President and Chief Financial Officer, Mr. McDonald is duly authorized to sign this report on behalf of the Registrant.