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 March 31, 2021
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number: **001-34382**

ROCKY BRANDS, INC.
(Exact name of Registrant as specified in its charter)

Ohio	**No. 31-1364046**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

39 East Canal Street, Nelsonville, Ohio 45764
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: **(740) 753-9100**

Title of class	Trading symbol	Name of exchange on which registered
Common Stock – No Par Value	RCKY	Nasdaq

Indicate by checkmark 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 the filing requirements for at least the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No ☒

There were 7,283,434 shares of the Registrant's Common Stock outstanding on May 1, 2021.

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PART 1 – FINANCIAL INFORMATION
ITEM 1 – FINANCIAL STATEMENTS

Rocky Brands, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except share amounts)
(Unaudited)

	March 31, 2021	December 31, 2020	March 31, 2020
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	$ 8,892	$ 28,353	$ 44,247
Trade receivables – net	84,050	48,010	33,277
Contract receivables	2,171	5,170	2,551
Other receivables	231	364	532
Inventories – net	125,133	77,576	77,214
Prepaid expenses	4,116	3,713	3,522
Total current assets	224,593	163,186	161,343
LEASED ASSETS	1,696	1,572	1,588
PROPERTY, PLANT & EQUIPMENT – net	51,150	33,750	28,434
IDENTIFIED INTANGIBLES – net	170,930	30,209	30,232
OTHER ASSETS	715	374	333
TOTAL ASSETS	$ 449,084	$ 229,091	$ 221,930
LIABILITIES AND SHAREHOLDERS' EQUITY:			
CURRENT LIABILITIES:			
Accounts payable	45,077	20,090	17,933
Contract liabilities	2,927	5,582	2,551
Current Portion of Long-Term Debt	3,250	-	-
Accrued expenses:			
Salaries and wages	3,005	4,463	1,204
Taxes - other	618	893	588
Accrued freight	1,479	911	282
Commissions	1,185	712	362
Accrued duty	6,953	4,270	4,041
Income tax payable	2,357	1,019	-
Other	5,343	2,043	1,430
Total current liabilities	72,194	39,983	28,391
LONG-TERM DEBT	183,019	-	20,000
LONG-TERM TAXES PAYABLE	169	169	169
LONG-TERM LEASE	1,178	944	1,031
DEFERRED INCOME TAXES	8,271	8,271	8,108
DEFERRED LIABILITIES	386	219	215
TOTAL LIABILITIES	265,217	49,586	57,914
SHAREHOLDERS' EQUITY:			
Common stock, no par value;			
25,000,000 shares authorized; issued and outstanding March 31, 2021 -7,280,711; December 31, 2020 - 7,247,631; March 31, 2020 - 7,309,121	66,856	65,971	67,195
Retained earnings	117,011	113,534	96,821
Total shareholders' equity	183,867	179,505	164,016
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 449,084	$ 229,091	$ 221,930

See Notes to Unaudited Condensed Consolidated Financial Statements

Rocky Brands, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
NET SALES	$ 87,667	$ 55,720
COST OF GOODS SOLD	52,528	36,400
GROSS MARGIN	35,139	19,320
OPERATING EXPENSES	28,558	17,807
INCOME FROM OPERATIONS	6,581	1,513
OTHER (EXPENSES) INCOME	(747)	(9)
INCOME BEFORE INCOME TAXES	5,834	1,504
INCOME TAX EXPENSE	1,342	316
NET INCOME	$ 4,492	$ 1,188
INCOME PER SHARE		
Basic	$ 0.62	$ 0.16
Diluted	$ 0.61	$ 0.16
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		
Basic	7,258	7,351
Diluted	7,348	7,386

See Notes to Unaudited Condensed Consolidated Financial Statements

Rocky Brands, Inc. and Subsidiaries
Condensed Consolidated Statements of Shareholders' Equity
(In thousands, except per share amounts)
(Unaudited)

	Common Stock and Additional Paid-in Capital		Accumulated Other Comprehensive Income	Retained Earnings	Total Shareholders' Equity
	Shares Outstanding	Amount			
BALANCE - December 31, 2019	7,355	$ 67,993	$ -	$ 96,663	$ 164,656
THREE MONTHS ENDED MARCH 31, 2020					
Net income				$ 1,188	$ 1,188
Dividends paid on common stock ($0.14 per share)				(1,030)	(1,030)
Repurchase of common stock	(50)	$ (1,000)			(1,000)
Stock issued for options exercised, including tax benefits	-	-		-	-
Stock compensation expense	4	202			202
BALANCE - March 31, 2020	7,309	$ 67,195	$ -	$ 96,821	$ 164,016
BALANCE - December 31, 2020	7,248	$ 65,971	-	$ 113,534	$ 179,505
THREE MONTHS ENDED MARCH 31, 2021					
Net income				$ 4,492	$ 4,492
Dividends paid on common stock ($0.14 per share)				(1,015)	(1,015)
Repurchase of common stock	-	-			-
Stock issued for options exercised, including tax benefits	31	$ 607			607
Stock compensation expense	2	278			278
BALANCE - March 31, 2021	7,281	$ 66,856	$ -	$ 117,011	$ 183,867

See Notes to Unaudited Condensed Consolidated Financial Statements

Rocky Brands, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 4,492	$ 1,188
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,095	1,260
Stock compensation expense	278	202
Change in assets and liabilities:		
Receivables	4,201	14,486
Inventories	(5,912)	(483)
Other current assets	331	(1,757)
Other assets	(267)	(40)
Accounts payable	5,922	3,310
Accrued and other liabilities	(6,225)	(3,967)
Income taxes payable	(1,019)	(23)
Net cash provided by operating activities	2,896	14,176
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(1,209)	(3,417)
Acquisition of business, net of cash acquired	(206,970)	-
Net cash used in investing activities	(208,179)	(3,417)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facility and term loan	210,000	20,000
Repayments on revolving credit facility	(19,500)	-
Debt issuance costs	(4,270)	-
Proceeds from stock options	607	-
Repurchase of common stock	-	(1,000)
Dividends paid on common stock	(1,015)	(1,030)
Net cash provided by financing activities	185,822	17,970
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(19,461)	28,729
CASH AND CASH EQUIVALENTS:		
BEGINNING OF PERIOD	28,353	15,518
END OF PERIOD	$ 8,892	$ 44,247

See Notes to Unaudited Condensed Consolidated Financial Statements

Rocky Brands, Inc. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

We are a leading designer, manufacturer and marketer of premium quality footwear and apparel marketed under a portfolio of well recognized brand names including Rocky, Georgia Boot, Durango, Lehigh, The Original Muck Boot Company, XTRATUF, Servus, NEOS and Ranger. Our brands have a long history of representing high quality, comfortable, functional and durable footwear and our products are organized around six target markets: outdoor, work, duty, commercial military, western and lifestyle. In addition, as part of our strategy of outfitting consumers from head-to-toe, we market complementary branded apparel and accessories that we believe leverage the strength and positioning of each of our brands.

In the opinion of management, the accompanying 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 condensed consolidated financial statements are considered to be of a normal and recurring nature. The results of operations for the three months ended March 31, 2021 and 2020 are not necessarily indicative of the results to be expected for the whole year. The December 31, 2020 condensed consolidated balance sheet data was derived from the audited financial statements but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP"). This Quarterly Report on Form 10-Q should be read in connection with our Annual Report on Form 10-K for the year ended December 31, 2020, which includes all disclosures required by GAAP.

2. ACCOUNTING STANDARDS UPDATES

Recently Issued Accounting Pronouncements

Rocky Brands, Inc. is currently evaluating the impact of certain Accounting Standards Updates ("ASU") on its Unaudited Condensed Consolidated Financial Statements or Notes to the Unaudited Condensed Consolidated Financial Statements:

Standard	Description	Anticipated Adoption Period	Effect on the financial statements or other significant matters
ASU 2016-13, Measurement of Credit Losses on Financial Instruments	The pronouncement seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date by replacing the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates.	Q1 2023 as long as we continue to qualify as a smaller reporting company	We are evaluating the impacts of the new standard on our existing financial instruments, including trade receivables.

Accounting Standards Adopted in the Current Year

Standard	Description	Effect on the financial statements or other significant matters
ASU 2018-13 Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement	This pronouncement changes the fair value measurement disclosure requirements of ASC 820. The amendments in this ASU are the result of a broader disclosure project called FASB Concepts Statement, Conceptual Framework for Financial Reporting — Chapter 8: Notes to Financial Statements.	We adopted the new standard in Q1 2020 and the standard did not have a significant impact on our Unaudited Condensed Consolidated Financial Statements.
ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes	This pronouncement is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application.	We adopted the new standard in Q1 2021 and the standard did not have a significant impact on our Consolidated Financial Statements.

3. FAIR VALUE

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 and cash equivalents, receivables, and payables approximated their carrying values because of the short-term nature of these instruments. Receivables consist primarily of amounts due from our customers, net of allowances, 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 long-term credit facility and other short-term financing obligations also approximate fair value, as they are comparable to the available financing in the marketplace during the year. The fair value of our credit facilities are categorized as Level 2.

We hold assets and liabilities in a separate trust in connection with deferred compensation plans. The fair value of these assets are based on unadjusted quoted market prices for the funds in active markets with sufficient volume and frequency (Level 1).

4. ACQUISITION

The Performance and Lifestyle Footwear Business of Honeywell International, Inc.

On January 24, 2021, we entered into a Purchase Agreement (the "Purchase Agreement") with certain subsidiaries of Honeywell International Inc. (collectively, "Honeywell"), to purchase Honeywell's performance and lifestyle footwear business, including brand names, trademarks, assets and liabilities associated with Honeywell's performance and lifestyle footwear business (the "Acquisition") for a preliminary purchase price of $230 million.

On March 15, 2021 (the "Acquisition Date"), pursuant to the terms and conditions set forth in the Purchase Agreement, we completed the Acquisition for an aggregate preliminary closing price of approximately $207 million, net of cash acquired, based on preliminary working capital and other adjustments. This is subject to further adjustments based on the final assessment of working capital and other items as of the closing date. The acquisition was funded through cash on hand and borrowings under two new credit facilities. See Note 9 for information regarding the two new credit facilities.

The Acquisition expanded our brand portfolio to include The Original Muck Boot Company, XTRATUF, Servus, NEOS and Ranger brands (the "Acquired Brands"). We acquired 100% of the voting interests of certain subsidiaries and additional assets comprising the performance and lifestyle footwear business of Honeywell with the Acquisition.

With the acquisition of the Acquired Brands, we will greatly enhance our powerful portfolio of footwear brands and significantly increase our sales and profitability. We are acquiring a well-run business with a corporate culture and a customer base similar to ours, which provides meaningful growth opportunities within our existing product categories as well as an entry into new market segments. Its innovative and authentic product collections complement our existing offering with minimal overlap, which will allow us to strengthen our wholesale relationships and serve a wider consumer audience. At the same time, we plan to leverage our existing advanced fulfillment capabilities to improve distribution of the Acquired Brands to wholesale customers and accelerate direct-to-consumer penetration.

In connection with the Acquisition, we also entered into employment agreements with seven key employees from the performance and lifestyle footwear business of Honeywell, pursuant to which, among other things, we agreed to grant 25,000 non-qualified stock options in the aggregate to the seven employees as an inducement for continuing their employment with us.

In connection with the Acquisition, Honeywell will provide certain services to us under the Transition Service Agreement (TSA). The costs associated with the TSA are both fixed and variable. We expect these costs to decline over time as we integrate the businesses.

The Acquisition contributed net sales and net income of approximately $6.5 million and $0.5 million, respectively, to the unaudited condensed consolidated operating results for the period March 15, 2021 through March 31, 2021.

Acquisition-related costs

Costs incurred to complete and integrate the Acquisition are expensed as incurred and included in "operating expenses" in the accompanying condensed consolidated statements of operations. During the three months ended March 31, 2021, there were approximately $5.2 million of acquisition-related costs recognized. These costs represent banking fees, legal and professional fees, and consulting fees associated with the Acquisition.

Preliminary Purchase Price Allocation

The Acquisition has been accounted for under the business combinations accounting guidance. As a result, we have applied acquisition accounting, which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. The aggregate preliminary closing price noted above was allocated to the major categories of assets acquired and liabilities assumed based on their fair values at the Acquisition Date using primarily Level 2 and Level 3 inputs. These Level 2 and Level 3 valuation inputs include an estimate of future cash flows and discount rates. Additionally, estimated fair values are based, in part, upon outside valuation for certain assets, including specifically identified intangible assets.

The allocation of the purchase price to the assets acquired and liabilities assumed, including the residual amount allocated to goodwill, is based upon preliminary information and subject to change within the measurement period (up to 90 days from the acquisition date) as additional information concerning final working capital true-up adjustments and valuations related to assets acquired and liabilities assumed is obtained.

The following table summarizes the consideration paid for the Acquisition and the amounts of the assets acquired and liabilities assumed as of the Acquisition Date, which have been allocated on a preliminary basis and are subject to change based on the final working capital true-up.

($ in thousands)		Fair Value
Cash	$	2,655
Accounts receivable (1)		37,109
Inventories (2)		41,640
Property, plant and equipment		15,576
Intangible assets (3)		140,727
Other assets		933
Accounts payable		(17,395)
Accrued expenses		(11,620)
Total identifiable net assets		209,625
Cash acquired		(2,655)
Total cash paid, net of cash acquired	$	206,970

(1) The recorded amount for accounts receivable considers expected uncollectible amounts of approximately $0.2 million in its determination of fair value.

(2) Fair value of finished goods inventories included a preliminary step up value of approximately $3 million, of which approximately $0.3 million was expensed in the three months ended March 31, 2021 and included in "Cost of Goods Sold" in accompanying the condensed consolidated statements of operations.

(3) Intangible assets consist of trademarks and goodwill, allocated on a preliminary basis. The goodwill consists largely of synergies and economies of scale expected from the combining of the operations of Rocky and the Acquired Brands. Upon completion of the working capital true-up and fair value determinations noted above, goodwill will be assigned to the Company's wholesale and retail segments.

Unaudited Pro Forma Financial Information

The following unaudited pro forma results of operations assume that the Acquisition occurred at the beginning of the periods presented. These unaudited pro forma results are presented for information purposes only and are not necessarily indicative of what the results of operations would have been if the Acquisition had occurred at the beginning of the periods presented, nor are they indicative of the future results of operations. The pro forma results presented below are adjusted for the removal of acquisition-related costs of approximately $5.2 million for the three months ended March 31, 2021. There were no such transaction expenses for the three months ended March 31, 2020.

	Three Months Ended March 31,	
($ in thousands, expect per share amount)	2021	2020
Net sales	$ 126,345	$ 94,630
Net income	$ 13,949	$ 2,500
Diluted earnings per share	$ 1.90	$ 0.34

5. REVENUE

Nature of Performance Obligations

Our products are distributed through three distinct channels, which represent our business segments: Wholesale, Retail, and Military. In our Wholesale business, we distribute our products through a wide range of distribution channels representing over ten thousand retail store locations in the U.S., Canada, and internationally. Our Wholesale channels vary by product line and include sporting goods stores, outdoor specialty stores, online retailers, marine stores, independent retailers, mass merchants, retail uniform stores, and specialty safety shoe stores. Our Retail business includes direct sales of our products to consumers through our e-commerce websites, marketplaces, our Rocky outlet store, and Lehigh businesses. We also sell footwear under the Rocky label to the U.S. Military.

Significant Accounting Policies and Judgements

Revenue is recognized when obligations under the terms of a contract with our customer are satisfied; this generally occurs upon shipment of our product to our customer, which is when the transfer of control of our products passes to the customer. The duration of our arrangements with our customers are typically one year or less. Revenue is measured as the amount of consideration we expect to receive in exchange for the transfer of our products at a point in time and consists of either fixed or variable consideration or a combination of both.

Revenues from sales are recorded at the net sales price, which includes estimates of variable consideration for which reserves are established. Components of variable consideration include prompt payment discounts, volume rebates, and product returns. These reserves, as detailed below, are based on the amounts earned, or to be claimed on the related sales, and are classified as reductions of accounts receivable (if the amount is payable to the customer) or a current liability (if the amount is payable to a party other than a customer).

The amount of variable consideration which is included in the transaction price may be constrained, and is included in the net sales price only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized under the contract will not occur in a future period. Our analyses also contemplated application of the constraint in accordance with the guidance, under which it determined a material reversal of revenue would not occur in a future period for the estimates detailed below as of March 31, 2021. Actual amounts of consideration ultimately received may differ from our estimates. If actual results in the future vary from our estimates, we will adjust these estimates, which would affect net revenue and earnings in the period such variances become known.

When a customer has a right to a prompt payment discount, we estimate the likelihood that the customer will earn the discount using historical data and adjust our estimate when the estimate of the likelihood that a customer will earn the discount changes or the consideration becomes fixed, whichever occurs earlier. The estimated amount of variable consideration is recognized as a credit to trade receivables and a reduction in revenue until the uncertainty of the variable consideration is alleviated. Because most of our customers have payment terms less than six months there is not a significant financing component in our contracts with customers.

When a customer is offered a rebate on purchases retroactively this is accounted for as variable consideration because the consideration for the current and past purchases is not fixed until it is known if the discount is earned. We estimate the expected discount the customer will earn at contract inception using historical data and projections and update our estimates when projections materially change or consideration becomes fixed. The estimated rebate is recognized as a credit to trade receivables and offset against revenue until the rebate is earned or the earning period has lapsed.

When a right of return is part of the arrangement with the customer, we estimate the expected returns based on an analysis using historical data. We adjust our estimate either when the most likely amount of consideration we expect to receive changes or when the consideration becomes fixed, whichever occurs earlier. Please see Note 6 and Note 7 for additional information.

Trade receivables represent our right to unconditional payment that only relies on the passage of time.

Contract receivables represent contractual minimum payments required under non-cancellable contracts with the U.S. Military and other customers with a duration ofone year or less.

Contract liabilities are performance obligations that we expect to satisfy or relieve within the nexttwelve months, advance consideration obtained prior to satisfying a performance obligation, or unconditional obligations to provide goods or services under non-cancellable contracts before the transfer of goods or services to the customer has occurred. Our contract liability represents unconditional obligations to provide goods under non-cancellable contracts with the U.S. Military and other customers.

Items considered immaterial within the context of the contract are recognized as an expense.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue producing transaction, that are collected from customers, are excluded from revenue.

Costs associated with our manufacturer's warranty continue to be recognized as expense when the products are sold in accordance with guidance surrounding product warranties.

Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as a fulfillment cost and are in included in operating expenses.

Costs associated with obtaining a contract are expensed as incurred in accordance with the practical expedient in ASC340-40 in instances where the amortization period is one year or less. We anticipate substantially all of our costs incurred to obtain a contract would be subject to this practical expedient.

Contract Balances

The following table provides information about contract liabilities from contracts with our customers.

($ in thousands)	March 31, 2021	December 31, 2020
Contract liabilities	$ 2,927	$ 5,582

Significant changes in the contract liabilities balance during the period are as follows:

($ in thousands)	Contract liabilities
Balance, December 31, 2020	5,582
Non-cancelable contracts with customers entered into during the period	116
Revenue recognized related to non-cancelable contracts with customers during the period	(2,771)
Balance, March 31, 2021	2,927

Disaggregation of Revenue

All revenues are recognized at a point in time when control of our products pass to the customer at point of shipment. Because all revenues are recognized at a point in time and are disaggregated by channel, our segment disclosures are consistent with ASC 606 disaggregation requirements. See Note 13 for segment disclosures.

6. TRADE RECEIVABLES

Trade receivables are presented net of the related allowance for uncollectible accounts of approximately $394,000, $242,000 and $262,000 at March 31, 2021, December 31, 2020 and March 31, 2020, respectively. We record the allowance based on historical experience, the age of the receivables, and identification of customer accounts that are likely to prove difficult to collect due to various criteria including pending bankruptcy. However, estimates of the allowance in any future period are inherently uncertain and actual allowances may differ from these estimates. If actual or expected future allowances were significantly greater or less than established reserves, a reduction or increase to bad debt expense would be recorded in the period this determination was made. 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.

In accordance with ASC 606, the return reserve liability netted against trade receivables was approximately $1,619,000, $1,348,000 and $838,000 at March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

7. INVENTORY

Inventories are comprised of the following:

($ in thousands)	March 31, 2021	December 31, 2020	March 31, 2020
Raw materials	$ 19,372	$ 12,875	$ 12,634
Work-in-process	1,505	1,128	960
Finished goods	104,256	63,573	63,620
Total	$ 125,133	$ 77,576	$ 77,214

In accordance with ASC 606, the return reserve asset included within inventories was approximately $641,000, $744,000 and $492,000 at March 31, 2021, December 31, 2020 and March 31, 2020, respectively.

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8. IDENTIFIED INTANGIBLE ASSETS

A schedule of identified intangible assets is as follows:

($ in thousands)	Gross Amount	Accumulated Amortization	Carrying Amount
March 31, 2021			
Trademarks			
Wholesale	$ 27,192	-	$ 27,192
Retail	2,900	-	2,900
Patents	895	$ 785	110
Acquired Intangibles (1)	140,728	$ -	140,728
Total Intangibles	$ 171,715	$ 785	$ 170,930

(1) Acquired intangibles consist of trademarks and goodwill, allocated on a preliminary basis.

	Gross Amount	Accumulated Amortization	Carrying Amount
December 31, 2020			
Trademarks			
Wholesale	$ 27,192	$ -	$ 27,192
Retail	2,900	-	2,900
Patents	895	778	117
Total Intangibles	$ 30,987	$ 778	$ 30,209

	Gross Amount	Accumulated Amortization	Carrying Amount
March 31, 2020			
Trademarks			
Wholesale	$ 27,192	-	$ 27,192
Retail	2,900	-	2,900
Patents	895	$ 755	140
Total Intangibles	$ 30,987	$ 755	$ 30,232

The weighted average life for our patents is3.6 years.

A schedule of approximate amortization expense related to finite-lived intangible assets for thethree months ended March 31, 2021 and 2020 is as follows:

	Three Months Ended March 31,	
($ in thousands)	2021	2020
Amortization expense	$ 7	$ 8

A schedule of approximate expected amortization expense related to finite-lived intangible assets for the years endingDecember 31, is as follows:

($ in thousands)	Amortization Expense
2021	$ 19
2022	22
2023	20
2024	17
2025	12
2026+	20

9. LONG-TERM DEBT

On March 15, 2021, we entered into a senior secured term loan facility (“Term Facility”) with TCW Asset Management Company, LLC, as agent, for the lenders party thereto in the amount of $130 million. The Term Facility provides for quarterly payments of principal and bears interest of LIBOR plus7.00% through June 30, 2021. After this date, interest will be assessed quarterly based on our total leverage ratio. The total leverage ratio is calculated as (a) Total Debt to (b) EBITDA. If our total leverage ratio is greater than or equal to 3.25, the effective interest rate will be LIBOR plus7.00% (or at our option, Prime Rate plus6.00%). If our total leverage ratio is less than3.25, the effective interest rate will be LIBOR plus 6.50% (or at our option, Prime Rate plus5.50%). The term facility also has a LIBOR floor rate of1.00%.

Our Term Facility is collateralized by a second-lien on accounts receivable, inventory, cash and related assets and afirst-lien on substantially all other assets. The term facility matures on March 15, 2026.

On March 15, 2021, we also entered into a senior secured asset-based credit facility (“ABL Facility”) with Bank of America, N.A. ("Bank of America") as agent, for the lenders party thereto. The ABL Facility provides a new senior secured asset-based revolving credit facility up to a principal amount of $150 million, which includes a sub-limit for the issuance of letters of credit up to $5 million. The ABL facility may be increased up to an additional $50 million at the Borrowers’ request and the Lenders’ option, subject to customary conditions. The ABL Facility includes a separate first in, last out (FILO) tranche, which allows the Company to borrow at higher advance rates on eligible accounts receivables and inventory balances. As of March 31, 2021, we had borrowing capacity of $55.7 million.

The ABL Facility is collateralized by first-lien on accounts receivable, inventory, cash and related assets and asecond-lien on substantially all other assets. The ABL Facility matures on March 15, 2026. Interest on the ABL Facility is based on the amount available to be borrowed as set forth on the following chart:

Revolver Pricing Level(1)	Average Availability as a Percentage of Commitments	Base Rate	LIBOR Rate	Base Rate for FILO	LIBOR Rate for FILO
I	> 66.7%	0.00%	1.25%	0.50%	1.75%
II	>33.3% and < or equal to 66.7%	0.00%	1.50%	0.50%	2.00%
III	< or equal to 33.3%	0.25%	1.75%	0.75%	2.25%

(1) Until June 30, 2021, Tier II shall apply.

Deferred Financing Fees

In connection with the Term Facility and ABL Facility, we had to pay certain fees that will be capitalized and amortized over the life of each respective loan. In addition, the ABL Facility requires us to pay an annual collateral management fee in the amount of $75,000 due on each anniversary of the ABL Facility issuance date, until it matures.

Current and long-term debt consisted of the following:

($ in thousands)	March 31, 2021
Term Facility that matures in 2026 with an effective interest rate of 8.00%	$ 130,000
ABL Facility that matures in 2026 with an effective interest rate of 3.25%	60,500
Total debt	190,500
Less: Unamortized debt issuance costs	(4,231)
Total debt, net of debt issuance costs	186,269
Less: Debt maturing within one year	(3,250)
Long-term debt	$ 183,019

Credit Facility Covenants

The Term Facility contains restrictive covenants which requires us to maintain a maximum total leverage ratio and a minimum fixed charge coverage ratio, as defined in the agreement. We believe we are in compliance with all credit facility covenants as of March 31, 2021.

Our ABL Facility contains a restrictive covenant which requires us to maintain a fixed charge coverage ratio upon a triggering event taking place (as defined in the ABL facility). During the three months ended March 31, 2021, there were no triggering events and the covenant wasnot in effect.

Both the Term Facility and the ABL Facility contain restrictions on the amount of dividend payments.

Huntington Credit Facility

On February 13, 2019, we entered into a Revolving Credit, Guaranty, and Security Agreement ("Credit Agreement") with the Huntington National Bank ("Huntington") as administrative agent. The Credit Agreement provides for a new senior secured asset-based revolving credit facility up to a principal amount of $75 million, which includes a sublimit for the issuance of letters of credit up to $7.5 million (the "Huntington Credit Facility"). The Huntington Credit Facilitymay be increased up to an additional $25 million at our request and the lenders' option, subject to customary conditions.

Revolver Pricing Level	Average Excess Revolver Availability for Previous Quarter	Applicable Spread Rates for Eurodollar Rate Revolving Advances	Applicable Spread Rates for Domestic Rate Revolving Advances
I	$25,000,000+	1.00%	0.50%
II	$17,500,000 to < 25,000,000	1.25%	0.50%
III	$10,000,000 to < 17,500,000	1.50%	2.50%
IV	$< 10,000,000	1.75%	0.00%

The total amount available under the Huntington Credit Facility was subject to a borrowing base calculation based on various percentages of accounts receivable and inventory.

As of March 31, 2020, we had $20.0 million in outstanding borrowings against the Credit Facility with an effective rate of1.92%. As of December 31, 2020, we had no outstanding borrowings against the Huntington Credit Facility. The Huntington Credit Facility was paid out and closed as part of the Acquisition and new credit facility with Bank of America.

Credit Facility Covenants

The Huntington Credit Facility contained restrictive covenants which required us to maintain a fixed charge coverage ratio. These restrictive covenants were only in effect upon a triggering event taking place. The Huntington Credit Facility contained restrictions on the amount of dividends that may be paid. During the three months ended March 31, 2020, there were no triggering events and the covenant wasnot in effect.

10. TAXES

We are subject to tax examinations in various taxing jurisdictions. The earliest years open for examination are as follows:

	Earliest Exam Year
Taxing Authority Jurisdiction:	
U.S. Federal	2017
China	2017
Various U.S. States	2016
Puerto Rico (U.S. Territory)	2015
Canada	2015

Our policy is to accrue interest and penalties on any uncertain tax position as a component of income tax expense.No such expenses were recognized during the three months ended March 31, 2021 and 2020. We do not believe there will be any material changes in our uncertain tax positions over the next12 months.

Accounting for uncertainty in income taxes requires financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. Under this guidance, income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized upon the adoption of the standard. We did not have any unrecognized tax benefits and there was no effect on our financial condition or results of operations.

Our estimated effective tax rate was23.0% and 21.0% for the three months ended March 31, 2021 and 2020, respectively.

11. EARNINGS PER SHARE

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.

A reconciliation of the shares used in the basic and diluted income per common share computation for the three months ended March 31, 2021 and 2020 is as follows:

	Three Months Ended March 31,	
(shares in thousands)	2021	2020
Basic - weighted average shares outstanding	7,258	7,351
Dilutive stock options	90	35
Diluted - weighted average shares outstanding	7,348	7,386
Anti-dilutive securities	34	151

12. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow information for the three months ended March 31, 2021 and 2020 was as follows:

($ in thousands)	2021	2020
Interest paid	$ 20	$ 19
Federal, state, and local income taxes paid, net	$ 4	$ -
Change in contract receivables, net	$ 2,999	$ 2,195
Change in contract liabilities, net	$ (2,655)	$ (2,195)
Property, plant, and equipment purchases in accounts payable	$ 1,668	$ 1,308

13. 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, online retailers, marine stores, independent retailers, mass merchants, retail uniform stores, and specialty safety shoe stores. Our Retail business includes direct sales of our products to consumers through our e-commerce websites, marketplaces, our Rocky outlet store, and Lehigh businesses. Military includes sales to the U.S. Military. The following is a summary of segment results for the Wholesale, Retail, and Military segments for the three months ended March 31, 2021 and 2020.

	Three Months Ended March 31,	
($ in thousands)	2021	2020
NET SALES:		
Wholesale	$ 59,235	$ 34,986
Retail	23,986	16,890
Military	4,446	3,844
Total Net Sales	$ 87,667	$ 55,720
GROSS MARGIN:		
Wholesale	$ 22,261	$ 11,241
Retail	11,549	7,454
Military	1,329	625
Total Gross Margin	$ 35,139	$ 19,320

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

OVERVIEW

Acquisition - During first quarter in 2021 we closed on the acquisition of the performance and lifestyle footwear business of Honeywell International, Inc. We have incurred significant expenses associated with this acquisition and we expect to continue to incur expenses related to the acquisition as we fully integrate the businesses.

COVID-19- We are monitoring and responding to the evolving nature of the global novel coronavirus pandemic ("COVID-19" or "pandemic") and its impact to our global business. The health and safety of our team members is our top priority and to protect our employees, we are implementing all measures recommended by the Centers for Disease Control and Prevention ("CDC"). We will continue to proactively manage the Company and its operations through the pandemic, however we cannot predict the ultimate impact that COVID-19 will have on our short- and long-term demand at this time, as it will depend on, among other things, the severity and duration of the COVID-19 pandemic. The further spread of COVID-19, and the requirements to take action to help limit the spread of the illness, may impact our ability to carry out our business as usual and may materially adversely impact global economic conditions, our business, results of operations and financial condition. Our liquidity is expected to be adequate to continue to run our operations and meet our obligations as they become due.

Net sales to foreign countries represented approximately 2.5% and 1.1% of net sales for three months ended March 31, 2021 and 2020, respectively.

RESULTS OF OPERATIONS

The following tables set forth, for the periods indicated, information derived from our Unaudited Condensed Consolidated Financial Statements, expressed as a percentage of net sales. The discussion that follows each table should be read in conjunction with our Unaudited Condensed Consolidated Financial Statements as well as our annual report on 10-K for the year ended December 31, 2020.

	Three Months Ended March 31,	
	2021	2020
Net sales	100.0%	100.0%
Cost of goods sold	59.9	65.3
Gross margin	40.1	34.7
Operating expenses	32.6	32.0
Income from operations	7.5%	2.6%

Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020

($ in thousands)	Three Months Ended March 31, 2021	2020	Inc./ (Dec.)	Inc./ (Dec.)
NET SALES:				
Wholesale	$ 59,235	$ 34,986	$ 24,249	69.3%
Retail	23,986	16,890	7,096	42.0
Military	4,446	3,844	602	15.7
Total Net Sales	$ 87,667	$ 55,720	$ 31,947	57.3%

Wholesale sales increased as we continue to see a high demand with our Rocky, Georgia and Durango products as we have benefited from strong new collections and healthier stock positions. This has allowed us to obtain incremental shelf space with many of our key wholesale partners and experience better sell-through to the end consumer. Included in wholesale sales for the first quarter of 2021 was approximately $5.5 million in net sales attributed to the newly acquired brands of The Original Muck Boot Company, XTRATUF, Servus, NEOS and Ranger that were tied to the acquisition of the performance and lifestyle footwear business of Honeywell International, Inc. which was completed on March 15, 2021. In the first quarter of 2020, we did see some softness from the pull forward on certain deliveries ahead of price increases that went into effect on January 1, 2020 as well as decreases due to the COVID-19 crisis as several states announced closures of all non-essential businesses and implemented stay-at-home directives, which cut back planned deliveries and replenishment orders.

Retail sales increased as we have continued to see strong growth in our direct to consumer e-commerce and marketplace businesses which we believe was attributable to both recent investments aimed at increasing traffic and conversion rates as well as an increase in online shopping due to the COVID-19 pandemic. Included in retail sales for the first quarter of 2021 was approximately $1.0 million in net sales attributed to the newly acquired brands of The Original Muck Boot Company, XTRATUF, Servus, NEOS and Ranger that were associated with the acquisition of the performance and lifestyle footwear business of Honeywell International, Inc. which was completed on March 15, 2021. We have also seen an increase in our Lehigh business as businesses continue to re-open and get back to full capacity in the wake of the COVID-19 pandemic.

Military sales increased in the first quarter of 2021 due to a temporary closure of our manufacturing facility in Puerto Rico in 2020 due to the COVID-19 crisis.

	Three Months Ended March 31,		
($ in thousands)	2021	2020	Inc./ (Dec.)
GROSS MARGIN:			
Wholesale Margin $'s	$ 22,261	$ 11,241	$ 11,020
Margin %	*37.6%*	*32.1%*	*5.5%*
Retail Margin $'s	$ 11,549	$ 7,454	$ 4,095
Margin %	*48.1%*	*44.1%*	*4.0%*
Military Margin $'s	$ 1,329	$ 625	$ 704
Margin %	*29.9%*	*16.3%*	*13.6%*
Total Margin $'s	$ 35,139	$ 19,320	$ 15,819
Margin %	*40.1%*	*34.7%*	*5.4%*

Wholesale gross margin increased in the first quarter of 2021 due to stronger initial margins on some of our newer products, less discounting and better efficiencies at our manufacturing facilities as we have seen production increase over the last nine months. The first quarter of 2021 also included an increase to cost of goods sold of approximately $331,000 for a fair market value inventory adjustment related to the purchase accounting tied to the acquisition of the performance and lifestyle footwear business of Honeywell International, Inc. On an adjusted basis, 2021 first quarter margins were 38.1%. In the first quarter of 2020, adjusted gross margins were 33.8%, which included approximately $664,0000 of adjustments related to overhead and payroll expenses incurred during the temporary closure of our manufacturing facilities due to COVID-19. These expenses were partially offset by the employee retention credit tied to the CARES Act of 2020.

Retail gross margin increased as a higher percentage of our total retail sales were tied to our direct to consumer business which carries higher margins than our Lehigh businesses.

Military gross margin increased in the first quarter of 2021 due to some higher margin contracts and better efficiencies in our Puerto Rico manufacturing facility as production has increased over the last nine months. Adjusted gross margins for the first quarter of 2020 were 65.5%, which included approximately $324,000 of adjustments due to adjustments related to overhead and payroll expenses incurred during the temporary closure of our manufacturing facility due to COVID-19. These expenses were partially offset by the employee retention credit tied to the CARES Act of 2020.

The net effect of these expenses and credits were approximately $324,000. On an adjusted basis, 2020 first quarter margins increased to 26.5% as we continued to see stronger initial margins and better efficiencies at our Puerto Rico facility.

($ in thousands)	Three Months Ended March 31, 2021	2020	Inc./ (Dec.)	Inc./ (Dec.)
OPERATING EXPENSES:				
Operating Expenses	$ 28,558	$ 17,807	$ 10,751	60.4%
% of Net Sales	*32.6%*	*32.0%*	*0.6%*	

The increase in operating expenses for the first quarter of 2021 was due to an increase in variable expenses tied to the sales increase and approximately $5.2 million dollars of acquisition related expenses tied to the acquisition of the performance and lifestyle footwear business of Honeywell International, Inc. On an adjusted basis, the operating expenses for the first quarter of 2021 were $23,365 or 26.7% of net sales.

($ in thousands)	Three Months Ended March 31, 2021	2020	Inc./ (Dec.)	Inc./ (Dec.)
INCOME TAXES:				
Income Tax Expense	$ 1,342	$ 316	$ 1,026	324.7%
Effective Tax Rate	*23.0%*	*21.0%*	*2.0%*	

The effective tax rate increased to 23.0% for 2021 based on our actual results from fiscal year 2020 and a preliminary estimate of our tax rate post acquisition.

LIQUIDITY AND CAPITAL RESOURCES

Overview

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

During the three months ended March 31, 2021, our primary use of cash was to partly fund the acquisition of the performance and lifestyle footwear business of Honeywell International, Inc. compared to primarily using cash for working capital and capital expenditures to support our growth during years prior. Our working capital consists primarily of trade receivables and inventory, offset by debt and accounts payable. 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 can fluctuate significantly throughout the year.

Our capital expenditures relate primarily to projects relating to our corporate offices, property, merchandising fixtures, molds and equipment associated with our manufacturing and distribution operations and for information technology. Capital expenditures were $2.9 million and $2.3 million for the three months ended March 31, 2021 and 2020, respectively.

We lease certain machinery, a shoe center, and manufacturing facilities under operating leases that generally provide for renewal options.

We believe that our ABL credit facility coupled with cash generated from operations will provide sufficient liquidity to fund our operations and debt obligations 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. For more information regarding our credit facility please see Note 9.

Cash Flows

($ in millions)	Three Months Ended March 31, 2021	2020
Operating activities	$ 2.9	$ 14.1
Investing activities	(208.2)	(3.4)
Financing activities	185.8	18.0
Net change in cash and cash equivalents	$ (19.5)	$ 28.7

Operating Activities. Cash provided by operating activities was primarily impacted by an increase in accounts payable and decreases in accounts receivable, partially offset by increases in inventory for the three months ended March 31, 2021 and 2020.

Investing Activities. Cash used in investing activities primarily related our recent acquisition of the performance and lifestyle footwear business of Honeywell International, Inc. for the three months ended March 31, 2021. See Note 4 for additional information regarding the acquisition. Cash used in investing activities primarily related to investments in molds and equipment associated with our manufacturing operations, for information technology and for improvements to our distribution facility for the three months ended March 31, 2020.

Financing Activities. Cash provided by financing activities was primarily related to proceeds from our term loan and revolving credit facility, partially offset by payments on our revolving credit facility and debt issuance costs paid in connection with our recent acquisition. Cash provided by financing activities was primarily related to the proceeds from our revolving credit facility, partially offset by payments of dividends on our common stock for the three months ended March 31, 2020.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Company's Unaudited Condensed Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. On an ongoing basis, management evaluates these estimates. Estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Historically, actual results have not been materially different from the Company's estimates. However, actual results may differ materially from these estimates under different assumptions or conditions.

We have identified the critical accounting policies used in determining estimates and assumptions in the amounts reported in our Management Discussion and Analysis of Financial Conditions and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2020.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES REFORM ACT OF 1995

This report, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, 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," "predict," "potential," "continue," "likely," "would," "could" and similar expressions are intended to identify forward-looking statements. Investors are cautioned that forward-looking statements involve risk and uncertainties including, without limitations, dependence on sales forecasts, changes in consumer demand, seasonality, impact of weather, competition, reliance on suppliers, risks inherent to international trade, changing retail trends, the loss or disruption of our manufacturing and distribution operations, cybersecurity breaches or disruption of our digital systems, fluctuations in foreign currency exchange rates, economic changes, as well as other factors set forth under the caption "Item 1A, Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020 (filed March 16, 2021), and other factors detailed from time to time in our filings with the Securities and Exchange Commission. Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate. Therefore, there can be no assurance that the forward-looking statements included herein 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. 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 to our market risk as disclosed in Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2020.

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 and 15d-15 promulgated under the Exchange Act. Based upon this evaluation, our chief executive officer and our chief financial officer concluded that, as of March 31, 2021, 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.

Changes in Internal Controls There have been no material changes 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, 2021, that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have made the necessary and appropriate updates to our internal controls as it relates to financial reporting over our Acquired Brands, none of which were material. We are currently evaluating the business processes, information technology systems, and other components over internal controls of financial reporting related to the Acquired Brands as a part of our integration activities which may result in periodic control changes. Such changes will be disclosed as required by applicable SEC guidance.

PART II -- OTHER INFORMATION

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

Unregistered Sales of Equity Securities

None.

Use of Proceeds

Not applicable.

The following table sets forth information concerning the Company’s purchases of common stock for the periods indicated:

Period	Total number of shares (or units) purchased	Average price paid per share (or units)	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (1)
January 1, 2021 - January 31, 2021	-	-	$ 4,561,969
February 1, 2021 - February 28, 2021	-	-	4,561,969
March 1, 2021 - March 31, 2021	-	-	7,500,000
Total	-	-	$ 7,500,000

(1) The number shown represents, as of the end of each period, the maximum number of shares (approximate dollar value) of Common Stock that may yet be purchased under publicly announced stock repurchase authorizations. The shares may be purchased, from time-to-time, depending on market conditions.

On March 8, 2021, we announced a new $7,500,000 share repurchase program that will terminate on March 4, 2022. This program is replacing the $7,500,000 share repurchase program that was announced on March 2, 2020, which expired on February 27, 2021.

ITEM 6. EXHIBITS

Exhibit Number	Description
2.1#	Purchase Agreement, dated January 24, 2021, by and among Honeywell Safety Products USA, Inc., North Safety Products Limited, Honeywell Safety Products (UK) Limited, North Safety de Mexicali S de R.L. de C.V., Honeywell (China) Co. Ltd. and Rocky Brands, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated January 24, 2021, and filed on January 26, 2021).
2.2*#	Letter Agreement, dated March 14, 2021, Honeywell Safety Products USA, Inc., North Safety Products Limited, Honeywell Safety Products (UK) Limited, North Safety de Mexicali S de R.L. de C.V., Honeywell (China) Co. Ltd. and Rocky Brands, Inc.
10.1	ABL Loan and Security Agreement, dated March 15, 2021, between the Company and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated March 15, 2021, and filed March 16, 2021).
10.2	Loan and Security Agreement, dated March 15, 2021, between the Company and TCW Asset Management Company LLC. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K dated March 15, 2021, and filed March 16, 2021).
31.1*	Certification Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) of the Principal Executive Officer.
31.2*	Certification Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) of the Principal Financial Officer.
32**	Section 1350 Certification of Principal Executive Officer/Principal Financial Officer.
101*	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 March 31, 2021 formatted in Inline XBRL ("eXtensible Business Reporting Language"): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows, and (vi) related notes to these financial statements.
104*	Cover Page Interactive Data File, formatted in Inline XBRL and contained in Exhibit 101

* Filed with this Report.
** Furnished with this Report.
# Exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant hereby undertakes to furnish copies of any of the omitted schedules or exhibits upon request of the U.S. Securities and Exchange Commission.

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: May 6, 2021

By: /s/THOMAS D. ROBERTSON
Thomas D. Robertson
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer and Duly Authorized Officer)

Exhibit 2.2

March 14, 2021

EXHIBITS HAVE BEEN OMITTED PURSUANT TO ITEM 601(B)(2) OF REGULATION S-K. THE OMITTED INFORMATION IS (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED. THE REGISTRANT HEREBY UNDERTAKES TO FURNISH COPIES OF ANY OF THE OMITTED SCHEDULES OR EXHIBITS UPON REQUEST OF THE U.S. SECURITIES AND EXCHANGE COMMISSION.

VIA EMAIL

Rocky Brands, Inc.
39 East Canal Street
Nelsonville, OH 45764
Attention: Tom Robertson, EVP, CFO and Treasurer
Email: tom.robertson@rockybrands.com

Re: Agreement to consent to certain actions and amendments.

Dear Mr. Robertson,

This letter (this "Letter Agreement") sets forth certain agreements by and among Honeywell Safety Products USA, Inc., a Delaware corporation ("Honeywell U.S."), North Safety Products Limited, a Canada private limited company ("Honeywell Canada"), Honeywell Safety Products (UK) Limited, a United Kingdom private limited company ("Honeywell U.K."), North Safety De Mexicali S De R.L. De C.V., a Mexico private limited company ("Honeywell Mexico"), Honeywell (China) Co. Ltd., a China private limited company ("Honeywell China", together with Honeywell U.S., Honeywell Canada, Honeywell U.K., and Honeywell Mexico, the "Sellers" and, each, a "Seller"), and Rocky Brands, Inc., an Ohio corporation ("Buyer", together with the Sellers, the "Parties"), in reference to that certain Purchase Agreement (the "Agreement"), dated as of January 24, 2021, by and among the Parties. This Letter Agreement shall be effective as of the date hereof (the "Effective Date"). Capitalized terms used and not defined herein have the meanings ascribed to them in the Agreement.

1. Consent to Certain Actions and Amendments. Section 5.1 of the Agreement prohibits Sellers from taking, and from causing the Acquired Companies to take, certain actions without the prior written consent of Buyer during the Pre-Closing Period and Section 10.4 of the Agreement provides that the Agreement cannot be amended, modified or supplemented without an instrument in writing specifically designated as an amendment thereto and executed by each of the Parties. By executing this Letter Agreement, Buyer hereby (i) consents to the taking by Sellers and/or their respective Affiliates of the actions set forth in this Letter Agreement to the extent such consent is required pursuant to the Agreement, (ii) acknowledges and agrees that this Letter Agreement shall constitute prior notice of such actions, (iii) consents to the amendments to the Agreement set forth in this Letter Agreement, (iv) acknowledges and agrees that this Letter Agreement shall be deemed an amendment to the Agreement, and (v) acknowledges and agrees that no other documents or instruments are required to be executed by the Parties to take such actions or to effect such amendments.

2. Employment Matters.

(a) Increases in Cash Compensation of Certain Transferred Employees. Buyer consents to increases in the rate of cash compensation payable to the certain Transferred Employees set forth on **Exhibit A** hereto in the amounts set forth on **Exhibit A** hereto, which increases may take effect at any time during the Pre-Closing Period (provided that, to the extent such increases have taken effect prior to the Effective Date, such increases shall be deemed to have been consented to retroactively by Buyer hereby).

(b) Additional Retention Agreement. As of the Effective Date, the Sellers Disclosure Schedules shall be amended as set forth on **Exhibit B** hereto.

(c) Acquired Companies Employees; Current Employees.

(i) Buyer acknowledges that the individuals set forth on **Exhibit C** under "Individuals Inadvertently Not Included" were inadvertently not included in Section 5.12(a)(i) of the Sellers Disclosure Schedules ("Schedule 5.12(a)(i)") on the date of execution of the Agreement, and Buyer and Sellers agree to amend Schedule 5.12(a)(i), in the form attached to this Letter Agreement as **Exhibit D**, to include such individuals as Acquired Companies Employees effective as of the date of the Agreement.

(ii) Buyer consents to the hiring of the individuals set forth on **Exhibit C** under "New Hires", which hiring may take effect at any time during the Pre-Closing Period (provided that, to the extent such hiring has taken effect prior to the Effective Date, such hiring shall be deemed to have been consented to retroactively by Buyer hereby) or after the Closing. Buyer and Sellers agree to amend Schedule 5.12(a)(i), in the form attached to this Letter Agreement as **Exhibit D**, to include such individuals as Acquired Companies Employees effective as of the date of the Agreement.

(iii) As of the Effective Date, Section 5.12(a) of the Sellers Disclosure Schedules is hereby deleted in its entirety and replaced with Section 5.12(a) of the Sellers Disclosure Schedules in the form attached to this Letter Agreement as **Exhibit D**.

(d) Paid Time Off, Sick Time and Other Leave. As of the Effective Date, Section 5.12(i) of the Sellers Disclosure Schedules is hereby deleted in its entirety and replaced with Section 5.12(i) of the Sellers Disclosure Schedules in the form attached to this Letter Agreement as **Exhibit E**.

(e) TSA Employees. As of the Effective Date, Section 1.1(o) of the Sellers Disclosure Schedules is hereby deleted in its entirety and replaced with Section 1.1(o) of the Sellers Disclosure Schedules attached to this Letter Agreement as **Exhibit F**.

3. Inventory.

(a) As of the Effective Date, the last sentence of Section 3.22(a) of the Agreement is hereby deleted in its entirety and replaced with the following:

"Except for any Retained Business Inventory (as defined in Section 1.1(e) of the Sellers Disclosure Schedules), all such inventory is owned by the Acquired Companies or Sellers and is free and clear of all Encumbrances (other than Permitted Encumbrances)."

(b) As of the Effective Date, Section 5.15(c) of the Agreement is hereby deleted in its entirety and replaced with the following:

"Buyer hereby acknowledges that Sellers and their respective Affiliates shall for a period of one hundred and eighty (180) days after the Closing Date be entitled to use the Transferred Trademarks in a manner consistent with past practice, solely in connection with selling, offering for sale, distributing, providing and promoting any products (i) outside the scope of the Business that are Retained Inventory or (ii) that are Retained Business Inventory, after which period, Sellers shall, and shall cause their respective Affiliates (including the Retained Companies) to, cease use of the Transferred Trademarks and remove or obliterate the Transferred Trademarks from such Retained Inventory or Retained Business Inventory, or cease selling, offering for sale, providing and distributing such Retained Inventory or Retained Business Inventory."

(c) As of the Effective Date, Exhibit H (Restructuring Plan) to the Agreement is hereby amended as set forth on **Exhibit G**. Buyer further acknowledges and agrees that any Business Inventory (other than Retained Business Inventory) in the possession or control of Honeywell Safety Products Australia Pty. Ltd. as of the Closing Date shall be deemed Additional Acquired Assets to be sold, transferred, conveyed, assigned and delivered to Rocky Brands (Australia Pty. Ltd.) at the Closing in accordance with the terms of the Agreement.

(d) As of the Effective Date, Section 1.1(a) of the Sellers Disclosure Schedules is hereby amended as set forth on **Exhibit H**.

(e) As of the Effective Date, Section 1.1(e) of the Sellers Disclosure Schedules is hereby amended as set forth on **Exhibit I**.

(f) Notwithstanding anything to the contrary in the Agreement, Buyer consents to Sellers and/or their respective Affiliates selling, offering for sale, distributing, providing and promoting the Retained Business Inventory from and after the Closing and acknowledges and agrees that such sale, offer for sale, distribution, provision and promotion by Sellers and/or their Affiliates from and after the Closing shall in no event be deemed a violation of Sellers' obligation under Section 5.28 of the Agreement.

4. <u>Assumed Liabilities</u>. As of the Effective Date, Section 2.1(c) of the Sellers Disclosure Schedules is hereby amended as set forth on **Exhibit J**.

5. <u>Amendments to Form of Transition Services Agreement</u>. As of the Effective Date, Exhibit G (Transition Services Agreement) to the Agreement is hereby amended as set forth on **Exhibit K**. For the avoidance of doubt, Buyer hereby acknowledges and agrees that, at Closing, Honeywell Parent and Buyer shall enter into the Transition Services Agreement in the form attached as Exhibit G to the Agreement, as amended and restated to reflect <u>Section 5</u> of this Letter Agreement.

6. Registration Requirements in the People's Republic of China. As of the Effective Date, Section 5.31 of the Agreement is hereby amended by adding the following as a subsection (d):

> "(d) To the extent that the China Business Purchase Price paid to Honeywell China pursuant to Section 2.4(d)(ii) is released to Buyer or its Affiliate by the receiving account(s) of Honeywell China designated in writing by Sellers pursuant to Section 2.4(d)(ii) (the "Receiving Account(s)"), including as a result of or otherwise relating to any delay in, or failure to complete, the process set forth in Section 5.31(a), (x) Buyer shall immediately notify Sellers of any such release to Buyer or its Affiliate and provide to Sellers any related supporting documentation, (y) Buyer shall, or shall cause such Affiliate to, immediately (but in any event no later than one (1) Business Day following release of such funds to Buyer or its Affiliate) pay, or cause to be paid, to the Receiving Account(s) an amount equal to the China Business Purchase Price by wire transfer of immediately available funds, and (z) Buyer shall be responsible for payment of, or reimbursement of Sellers for, any and all fees, costs and expenses in connection with, arising from or related to any such release(s) and payment(s), including any such fees, costs and expenses charged by Receiving Account(s) in connection therewith. For the avoidance of doubt, (i) it is Buyer's intention that its obligation to pay to Honeywell China an amount equal to the China Business Purchase Price is not delayed, avoided, reduced, minimized or otherwise adversely impacted by any delay in, or failure to complete, the process set forth in Section 5.31(a) and (ii) Buyer shall in good faith promptly and fully cooperate with Sellers to ensure such obligation is satisfied in full as soon as practicable, but in any event no later than the date upon which Buyer becomes the registered owner of HSPC pursuant to the process set forth in Section 5.31(a)."

7. Environmental Matters. As of the Effective Date, the Sellers Disclosure Schedules shall be amended as set forth on **Exhibit L** hereto.

8. Binding Effect; Assignment. Neither this Letter Agreement nor any of the rights, interests or obligations hereunder may be assigned or delegated, in whole or in part, by either Party without the prior written consent of the other Party, and any purported assignment or delegation in contravention of this Section 8 shall be null and void and of no force and effect. Subject to the preceding sentences of this Section 8, this Letter Agreement shall be binding upon and inure solely to the benefit of each Party and its successors and permitted assigns, and nothing in this Letter Agreement, express or implied, is intended to or shall be construed to confer upon any other Person any legal or equitable rights, benefits or remedies of any nature whatsoever under or by reason of this Letter Agreement.

9. Amendments and Waivers. Except to the extent specifically amended hereby, the Agreement is unmodified and remains in full force and effect. This Letter Agreement shall not be amended, modified or supplemented except by an instrument in writing specifically designated as an amendment hereto and executed by each of the Parties. By an instrument in writing, either Party may waive compliance by the other Party with any term or provision of this Letter Agreement that such Party was or is obligated to comply with or perform. Such waiver or failure to insist on strict compliance with such term or provision shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure of compliance.

10. Counterparts. This Letter Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which, when taken together, shall be deemed to be one and the same agreement or document. A signed copy of this Letter Agreement transmitted by facsimile, email or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original executed copy of this Letter Agreement for all purposes.

11. Execution of Letter Agreement. If the above correctly reflects the Parties understanding and agreement with respect to the foregoing matters, please so confirm by counter-signing this Letter Agreement in the space provided below

[Signature page follows]

IN WITNESS WHEREOF, the Parties hereto have caused this Letter Agreement to be executed as of the date first written above by their respective officers thereto duly authorized.

<u>SELLERS</u>:

HONEYWELL SAFETY PRODUCTS USA, INC.

By: /s/ Fiona Cleland Nielsen
Name: Fiona Cleland Nielsen
Title: Vice President
Business Development and M&A, SPS

NORTH SAFETY PRODUCTS LIMITED

By: /s/ Fiona Cleland Nielsen
Name: Fiona Cleland Nielsen
Title: Vice President
Business Development and M&A, SPS

HONEYWELL SAFETY PRODUCTS (UK) LIMITED

By: /s/ Hicham Khellafi
Name: Hicham Khellafi
Title: Director

[Signature Page to Letter Agreement]

IN WITNESS WHEREOF, the Parties hereto have caused this Letter Agreement to be executed as of the date first written above by their respective officers thereto duly authorized.

SELLERS:

NORTH SAFETY DE MEXICALI S DE R.L. DE C.V.

By: /s/ Erick Oliverio Fuentes Ruiz
Name: Erick Oliverio Fuentes Ruiz
Title: Attorney-in-fact

HONEYWELL (CHINA) CO. LTD.

By: /s/ Steven Kenneth Lien
Name: Steven Kenneth Lien
Title: Legal Representative

[Signature Page to Letter Agreement]

IN WITNESS WHEREOF the Parties hereto have caused this Letter Agreement to be executed as of the date first written above by their respective officers thereto duly authorized.

BUYER:

ROCKY BRANDS, INC,

By: /s/ Jason Brooks
Name: Jason Brooks
Title: Chief Executive Officer

EXHIBIT A

Increases in Cash Compensation of Certain Transferred Employees

[**]

EXHIBIT B

Additional Retention Agreement

[**]

EXHIBIT C

Individual Inadvertently Not Included

[**]

EXHIBIT D

SECTION 5.12(a)

Acquired Companies Employees; Current Employees

[**]

EXHIBIT E

SECTION 5.12(i)

Paid Time Off, Sick Time and Other Leave

[**]

EXHIBIT F

SECTION 1.1(o)

TSA Employee

[**]

EXHIBIT G

Amendment to Restructuring Plan

[**]

EXHIBIT H

Amendment to Section 1.1(a) of the Sellers Disclosure Schedules

[**]

EXHIBIT I

Amendment to Section 1.1(e) of the Sellers Disclosure Schedules

[**]

EXHIBIT J

Amendment to Section 2.1(c) of the Sellers Disclosure Schedules

[**]

EXHIBIT K

Amendments to Form of Transition Services Agreement

[**]

EXHIBIT L

[**]

Exhibit 31.1

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a) OF THE PRINCIPAL EXECUTIVE OFFICER

I, Jason Brooks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rocky Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2021
/s/ Jason Brooks
Jason Brooks
Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a) OF THE PRINCIPAL FINANCIAL OFFICER

I, Tom Robertson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rocky Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2021
/s/ Thomas D. Robertson
Thomas D. Robertson
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

Exhibit 32

**CERTIFICATION PURSUANT TO RULE 13a - 14(b) AND
SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE
UNITED STATES CODE AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Rocky Brands, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned hereby certifies, pursuant to Section 1350 of Title 18 of the United States Code as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jason Brooks
Jason Brooks
Chief Executive Officer (Principal Executive Officer)
May 6, 2021

/s/ Thomas D. Robertson
Thomas D. Robertson
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)
May 6, 2021