CENTRAL EUROPEAN MEDIA ENTERPRISES LTD
Form SC 13D/A
May 10, 2013

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D/A

Under the Securities Exchange Act of 1934 (Amendment No. 9)*

CENTRAL EUROPEAN MEDIA ENTERPRISES LTD.

(Name of Issuer)

Class A Common Stock, par value $0.08 per share

(Title of Class of Securities)

G20045202

(CUSIP Number)

Paul T. Cappuccio, Esq.
Executive Vice President and General Counsel
Time Warner Inc.
One Time Warner Center
New York, New York 10019
(212) 484-8000

(Name, Address and Telephone Number of Person
Authorized to Receive Notices and Communications)

May 8, 2013

(Date of Event which Requires
Filing of this Schedule)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§ 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box: o

NOTE: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person’s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934 (“Act”) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

SCHEDULE 13D

CUSIP No. G20045202			Page 2 of 7 Pages
1	NAME OF REPORTING PERSONS Time Warner Inc. 13-4099534		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP		(a) o (b) x
3	SEC USE ONLY		
4	SOURCE OF FUNDS WC (See Item 3)		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		o
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 0 (See Item 5)	
	8	SHARED VOTING POWER 65,783,233 (See Item 5)*	
	9	SOLE DISPOSITIVE POWER 0 (See Item 5)	
	10	SHARED DISPOSITIVE POWER 65,783,233 (See Item 5)	
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH PERSON 65,783,233 (See Item 5)*		
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES		o
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 49.94% (See Item 5)		
14	TYPE OF REPORTING PERSON CO		

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* Consists of shares subject to a voting agreement, beneficial ownership of which is disclaimed. See Item 5.

SCHEDULE 13D

CUSIP No. G20045202

1	NAME OF REPORTING PERSONS TW Media Holdings LLC 61-1593422	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a) o (b) x
3	SEC USE ONLY	
4	SOURCE OF FUNDS WC (See Item 3)	
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)	o
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 0 (See Item 5)
	8	SHARED VOTING POWER 65,783,233 (See Item 5)*
	9	SOLE DISPOSITIVE POWER 0 (See Item 5)
	10	SHARED DISPOSITIVE POWER 65,783,233 (See Item 5)

11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH PERSON 65,783,233 (See Item 5)*	
12	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES	o
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 49.94% (See Item 5)	
14	TYPE OF REPORTING PERSON OO (See Iten 2)	

* Consists of shares subject to a voting agreement, beneficial ownership of which is disclaimed. See Item 5.

1	NAME OF REPORTING PERSONS Time Warner Media Holdings B.V.		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP		(a) o (b) x
3	SEC USE ONLY		
4	SOURCE OF FUNDS WC (See Item 3)		
5	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)		o
6	CITIZENSHIP OR PLACE OF ORGANIZATION The Netherlands		

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		
	7	SOLE VOTING POWER 0 (See Item 5)
	8	SHARED VOTING POWER 65,783,233 (See Item 5)*
	9	SOLE DISPOSITIVE POWER 0 (See Item 5)
	10	SHARED DISPOSITIVE POWER 65,783,233 (See Item 5)

11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH PERSON 65,783,233 (See Item 5)*	
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13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 49.94% (See Item 5)	
14	TYPE OF REPORTING PERSON OO (See Item 2)	

Item 1. Security and Issuer

This Amendment No. 9 to Schedule 13D (“Amendment No. 9”) amends the Schedule 13D originally filed on April 1, 2009 (the “Original 13D”), as previously amended on May 21, 2009 by Amendment No. 1 to Schedule 13D, on December 8, 2009 by Amendment No. 2 to Schedule 13D, on March 4, 2011 by Amendment No. 3 to Schedule 13D, on May 3, 2012 by Amendment No. 4 to Schedule 13D, on June 20, 2012 by Amendment No. 5 to Schedule 13D, on June 27, 2012 by Amendment No. 6 to Schedule 13D, on July 11, 2012 by Amendment No. 7 and on May 1, 2013 by Amendment No. 8 to Schedule 13D (the Original 13D as so amended, the “Schedule 13D”), filed by Time Warner Inc., a Delaware corporation (“Time Warner”), TW Media Holdings LLC, a Delaware limited liability company and direct, wholly owned subsidiary of Time Warner (“TW Media”), and Time Warner Media Holdings B.V., a besloten vennootschap met beperkte aansprakelijkheid or a private limited company organized under the laws of the Netherlands, and direct, wholly owned subsidiary of TW Media (“TW Holdings B.V.” and, together with Time Warner and TW Media, the “Reporting Persons”). This Amendment No. 9 relates to the Class A Common Stock, par value $0.08 per share (the “Class A Common Stock”), of Central European Media Enterprises Ltd., a Bermuda company (the “Issuer”), with its principal executive offices at O'Hara House, 3 Bermudiana Road, Hamilton, Bermuda. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Schedule 13D.

Except as specifically amended by this Amendment No. 9, items in the Schedule 13D remain unchanged.

Item 3. Source and Amount of Funds or Other Consideration

Item 3 of the Schedule 13D is hereby amended by inserting the following paragraph at the end thereof:

Pursuant to the terms of the Preemptive Rights Letter Agreement, on May 8, 2013, TW Holdings B.V. purchased 27,163,854 shares of Class A Common Stock in the Public Offering at a price of $2.75 per share.

Item 5. Interest in Securities of the Issuer

Item 5 of the Schedule 13D is hereby amended by replacing it in its entirety with the following:

(a) As of the close of business on May 8, 2013, the Reporting Persons beneficially owned 60,062,297 shares of Class A Common Stock, representing approximately 45.6% of the outstanding shares of CME Common Stock. As of the close of business on May 8, 2013 and by virtue of the Investor Rights Agreement, as amended by the 2013 Letter Agreement, the Reporting Persons may be deemed to beneficially own (x) 5,616,936 shares of Class A Common Stock, (y) 30,000 shares of Class A Common Stock and 64,000 shares of Class B Common Stock underlying currently exercisable stock options and (z) 10,000 shares of Class A Common Stock underlying restricted stock units which are scheduled to vest in full on June 13, 2013 (together, the “Lauder Shares”) beneficially owned by Mr. Lauder as disclosed by Mr. Lauder in the Schedule 13D/A filed with the SEC by him on May 1, 2013, representing approximately 4.3% of the outstanding shares of CME Common Stock, based on calculations made in accordance with Rule 13d-3(d) of the Act, as amended. The percentages of beneficial ownership have been determined based on the 131,621,711 shares of Class A Common Stock and 0 shares of Class B Common Stock outstanding as of May 8, 2013 (after giving effect to the Public Offering), as disclosed in the prospectus supplement dated May 2, 2013 and filed by the Issuer pursuant to Rule 424(b)(5) on May 6, 2013.

Neither the Reporting Persons nor, to the knowledge of the Reporting Persons, any other person named in Annexes A, B or C beneficially owns any shares of CME Common Stock other than as set forth herein.

(b) As of the close of business on May 8, 2013, the Reporting Persons may be deemed to have shared voting and dispositive power with respect to 65,783,233 shares of Class A Common Stock. Pursuant to the terms of the Voting Deed, as amended by the 2013 Letter Agreement, and subject to the conditions contained therein, TW Holdings B.V. has irrevocably granted RSL Savannah LLC (a company wholly owned by Mr. Lauder) the right to vote any equity securities of the Issuer owned by TW Holdings B.V. and its permitted transferees during the term of the Voting Deed, with the power to appoint a corporate representative or proxies of such shareholders in all matters (subject to certain exceptions described below in Item 6 of the Schedule 13D) with respect to the voting of the equity securities of the Issuer held by such shareholders. Pursuant to the terms of the Investor Rights Agreement, as amended by the 2013 Letter Agreement, Mr. Lauder and certain of his affiliates have agreed to use their best efforts to vote all equity securities beneficially owned by Mr. Lauder in favor of up to two designees of TW Holdings B.V. to the Issuer's board of directors, subject to certain limitations and to not vote in favor of certain matters with respect to the capitalization of the Issuer, each as described in Item 6 of the Schedule 13D. Pursuant to the terms of the Investor Rights Agreement, direct and indirect transfers of the shares of equity securities of the Issuer held by the Reporting Persons to unaffiliated third parties are subject to certain restrictions, including consent rights, rights of first offer and tag-along rights, as described in Item 6 of the Schedule 13D. Each of the Reporting Persons disclaims beneficial ownership of the Lauder Shares.

The descriptions of the Voting Deed and the Investor Rights Agreement do not purport to be complete and are qualified in their entirety by reference to the Investor Rights Agreement, the Voting Deed, First Amendment to the Investor Rights Agreement and the 2013 Letter Agreement, which were filed as Exhibits 99.10, 99.11, 99.18 and 99.21 to the Schedule 13D, and are incorporated by reference into this Item 5.

(c) Except as described in Item 3 of the Schedule 13D, no transactions in the securities of the Issuer were effected by the Reporting Persons or, to their knowledge, any other person named in Annexes A, B and C during the past 60 days.

(d) Except for the Reporting Persons, no other person is known by the Reporting Persons to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, any securities of the Issuer beneficially owned by the Reporting Persons.

(e) Not applicable.

SIGNATURES

After reasonable inquiry and to the best of each of the undersigned's knowledge and belief, each of the undersigned, severally and not jointly, certifies that the information set forth in this statement is true, complete and correct.

Dated: May 10, 2013

TIME WARNER INC.

By: /s/ Olaf Olafsson
Name: Olaf Olafsson
Title: Executive Vice President

TW MEDIA HOLDINGS LLC

By: /s/ Olaf Olafsson
Name: Olaf Olafsson
Title: President

TIME WARNER MEDIA HOLDINGS B.V.

By: /s/ Stephen N. Kapner
Name: Stephen N. Kapner
Title: Director

ANNEX A

The name, business address and present principal occupation or employment of each of the directors and executive officers of Time Warner Inc. are as set forth below. Except as indicated below, the business address for each executive officer and director is c/o Time Warner Inc., One Time Warner Center, New York, New York 10019. Except as indicated below, each person is a citizen of the United States of America.

Executive Officers of Time Warner Inc.

Name	Principal Occupation
Jeffrey L. Bewkes	Chairman of the Board and Chief Executive Officer
John K. Martin, Jr.	Chief Financial & Administrative Officer
Paul T. Cappuccio	Executive Vice President & General Counsel
Gary L. Ginsberg	Executive Vice President, Corporate Marketing and Communications
Carol A. Melton	Executive Vice President, Global Public Policy
Olaf Olafsson*	Executive Vice President, International and Corporate Strategy

Directors of Time Warner Inc.

Name	Principal Occupation	Business Address
James L. Barksdale	Chairman and President, Barksdale Management Corporation (private investment management)	Barksdale Management Corporation 800 Woodland Parkway, Suite 118, Ridgeland, MS 39157
William P. Barr	Former Attorney General of the United States	N/A
Jeffrey L. Bewkes	Chairman of the Board and Chief Executive Officer, Time Warner Inc. (media and entertainment)	N/A
Stephen F. Bollenbach	Former Co-Chairman and Chief Executive Officer of Hilton Hotels Corporation (hospitality)	c/o BHIC LLC 2029 Century Park East, Suite 3500 Los Angeles, CA 90067
Robert C. Clark	Distinguished Service Professor at Harvard University (higher education)	Harvard Law School Hauser 404 1575 Massachusetts Avenue, Cambridge, MA 02138
Mathias Döpfner**		Axel Springer AG

	Chairman and Chief Executive Officer, Axel Springer AG (integrated multi-media company)	Axel-Springer-Strasse 65 10888 Berlin, Germany
Jessica P. Einhorn	Former Dean, Paul H. Nitze School of Advanced International Studies (SAIS), The Johns Hopkins University (higher education)	Rock Creek Group 1133 Connecticut Ave, NW, Washington, DC 20036
Fred Hassan	Partner, Warburg Pincus (private investment firm)	Royal Palm Place 101 Plaza Real South, Suite 203-S Boca Raton, FL 33432
Kenneth J. Novack	Former Partner, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, PC (law firm)	One Financial Center, 40th Floor Boston, MA 02111

Paul D. Wachter	Founder and Chief Executive Officer, Main Street Advisors, Inc. (private investment and financial advisory firm)	3110 Main Street Suite 300 Santa Monica, CA 90405
Deborah C. Wright	Chairman and Chief Executive Officer, Carver Bancorp, Inc. (banking)	Carver Bancorp, Inc. 75 West 125th Street New York, New York 10027

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* Citizen of the Republic of Iceland

** Citizen of the Federal Republic of Germany

ANNEX B

The name and present principal occupation or employment of each of the executive officers of TW Media Holdings LLC are as set forth below. The business address for each executive officer is c/o Time Warner Inc., One Time Warner Center, New York, New York 10019. Except as indicated below, each person is a citizen of the United States of America. TW Media Holdings LLC does not have any directors.

Executive Officers of TW Media Holdings LLC

Name	Principal Occupation
Olaf Olafsson*	Executive Vice President, International and Corporate Strategy, Time Warner Inc.
John K. Martin, Jr.	Chief Financial & Administrative Officer, Time Warner Inc.

* Citizen of the Republic of Iceland

ANNEX C

The name, business address and present principal occupation or employment of each of the directors of Time Warner Media Holdings B.V. are as set forth below. Except as indicated below, the business address for each director is c/o Time Warner Inc., One Time Warner Center, New York, New York 10019. Except as indicated below, each person is a citizen of the United States of America. Time Warner Media Holdings B.V. does not have any executive officers.

Directors of Time Warner Media Holdings B.V.

Name	Principal Occupation
Eric Broet*	Senior Vice President & Chief Financial Officer, Warner Bros. Entertainment France S.A.S., 115/113 avenue Charles de Gaulle, 92525 Neuilly-sur-Seine cedex, France
Michael Del Nin	Senior Vice President, International and Corporate Strategy, Time Warner Inc.
Stephen N. Kapner	Vice President and Assistant Treasurer, Time Warner Inc.

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* Citizen of France

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SHAREHOLDERS' EQUITY:

Common stock, no par value;

25,000,000 shares authorized; issued and outstanding March 31, 2011 - 7,489,995; December 31, 2010 - 7,426,787 and March 31, 2010 - 5,605,537
69,546,028 69,052,101 54,801,424
Accumulated other comprehensive loss
(2,755,425) (2,828,989) (3,127,193)
Retained earnings
39,322,062 38,780,446 30,535,970
Total shareholders' equity
106,112,665 105,003,558 82,210,201
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY
$161,559,895 $168,579,429 $157,662,268

See notes to the interim unaudited condensed consolidated financial statements.

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ROCKY BRANDS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
NET SALES	$52,306,275	$56,078,986
COST OF GOODS SOLD	33,040,330	37,322,137
GROSS MARGIN	19,265,945	18,756,849
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	18,229,351	18,024,687
INCOME FROM OPERATIONS	1,036,594	732,162
OTHER INCOME AND (EXPENSES):		
Interest expense, net	(215,532)	(1,644,591)
Other – net	12,554	36,685
Total other - net	(202,978)	(1,607,906)
INCOME (LOSS) BEFORE INCOME TAXES	833,616	(875,744)
INCOME TAX EXPENSE (BENEFIT)	292,000	(315,000)
NET INCOME (LOSS)	$541,616	$(560,744)
NET INCOME (LOSS) PER SHARE		
Basic	$0.07	$(0.10)
Diluted	$0.07	$(0.10)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
Basic	7,476,448	5,603,125
Diluted	7,478,611	5,603,125

See notes to the interim unaudited condensed consolidated financial statements.

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

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$541,616	$(560,744)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,454,857	1,433,982
Deferred compensation and other	105,889	140,297
Loss on disposal of fixed assets	36,526	536
Stock compensation expense	122,500	129,900
Change in assets and liabilities		
Receivables	10,034,061	6,097,291
Inventories	(2,802,284)	2,297,356
Other current assets	(1,499,705)	(1,147,977)
Other assets	(325,596)	75,573
Accounts payable	1,416,419	2,139,438
Accrued and other liabilities	(2,172,949)	1,200,421
Net cash provided by operating activities	6,911,334	11,806,073
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(2,055,667)	(1,317,282)
Investment in trademarks and patents	(28,706)	(14,735)
Proceeds from sale of fixed assets	1,724	19,600
Net cash used in investing activities	(2,082,649)	(1,312,417)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facility	16,246,162	52,182,429
Repayments of revolving credit facility	(23,445,000)	(60,904,022)
Repayments of long-term debt	(133,144)	(124,947)
Proceeds from exercise of stock options	371,427	73,420
Net cash used in financing activities	(6,960,555)	(8,773,120)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,131,870)	1,720,536
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,362,531	1,797,093
CASH AND CASH EQUIVALENTS, END OF PERIOD	$2,230,661	$3,517,629

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-MONTHS ENDED MARCH 31, 2011 AND 2010

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-months ended March 31, 2011 and 2010 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, 2010.

The components of total comprehensive income (loss) are shown below:

	(Unaudited) Three Months Ended March 31,	
	2011	2010
Net income (loss)	$ 541,616	$ (560,744)
Other comprehensive income:		
Amortization of unrecognized transition obligation, service cost and net loss	73,564	89,951
Total comprehensive income (loss)	$ 615,180	$ (470,793)

2. TRADE RECEIVABLES

Trade receivables are presented net of the related allowance for uncollectible accounts of approximately $847,000, $868,000 and $954,000 at March 31, 2011, December 31, 2010 and March 31, 2010, respectively. The allowance for uncollectible accounts is calculated based on the relative age and size of trade receivable balances.

3. INVENTORIES

Inventories are comprised of the following:

	March 31, 2011 (Unaudited)	December 31, 2010	March 31, 2010 (Unaudited)
Raw materials	$ 10,759,817	$ 7,728,707	$ 8,894,581
Work-in-process	847,197	410,110	613,874
Finished goods	50,192,066	50,764,439	43,661,158
Reserve for obsolescence or lower of cost or market	(144,240)	(50,700)	(46,502)
Total	$ 61,654,840	$ 58,852,556	$ 53,123,111

4. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information is as follows:

	(Unaudited) Three Months Ended March 31, 2011	2010
Interest	$ 209,900	$ 319,446
Federal, state and local income taxes, net of refunds	$ 974,785	$ 131,848
Fixed asset purchases in accounts payable	$ 487,795	$ 147,547

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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 March 31, 2011 and 2010 is as follows:

	(Unaudited) Three Months Ended March 31,	
	2011	2010
Weighted average shares outstanding	7,476,448	5,603,125
Dilutive stock options	2,163	-
Dilutive weighted average shares outstanding	7,478,611	5,603,125
Anti-dilutive stock options/weighted average shares outstanding	146,389	232,778

6. RECENT FINANCIAL ACCOUNTING STANDARDS

Recently adopted accounting standards

In September 2009, the FASB issued an accounting standards update "Revenue Recognition – Multiple Deliverable Revenue Arrangements". This update addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how to allocate the consideration to each unit of accounting. This update eliminates the use of the residual value method for determining allocation of arrangement consideration and allows the use of an entity's best estimate to determine the selling price if vendor specific objective evidence and third-party evidence cannot be determined. This update also requires additional disclosure to provide both qualitative and quantitative information regarding the significant judgments made in applying this update. In addition, for each reporting period in the initial year of adoption, this update requires disclosure of the amount of revenue recognized subject to the measurement requirements of this update and the amount of revenue that would have been recognized if the related transactions were subject to the measurement requirements prior to this update. This update is effective for revenue arrangements entered into or materially modified in fiscal years beginning after June 15, 2010. The adoption of this standard did not have a material effect on our consolidated financial statements.

In December 2010, the FASB issued ASU No. 2010-28, “Intangibles - Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts”. This ASU reflects the decision reached in EITF Issue No. 10-A. The amendments in this ASU modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance and examples, which require that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For public entities, the amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The adoption of this standard did not have a material effect on our consolidated financial statements.

In December 2010, the FASB issued ASU 2010-29, “Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations”. This ASU reflects the decision reached in EITF Issue No. 10-G. The amendments in this ASU affect any public entity as defined by Topic 805, Business Combination that enters into business combinations that are material on an individual or aggregate basis. The amendments in this ASU specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of this standard did not have a material effect on our consolidated financial statements.

Accounting standards not yet adopted

In April 2011, the FASB has issued ASU No. 2011-02, Receivables (Topic 310): A Creditor’s Determination of Whether a Restructuring Is a Troubled Debt Restructuring. The FASB believes the guidance in this ASU will improve financial reporting by creating greater consistency in the way GAAP is applied for various types of debt restructurings. The ASU clarifies which loan modifications constitute troubled debt restructurings. It is intended to assist creditors in determining whether a modification of the terms of a receivable meets the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment loss and for disclosure of troubled debt restructurings. In evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must separately conclude that both of the following exist: (a) the restructuring constitutes a concession; and (b) the debtor is experiencing financial difficulties. The amendments to FASB Accounting Standards Codification™ (Codification) Topic 310, Receivables, clarify the guidance on a creditor’s evaluation of whether it has granted a concession and whether a debtor is experiencing financial difficulties. The guidance is effective for interim and annual periods beginning on or after June 15, 2011, and applies retrospectively to restructurings occurring on or after the beginning of the fiscal year of adoption. Early application is permitted. We are currently assessing the potential impact of the adoption of this standard on our consolidated financial statements and related disclosures.

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 2007. State jurisdictions that remain subject to examination range from 2006 to 2009. Foreign jurisdiction tax returns that remain subject to examination range from 2004 to 2009 for Canada and from 2005 to 2009 for Puerto Rico. We do not believe there will be any material changes in our unrecognized tax positions over the next 12 months.

Our policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of March 31, 2011, accrued interest or penalties were not material, and no such expenses were recognized during the quarter. We provided for income taxes at an estimated effective tax rate of 35% and 36% for the three-months ended March 31, 2011 and 2010, respectively. The estimated effective tax rate for 2011 is lower than the estimated rate for 2010 as we expect to make additional permanent capital investment in our operations in the Dominican Republic, which will reduce the amount of dividends that we will need to provide for U.S. income taxes.

8. INTANGIBLE ASSETS

A schedule of intangible assets is as follows:

March 31, 2011 (unaudited)		Gross Amount		Accumulated Amortization		Carrying Amount
Trademarks:						
Wholesale	$	27,243,578	$	-	$	27,243,578
Retail		2,900,000		-		2,900,000
Patents		2,443,398		2,074,951		368,447
Customer relationships		1,000,000		1,000,000		-
Total Identified Intangibles	$	33,586,976	$	3,074,951	$	30,512,025

December 31, 2010		Gross Amount		Accumulated Amortization		Carrying Amount
Trademarks:						
Wholesale	$	27,243,578	$	-	$	27,243,578
Retail		2,900,000		-		2,900,000
Patents		2,414,692		2,062,785		351,907
Customer relationships		1,000,000		1,000,000		-
Total Identified Intangibles	$	33,558,270	$	3,062,785	$	30,495,485

March 31, 2010 (unaudited)		Gross Amount		Accumulated Amortization		Carrying Amount
Trademarks:						
Wholesale	$	27,243,578	$	-	$	27,243,578
Retail		2,900,000		-		2,900,000
Patents		2,403,734		2,027,318		376,416
Customer relationships		1,000,000		1,000,000		-
Total Identified Intangibles	$	33,547,312	$	3,027,318	$	30,519,994

Amortization expense for intangible assets was $12,165 and $11,652 for the three months ended March 31, 2011 and 2010, respectively. The weighted average amortization period for patents is 15 years.

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

2012	48,093
2013	48,093
2014	48,093
2015	48,093
2016	48,093

9. CAPITAL STOCK

On May 11, 2004, our shareholders approved the 2004 Stock Incentive Plan. The Plan includes 750,000 of our common shares that may be granted for stock options and restricted stock awards. As of March 31, 2011, we were authorized to issue approximately 347,823 shares under our existing plans.

The Plan generally provides for grants with the exercise price equal to fair value on the date of grant, graduated vesting periods of up to five years, and lives not exceeding ten years. The following summarizes stock option transactions from January 1, 2011 through March 31, 2011:

	Shares	Weighted Average Exercise Price
Options outstanding at January 1, 2011	232,000	$ 19.95
Issued	-	-
Exercised	(51,000)	$ 7.28
Forfeited	(35,000)	$ 29.80
Options outstanding at March 31, 2011	146,000	$ 22.01
Options exercisable at:		
January 1, 2011	232,000	$ 19.95
March 31, 2011	146,000	$ 22.01
Unvested options at March 31, 2011	-	

During the three-month period ended March 31, 2011, we issued 12,208 shares of common stock to members of our Board of Directors. We recorded compensation expense of $122,500, which was the fair market value of the shares on the grant date. The shares are fully vested but cannot be sold for one year.

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 our 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. These rights expire during June 2012.

10. RETIREMENT PLANS

We sponsor a noncontributory defined benefit pension plan covering non-union workers in our Ohio and Puerto Rico operations. Benefits under the non-union plan are based upon years of service and highest compensation levels as defined. On December 31, 2005, we froze the noncontributory defined benefit pension plan for all non-U.S. territorial employees.

Net pension cost of the Company's plan is as follows:

	(Unaudited) Three Months Ended March 31, 2011	(Unaudited) Three Months Ended March 31, 2010
Service cost	$ 30,840	$ 19,977
Interest	156,330	161,677
Expected return on assets	(156,591)	(133,054)
Amortization of unrecognized net gain or loss	54,763	71,853
Amortization of unrecognized transition obligation	-	-
Amortization of unrecognized prior service cost	18,801	18,098
Net pension cost	$ 104,143	$ 138,551

Our unrecognized benefit obligations existing at the date of transition for the non-union plan are being amortized over 21 years. Actuarial assumptions used in the accounting for the plan were as follows:

	2011	2010
Discount rate	5.51 %	5.91 %
Average rate of increase in compensation levels	3.0 %	3.0 %
Expected long-term rate of return on plan assets	8.0 %	8.0 %

Our desired investment result is a long-term rate of return on assets that is at least 8%. The target rate of return for the plan has been based upon the assumption that returns will approximate the long-term rates of return experienced for each asset class in our investment policy. Our investment guidelines are based upon an investment horizon of greater than five years, so that interim fluctuations should be viewed with appropriate perspective. Similarly, the plan's strategic asset allocation is based on this long-term perspective.

11. 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 stores and all sales in our Lehigh division, which includes sales via shoemobiles to individual customers. 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 March 31,	
	2011	2010
NET SALES:		
Wholesale	$ 39,794,825	$ 37,904,864
Retail	11,743,667	12,925,940
Military	767,783	5,248,182
Total Net Sales	$ 52,306,275	$ 56,078,986
GROSS MARGIN:		
Wholesale	$ 13,340,154	$ 12,177,996
Retail	5,824,626	5,903,259
Military	101,165	675,594
Total Gross Margin	$ 19,265,945	$ 18,756,849

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

12. LONG-TERM DEBT

In May 2010, we amended the terms of our revolving credit facility with GMAC Commercial Finance (“GMAC”) to advance $15 million to the Company under the existing revolving portion of its credit facility to prepay amounts due under term loans with Laminar Direct Capital L.P. and Whitebox Hedged High Yield Partners, L.P. After the prepayment, principal under the term loans total $11 million in the aggregate.

Also in May 2010, we completed a public offering of 1.8 million shares of common stock at a price of $8.40 per share. We received net proceeds from the offering of $14.1 million after deducting $0.9 million in underwriting discounts and $0.1 million in expenses. The proceeds were used to prepay amounts due under term loans with Laminar Direct Capital L.P. and Whitebox Hedged High Yield Partners, L.P.

In October 2010, we entered into a new financing agreement with PNC Bank (“PNC”) to provide a $70 million credit facility that replaced the existing revolving credit facility with GMAC. In addition, the new financing agreement with PNC was used to repay the remaining balance of approximately $11 million under the term loans. The term of the new credit facility is five years and the current interest rate is generally LIBOR plus 1.50%.

Our 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 credit facility agreement). At March 31, 2011, no triggering event had occurred and the covenant was not in effect.

The total amount available under our revolving credit facility is subject to a borrowing base calculation based on various percentages of accounts receivable and inventory. As of March 31, 2011, we had $25.9 million in borrowings under this facility and total capacity of $58.9 million.

In April 2011, we repaid the remaining balance of approximately $1.8 million on our mortgage loans by borrowing under a sub-facility on the PNC credit facility. The sub-facility is secured by the real estate owned by us. In connection with this transaction, we incurred approximately $0.1 million of prepayment and other fees that will be reported as additional interest expense in the second quarter of 2011.

13. FINANCIAL INSTRUMENTS

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, our mortgages 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

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 March 31,			
	2011		2010	
Net Sales	100.0	%	100.0	%
Cost Of Goods Sold	63.2	%	66.6	%
Gross Margin	36.8	%	33.4	%
Selling, General and Administrative Expenses	34.8	%	32.1	%
Income From Operations	2.0	%	1.3	%

Three Months Ended March 31, 2011 Compared to Three Months Ended March 31, 2010

Net sales. Net sales for the three months ended March 31, 2011 were $52.3 million compared to $56.1 million for the same period in 2010. Wholesale sales for the three months ended March 31, 2011 were $39.8 million compared to $37.9 million for the same period in 2010. The $1.9 million increase in wholesale sales was the result of a $3.1 million or 62.0% increase in our duty footwear category, a $1.4 million or 7.6% increase in our work footwear category (excluding Dickies) and a $0.4 million or 16.2% increase in our outdoor footwear category, which was partially offset by a $1.7 million decline of our Dickies licensed business and a $1.2 million or 15.2% decrease in our western footwear category. Our licensing agreement with Dickies expired on December 31, 2010. Retail sales for the three months ended March 31, 2011 were $11.7 million compared to $12.9 million for the same period in 2010. The $1.2 million decrease in retail sales resulted from our ongoing transition to more internet driven transactions and the decision to remove a portion of our Lehigh mobile stores from operations to help lower operating expenses. Military segment sales for the three months ended March 31, 2011, were $0.8 million, compared to $5.2 million in the same period in 2010. Shipments in 2010 were under the $29.0 million contract, issued in July 2009.

Gross margin. Gross margin for the three months ended March 31, 2011 was $19.3 million, or 36.8% of net sales, compared to $18.8 million, or 33.4% of net sales, in the same period last year. Wholesale gross margin for the three months ended March 31, 2011 was $13.3 million, or 33.5% of net sales, compared to $12.2 million, or 32.1% of net sales, in the same period last year. The 140 basis point increase is primarily the result of higher average selling prices as well as higher sales of company owned brands which carry higher gross margins than licensed brands. Retail gross margin for the three months ended March 31, 2011 was $5.8 million, or 49.6% of net sales, compared to $5.9 million, or 45.7% of net sales, for the same period in 2010. The 390 basis point increase is primarily the result of higher average selling prices. Military gross margin for the three months ended March 31, 2011 was $0.1 million, or 13.2% of net sales, compared to less than $0.7 million, or 12.9% of net sales, for the same period in 2010.

SG&A expenses. SG&A expenses were $18.2 million, or 34.8% of net sales, for the three months ended March 31, 2011, compared to $18.0 million, or 32.1% of net sales for the same period in 2010. The net change primarily reflects increases in compensation and benefits of $0.4 million, advertising expenses of $0.1 million and insurance costs of $0.1 million, which was partially offset by decreases in bad debt expense of $0.2 million and professional fees of $0.2 million.

Interest expense. Interest expense was $0.2 million in the three months ended March 31, 2011, compared to $1.6 million for the same period in the prior year. The decrease of $1.4 million is primarily the result of the repayment of a $40.0 million term note carrying interest at a rate of 11.5%. This repayment was made with $14 million of proceeds from our May 2010 equity offering as well as $26 million of borrowings from our line of credit which generally carries an interest rate of LIBOR plus 150 basis points.

Income taxes. Income tax expense for the three months ended March 31, 2011 was $0.3 million, compared to an income tax benefit $0.3 million for the same period a year ago. We provided for income taxes at effective tax rates of 35% in 2011 and 36% in 2010. The decrease in the estimated effective tax rate for 2011 is the result of our anticipation of making permanent capital investment in 2011 in our operations in the Dominican Republic, which reduced the amount of dividends that we need to provide for U.S. income taxes.

Liquidity and Capital Resources

Our principal sources of liquidity have been our income from operations and borrowings under our 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 $2.1 million for the first three months of 2011, compared to $1.3 million for the same period in 2010. Total capital expenditures for 2011 are anticipated to be approximately $6.0 million.

In May 2010, we amended the terms of our revolving credit facility with GMAC Commercial Finance (“GMAC”) to advance $15 million to the Company under the existing revolving portion of its credit facility to prepay amounts due under term loans with Laminar Direct Capital L.P. and Whitebox Hedged High Yield Partners, L.P. After the prepayment, principal under the term loans total $11 million in the aggregate.

Also in May 2010, we completed a public offering of 1.8 million shares of common stock at a price of $8.40 per share. We received net proceeds from the offering of $14.1 million after deducting $0.9 million in underwriting discounts and $0.1 million in expenses. The proceeds were used to prepay amounts due under term loans with Laminar Direct Capital L.P. and Whitebox Hedged High Yield Partners, L.P.

In October 2010, we entered into a new financing agreement with PNC Bank ("PNC") to provide a $70 million credit facility that replaced the existing revolving credit facility with GMAC. In addition, the new financing agreement with PNC was used to repay the remaining balance of approximately $11 million under the term loans. The term of the new credit facility is five years and the current interest rate is generally LIBOR plus 1.50%.

In April 2011, we repaid the remaining balance of approximately $1.8 million on our mortgage loans by borrowing under a sub-facility on the PNC credit facility. The sub-facility is secured by the real estate owned by us. In connection with this transaction, we incurred approximately $0.1 million of prepayment and other fees that will be reported as additional interest expense in the second quarter of 2011.

Our 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 credit facility agreement). At March 31, 2011, no triggering event had occurred and the covenant was not in effect.

The total amount available under our revolving credit facility is subject to a borrowing base calculation based on various percentages of accounts receivable and inventory. As of March 31, 2011, we had $25.9 million in borrowings under this facility and total capacity of $58.9 million.

We believe that our existing credit facility coupled with cash generated from operations will provide sufficient liquidity to fund our operations for at least the next twelve months. Our continued liquidity, however, is contingent upon future operating performance, cash flows and our ability to meet financial covenants under our credit facility.

Operating Activities. Cash provided by operating activities totaled $6.9 million for the three months ended March 31, 2011, compared to $11.8 million in the same period of 2010. Cash provided by operating activities for the three months ended March 31, 2011 was primarily impacted by reductions in accounts receivable and increases in accounts payable, partially offset by increases in inventory. Cash provided by operating activities for the three months ended March 31, 2010 was primarily impacted by reductions in accounts receivable and inventory.

Investing Activities. Cash used in investing activities was $2.1 million for the three months ended March 31, 2011, compared to $1.3 million in the same period of 2010. Cash used in investing activities reflects an investment in property, plant and equipment of $2.1 million in 2011 and $1.3 million in 2010. Our 2011 and 2010 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 three months ended March 31, 2011 was $7.0 million and reflects a net reduction under the revolving credit facility of $7.2 million and repayments on long-term debt of $0.1 million. Cash used in financing activities for the three months ended March 31, 2010 was $8.8 million and reflects a decrease in net borrowings under the revolving credit facility of $8.7 million and repayments on long-term debt of $0.1 million.

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, 2010.

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, pension benefits 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 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.

Pension benefits

Accounting for pensions involves estimating the cost of benefits to be provided well into the future and attributing that cost over the time period each employee works. To accomplish this, extensive use is made of assumptions about inflation, investment returns, mortality, turnover, medical costs and discount rates. These assumptions are reviewed annually.

Pension expenses are determined by actuaries using assumptions concerning the discount rate, expected return on plan assets and rate of compensation increase. An actuarial analysis of benefit obligations and plan assets is determined as of December 31 each year.

The funded status of our plans and reconciliation of accrued pension cost is determined annually as of December 31. Further discussion of our pension plan and related assumptions is included in Note 10, “Retirement Plans,” to the unaudited condensed consolidated financial statements for the quarterly period ended March 31, 2011. Actual results would be different using other assumptions. Management records an accrual for pension costs associated with our sponsored non-contributory defined benefit pension plan covering our non-union workers. Future adverse changes in market conditions or poor operating results of underlying plan assets could result in losses or a higher accrual. At December 31, 2005, we froze the non-contributory defined benefit pension plan for all non-U.S. territorial employees.

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,” “p “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, 2010, 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, 2010.

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 March 31, 2011, 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, 2010.

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

None

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 - RESERVED

ITEM 5 - OTHER INFORMATION

None

ITEM 6 - EXHIBITS

EXHIBIT NUMBER	EXHIBIT 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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* 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: April 29, 2011	/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.

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