LACROSSE FOOTWEAR INC
Form 10-K
March 05, 2010

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2009**

or

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

For the transition period from __________ to __________

Commission file number: 000-23800

LaCrosse Footwear, Inc.
(Exact name of registrant as specified in its charter)

Wisconsin
(State or other jurisdiction
of incorporation or organization)

39-1446816
(I.R.S. Employer Identification No.)

17634 NE Airport Way
Portland, Oregon
(Address of principal executive offices)

97230
(Zip code)

Registrant s telephone number, including area code: (503) 262-0110

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

Title of Class:	Exchange on which securities are registered:
Common Stock, $.01 par value	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller Reporting Company þ

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

Aggregate market value of the voting and non-voting common equity held by nonaffiliates of the registrant at June 26, 2009: $42,204,979.

Number of shares of the registrant s common stock outstanding at February 26, 2010: 6,403,514 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Company s 2010 Annual Meeting of Shareholders have been incorporated by reference into Part III of this Form 10-K. The Proxy Statement is expected to be filed with the Commission within 120 days after December 31, 2009, the end of the Company s fiscal year.

TABLE OF CONTENTS

Table of Contents

Forward Looking Statements

This Annual Report on Form 10-K, including Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The Company may also make forward-looking statements in other reports filed with the SEC, in materials delivered to stockholders and in press releases. In addition, the Company s representatives may from time to time make oral forward-looking statements.

Forward-looking statements relate to future events and typically address the Company s expected future business and financial performance. Words such as plan, expect, aim, believe, project, target, anticipate, intend, est should, could and other terms of similar meaning, typically identify such forward-looking statements. In particular, these include statements about the Company s strategy for growth, product development, market position, future performance or results of current or anticipated products, interest rates, foreign exchange rates, future financial results, impact of the expansion of our domestic production capacity, future business volumes with the U.S. government, future cash dividend policies, the adequacy of our existing resources and anticipated cash flows from operations to satisfy our working capital needs, and the outcome of contingencies, such as legal proceedings. The Company assumes no obligation to update or revise any forward-looking statements.

Forward-looking statements are based on certain assumptions and expectations of future events and trends that are subject to risks and uncertainties. Actual future results and trends may differ materially from historical results or those reflected in any such forward-looking statements depending on a variety of factors. Discussion of these factors is incorporated by reference from Part I, Item 1A, Risk Factors , and should be considered an integral part of Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations .

PART I

Item 1. Business

Unless the context requires otherwise, references in this Annual Report to we, us or our refer collectively to LaCrosse Footwear, Inc. and its subsidiaries.

General

LaCrosse Footwear, Inc. (LaCrosse or the Company) is a leading developer and marketer of branded, premium and innovative footwear for work and outdoor users. Our trusted Danner® and LaCrosse® brands are distributed domestically through a nationwide network of retailers and distributors, and internationally through our Danish subsidiary, LaCrosse Europe ApS, and through distributors and retailers in Asia, Europe and Canada. Work customers include people in law enforcement, transportation, mining, oil and gas, military services and other occupations that need high-performance and protective footwear as a critical tool for the job. Outdoor customers include people active in hunting, hiking and other outdoor recreational activities.

Company History

LaCrosse traces its roots back to 1897, with the founding of La Crosse Rubber Mills, a manufacturer of rubber and vinyl footwear. Located in La Crosse, Wisconsin, the original company was purchased from the founders in 1982 by George Schneider and the Schneider family. We have established a highly loyal following among laborers and outdoorsmen operating in severe cold or wet environments. In 1994, we expanded our brand portfolio through the acquisition of Danner Shoe Manufacturing, a premium maker of leather boots since 1932, located in Portland, Oregon. Danner had developed a strong reputation among loggers, shipyard workers and outdoor enthusiasts.

Table of Contents

We have continued to expand our corporate focus on transitioning from primarily manufacturing to a stronger emphasis on product development and marketing, outsourcing approximately two-thirds of our total production. For over 25 years, Danner, Inc. has distributed high-end Danner products through our exclusive distributor in Japan.

In 2005, we opened our first international office in China to diversify our manufacturing capacity and ensure our high quality standards. In 2006, we opened our new Danner distribution center and corporate headquarters in Portland, Oregon. In 2008, LaCrosse Europe, Inc. and its wholly-owned subsidiary, LaCrosse Europe ApS, were established in Copenhagen, Denmark, to acquire certain assets of our former European distributor and to strengthen LaCrosse s direct sales and marketing support to customers in Europe. In 2009, we opened our new Midwest distribution center for our LaCrosse brand in Indianapolis, Indiana. In 2010, we plan to open our new Danner factory and factory store in Portland, Oregon. Our new, world-class Danner factory will significantly increase our capacity to meet the growing worldwide demand from our many customers in the work, military, law enforcement, outdoor recreation, hunting and Japanese markets who depend on our U.S.-manufactured Danner® footwear being crafted to the very highest standards. Our new factory store will provide increased floor space to showcase more products and highlight the Danner craftsmanship story.

Corporate Strategy

Our corporate strategic initiatives include the following:

- Build identity, expand awareness and create demand for the Danner and LaCrosse brands.
- Identify and develop new products and technologies that can be leveraged across multiple market segments.
- Increase demand through our four distribution channels and two market categories.
- Improve operational efficiency.
- Maximize return on human capital.

Brand Positioning

Within our four channels of distribution, we market footwear under the DANNER® and LACROSSE® brands and apparel under the LACROSSE® brand. One of our fastest growing channels is the government channel in which we position the Danner® brand as performance footwear built to meet the unique demands and specific requirements for multiple branches of the U.S. military as well as federal, state and other governmental agencies.

From a direct consumer standpoint, we believe each brand is positioned uniquely in the marketplace to capitalize on differences in end user expectations for performance, price, and function. The DANNER® brand represents the highest level of performance, with a select line of high quality, feature-driven leather footwear products at premium prices. The LACROSSE® brand has a broader product line across multiple price points, from better grade to premium grade, including rubber and leather footwear as well as a line of rainwear and protective clothing.

Products

Our branded product offerings for the work and outdoor markets include the following brands:

Table of Contents

Danner

The Danner brand is known for crafting higher standards in premium footwear, with rugged designs that exceed customer expectations for performance and quality, and with classic outdoor heritage and authentic character. The brand represents the highest level of performance and features with a select line of high-quality, feature-driven footwear products at premium prices. Danner products consist of premium quality work and outdoor boots with many features including our stitch-down manufacturing process, which provides outstanding support and built-in comfort. Danner was the first footwear manufacturer to include a waterproof, breathable GORE-TEX® liner in its leather boots. Danner s product offerings include product categories such as uniform, hunting, work, hiking and accessories.

LaCrosse

The LaCrosse brand builds products designed to help you dominate your ground whether in work or recreation. Among our target customers, the LaCrosse brand is known for high performance in the field and on the job. Designed for durability and reliability, LaCrosse boots are built to satisfy specific end-user needs, such as being protective against water, extreme cold, chemicals and other harsh environments. LaCrosse s product offerings include product categories such as hunting, work, cold weather, apparel and accessories.

Styles

During 2009, we offered 424 styles of footwear and protective clothing. The percentage of net sales into work markets in 2009, 2008 and 2007 were approximately 63%, 59% and 52%, respectively and sales to outdoor markets were approximately 37%, 41% and 48%, respectively.

Product Design and Development

Our product design and development concepts originate from our staff and through communication with our customers and suppliers. We stay in constant contact with our customers to understand consumer demand and trends. Product concepts are based upon perceived consumer needs and may include new technological developments in footwear, apparel and materials.

Consumers, sales representatives and suppliers all provide information to our marketing and product development personnel during the concept, development and testing of new products. Our marketing and product development personnel, at times in conjunction with design consultants, determine the final aesthetics of the product. Once a product design is approved for production, responsibility may be shared with outside sourcing facilities or with our domestic manufacturing facility for pattern development and commercialization. Our presence in Portland, Oregon provides access to a broad talent pool of footwear and apparel design professionals.

Customers, Sales, and Distribution Channels

We market our two brands through four channels of distribution: (1) wholesale (formerly known as retail), (2) government, (3) consumer direct, and (4) international.

Within the wholesale channel, the LACROSSE® and DANNER® brands are marketed through our employee field sales staff and certain independent distributors. A national account sales team complements the sales activities for the brands.

Our wholesale channel accounts consist of over 3,300 customers, including sporting goods and outdoor retailers, general merchandise and independent shoe stores, wholesalers, and industrial distributors. Our customer base is also diversified as to size and location of customers and markets served.

Table of Contents

The government channel provides performance footwear built to meet the demands and specific requirements for multiple branches of the U.S. military as well as federal, state, and other government agencies. For example, the Danner Marine Hot boot is specifically built with performance materials to mitigate heat. In addition, we produce the Mountain Cold Weather Boot for the U.S. Marine Corps which is built with extreme abrasion resistance, unique construction and a supportive Vibram® 360 outsole, to enhance performance in extreme mountain conditions and climates. These products are manufactured in the Company s ISO 9001 certified manufacturing facility located in Portland, Oregon. In addition to receiving direct orders for these products from the respective branches of the military, Danner military products are also available through retail and exchange stores on U.S. Marine Corps, U.S. Army, and U.S. Air Force bases, and on Danner s web site (www.danner.com).

Through the consumer direct channels of distribution, we currently operate four Internet websites for use by consumers and retailers. The primary purposes of the consumer-oriented websites are to provide product and company information and to sell products to consumers who choose to purchase directly from us.

We operate a factory store adjacent to our factory in Portland, Oregon. The factory store sells first quality products, factory seconds, and slow-moving merchandise for both DANNER® and LACROSSE® brands. In January, 2010, we signed a lease to relocate our factory store in Portland, Oregon, approximately one mile from its current location. Refer to Item 2. Properties in this form 10-K.

International sales are primarily derived through our Japanese and Canadian independent distribution and dealer networks as well as our subsidiary LaCrosse Europe ApS, which was established in 2008 to acquire certain assets of our former European distributor and to strengthen our direct sales and marketing support to customers in Europe.

In addition to our four channels of distribution, we sell our products into two primary markets: work and outdoor. Work consumers include people in law enforcement, transportation, mining, oil and gas exploration and extraction, construction, military services and other occupations that require high-performance and protective footwear as a critical tool for the job. Outdoor consumers include people active in hunting, hiking and other outdoor recreational activities.

Advertising and Promotion

We create customized advertising and marketing materials and programs for each brand and distribution channel, which allows us to emphasize relevant product features that have special appeal to the applicable targeted consumer. We advertise and promote our products through a variety of methods including national and regional print advertising, public relations, point-of-sale displays, catalogs and packaging, product licensing agreements and sponsorships, online promotion and co-promotion with dealers and suppliers. Our largest initiatives include:

- Marketing development funds, which include advertising and local retail partner events, are funds provided by the Company to help retail customers market and sell Danner and LaCrosse products;

- Marketing material updates, website upgrades, point-of-purchase and related advertising; and

- Visual merchandising, which focuses on all branded point-of-sale development and production.

We believe that once consumers understand the features and benefits of our products, they will be more likely to become loyal consumers. As such, we are committed to ensuring that the benefits, features and advanced technologies of all our products are clearly articulated at our customers retail stores. We have established retail store education programs in which we send representatives to train the sales associates of key retailers. We coordinate with retail store managers to improve product positioning and point-of-sale information displays.

Table of Contents

Manufacturing and Sourcing

Manufacturing Overview

We source approximately two-thirds of the products we sell through a network of international contract manufacturers, primarily in China and Thailand, with the remaining one-third manufactured domestically in our 36,000 square foot facility in Portland, Oregon. In February, 2010, we signed a multi-tenant lease to move our Danner factory to an industrial building approximately one mile from our corporate headquarters. The new factory will be approximately 59,000 square feet, significantly expanding our existing Portland-based factory, which is being replaced. Our new production facility will significantly increase our capacity to meet the growing demand from our many customers in the work, military, law enforcement, outdoor recreation, hunting and Japanese markets who depend on our U.S.-manufactured Danner® footwear being crafted to the very highest standards. Our new facility will also enable us to extend this great tradition of superior craftsmanship. Furthermore, we expect this state-of-the-art facility will allow us to continue to innovate with new footwear designs and production processes by expanding our overall capabilities and capacity. The new factory will also improve our operating efficiencies by incorporating the latest lean manufacturing techniques to meet at-once demand. Refer to Item 2. Properties in this form 10-K for more information.

Sourcing Overview

In 2005, we formed LaCrosse International, Inc., a wholly owned subsidiary with an office in Zhongshan, China. LaCrosse International has three primary functions:

- Work with suppliers to maintain our standards for high quality products;
- Locate and develop relationships with complementary sourcing alternatives; and
- Increase speed to market for new products.

We do not have any long-term contracts with our manufacturers, choosing instead to retain the flexibility to re-evaluate our sourcing and manufacturing decisions. In addition, substantially all of our transactions with our foreign contract manufacturers are denominated in U.S. dollars. However, these U.S. dollar prices are impacted by foreign currency exchange rates and commodity prices. We regularly evaluate our vendors primarily on the quality of their work, cost and ability to deliver on time. Approximately two-thirds of our outsourced products are purchased from three foreign manufacturers located in China. Alternate sources of capacity for these products are available worldwide.

The raw materials used in production of our products are primarily leather, crude rubber and oil-based vinyl compounds for protective clothing products. We have historically been able to recover any significant increases in raw material costs through price increases.

Both our contract manufacturers and our domestic manufacturing facility purchase GORE-TEX® waterproof fabric directly from W.L. Gore and Associates (Gore), for both the LaCrosse and Danner footwear. GORE-TEX® is a registered trademark of Gore. Gore has traditionally been one of Danner s largest suppliers in terms of dollars spent on raw materials. Over 75% of Danner styles are GORE-TEX® lined. We have contracts with Gore that are terminable by either party upon 180 days written notice. We believe our relationship with Gore is good. In the event the relationship was to terminate, we have identified other sources of products with similar characteristics.

Competition

The categories of the footwear and apparel markets in which we operate are highly competitive. We compete with numerous other manufacturers and distributors, many of whom have substantially greater financial, distribution and marketing resources than we do. Because we have a broad product line, our competition varies by product category. We believe that we maintain a competitive position through the strength of our brands, our attention to quality, delivery of value, position as an innovator, our record of delivering products on a timely basis, strong customer relationships, and, in some cases, the breadth of our product line.

Certain of our competitors in leather footwear categories have strong brand name recognition in the markets they serve and are the major competitors of our DANNER® and LACROSSE® leather product lines. These competitors manufacture domestically and/or import products from offshore. Domestically manufactured DANNER® brand products are generally at a price disadvantage against lower-cost imported products. Danner focuses on the premium quality, premium price segment of the market in which product function, design, comfort, quality, continued technological improvements, brand awareness, and timeliness of product delivery are the overriding characteristics that consumers demand. By devoting attention to these factors, we believe that the DANNER® footwear line has maintained a strong competitive position in our market niches.

Several rubber boot marketers with strong brand recognition in their respective markets are competitors of the LaCrosse® brand. We occupy a favorable niche in the higher price segments of the work and outdoor rubber boot markets. Our history of supplying quality rubber boots, all of which are currently sourced from overseas suppliers, has provided a foundation to compete effectively. Other suppliers offer similar products, some at lower prices and quality levels, against which we must effectively compete. We believe that our superior quality products, innovation and design leadership, coupled with solid delivery and customer support enables us to effectively compete in this market.

Employees

As of December 31, 2009, we had 445 employees located in the United States, 11 employees in China and 6 in Denmark, substantially all of whom are full-time. Approximately 250 employees in our Portland, Oregon facilities are represented by the United Food & Commercial Workers Union (UFCW) under a collective bargaining agreement that will expire in January 2012.

Trademarks and Trade Names; Patents

We own United States federal registrations for several of our marks, including LACROSSE®, DANNER®, BURLY®, ALPHA-BURLY®, the stylized Indianhead design that serves as our logo, ICE KING®, ICEMAN®, TERRA FORCE®, HYPER-DRI®, CAMOHIDE™, ACADIA®, QUAD COMFORT®, STRIKER®, PRONGHORN™, and TFX®. We generally attempt to register a trademark relating to a product s name only when we intend to heavily promote the product or where we expect to sell the product in large volumes. However, we rely on common law trademark rights for all unregistered brands. We defend our trademarks and trade names against infringement to the fullest extent practicable under the law. Each federally registered trademark is renewable indefinitely if the trademark is still in use at the time of renewal.

We also own several United States patents and have other technologies that are patent-pending at this time. Our portfolio of patents extends as far as 2027, with none expiring prior to 2011.

Seasonality

Sales have been historically higher during the second half of the year due primarily to greater consumer demand for our outdoor product offerings during the fall and winter months. Accordingly, the amount of fixed operating expenses represents a larger percentage of net sales in the first two quarters than in the last two quarters of each year. We expect this seasonality to continue in the coming periods.

We place orders for products sourced from overseas suppliers during the first quarter with anticipated deliveries starting late in the second quarter. As a result, our inventories generally peak early in the third quarter, and then trend down to the end of year.

Factors other than seasonality could have a significant impact on our sales backlog and therefore, our backlog at any one point in time may not be indicative of future results.

Foreign Operations and Sales Outside of the United States

As previously noted, we maintain offices in China and Denmark to support our contract manufacturers and European sales staff, respectively. Our net sales outside of the Unites States are through our own European distributor and a focused set of independent distributors, and such sales accounted for approximately 5%, 6% and 7% of our net sales in 2009, 2008 and 2007, respectively.

Included in the Company s consolidated balance sheets at December 31, 2009 and 2008 are the net assets of approximately $2.7 million and $1.4 million, respectively. The net book value of fixed assets located outside of the U.S. totaled $0.5 million and $0.6 million at December 31, 2009 and 2008, respectively. Such assets consist primarily of manufacturing assets, office equipment and software.

Environmental Matters

We are subject to environmental laws and regulations concerning emissions to the air, discharges to waterways and the generation, handling, storage, transportation, treatment and disposal of waste materials. Such laws and regulations are constantly evolving and it is difficult to accurately assess the effect they will have on our operations in the future. Compliance with federal, state and local requirements which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, have not had, nor are they anticipated to have in the future, a material effect on our capital expenditures, earnings or competitive position.

Executive Officers of the Registrant

The following table lists the names, ages and titles of our executive officers. All executive officers serve at the discretion of the Company s Board of Directors.

Name	Age	Position
Joseph P. Schneider	50	President, Chief Executive Officer and Director
David P. Carlson	54	Executive Vice President, Chief Financial Officer, and Secretary
Ross M. Vonhoff	44	Senior Vice President Operations
C. Kirk Layton	54	Vice President of Finance and Assistant Secretary
J. Gary Rebello	58	Vice President of Human Resources
Kirk S. Nichols	41	Vice President of Sales

Where You Can Find More Information

We file annual reports, quarterly reports, current reports, proxy statements and other information with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 as amended (Exchange Act). Copies of our reports, proxy statements and other information filed with the SEC are available for inspection at the offices of the SEC s Public Reference Room, 100 F Street NE, Washington, D.C. 20549. The SEC may be contacted at 1-800-SEC-0330 for further information. The SEC maintains an Internet site at www.sec.gov where SEC filings can be obtained. We also make available on our corporate website at www.lacrossefootwearinc.com, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after they are filed electronically with the SEC. The information found on our website is not part of this Form 10-K. Our investor relations department can also be contacted for such reports at (800) 654-3517.

Item 1A. Risk Factors

In evaluating the Company, careful consideration should be given to the following risk factors, in addition to the other information included in this Annual Report on Form 10-K. Each of these risk factors could adversely affect the Company s business, operating results and/or financial condition, as well as adversely affect the value of an investment in the Company s common stock. In addition to the following disclosures, please refer to the other information contained in this report, including the consolidated financial statements and the related notes.

Sales to the U.S. Government, which are becoming an increasingly significant portion of our net sales, may not continue at current levels, or we may not be able to fill these orders due to facility constraints.

Our ability to continue to generate sales growth in this channel is partially dependent upon the current U.S. government s policies regarding troop deployments in various global regions requiring our specialized footwear. Additionally a substantial portion of our U.S. government sales must be produced by our domestic manufacturing facility. We plan to move into a new Danner factory in Portland, Oregon and begin production during the third quarter of 2010. If the final construction, permits and government approvals of the new facility and the related operating systems are delayed, or if the transition of inventories between the locations is interrupted, we may experience disruptions in manufacturing and shipping products to our customers or higher initial start-up costs than originally planned. Any such delay or disruption would adversely affect our results of operations. Being unable to fill orders on a timely basis could cause us to lose future orders from these sources and other customers in the work, law enforcement, Japanese and other markets who depend on our U.S.-manufactured Danner footwear being crafted to the very highest standards and being delivered on schedule. Given that such orders can be sporadic, we may incur fixed costs associated with this operation even if the orders do not support such levels of fixed costs. If government orders do not continue at current levels, or if we are unable to fill orders, it would have a negative impact on our earnings.

For all of our distribution channels, including domestic retailers, a deterioration in the general business environment and lack of growth in consumer spending due to unfavorable economic and consumer credit conditions could create an environment of increasing price discounts which would negatively impact our product revenues, gross margins and earnings.

Our success in generating sales of our products to consumers depends upon a number of factors, including economic factors impacting disposable consumer income. These economic factors include considerations such as employment, general business conditions, consumer confidence, prevailing interest rates and changes in tax laws. In addition, spending patterns of consumers may be affected by changes in the amount or severity of inclement weather, the acceptability of U.S. brands in international markets and the growth or decline of global footwear markets.

Lack of consumer spending may negatively impact our domestic wholesale partners, which impacts their financial operations and their access to capital to fund growth, which increases and concentrates our credit risk.

A contraction in consumer spending and tightening of credit markets creates an unfavorable business environment for our wholesale partners, especially those who use debt to finance their inventory purchases and other operating capital requirements. If our wholesale partners are unable to obtain financing for their inventory purchases and to fund their operations, it could result in delayed payment or non-payment of amounts owed to us and/or a reduction in the number of sales we make to such wholesale partners, either of which could have a material adverse effect on our results of operations.

Changes in the price or availability of raw materials could disrupt our operations and adversely affect our financial results, particularly our gross margins.

We purchase raw materials and component parts from various suppliers to be used in the manufacturing of our products. Changes in our relationships with suppliers or increases in the costs of purchased raw materials or component parts could result in manufacturing interruptions, delays, inefficiencies or our inability to successfully market our products. These occurrences would negatively affect our business, product gross margins and results of operations.

Our product costs are subject to risks associated with foreign currency fluctuations (particularly with respect to the Chinese Renminbi and Euro), oil price increases and higher foreign labor costs. If we are unable to increase our selling prices to offset such cost increases, our revenues and earnings would be negatively impacted.

If petroleum costs were to increase, it could result in significantly higher freight costs to our company, as we rely on transport companies to deliver our products from abroad to our distribution centers, and in some cases directly to our customers. Increased petroleum costs also affects our manufacturing costs. Foreign currency fluctuations and increased labor cost abroad would be problematic given our dependence on manufacturing in China and distribution through our European subsidiary. Our profit margins may increase or decrease as foreign currency rates, prices of petroleum, and the cost of foreign labor fluctuate and we are unable to pass on those changing costs to our customers.

We are experiencing consolidation in our raw materials supply base for outsoles and leather, which presents overall risks in our supply base.

Interruptions in supply of raw materials or increased costs for such raw materials could negatively impact both our domestic manufacturing facility as well as products produced by our international manufacturing partners, both of which could negatively impact our customer relationships, our ability to fill current and future orders and our results of operations.

Our European subsidiary, LaCrosse Europe ApS, increases our exposure to risks associated with foreign operations and the outsourcing of our European distribution center.

Foreign operations through our European subsidiary increases our exposure to risks associated with foreign currency transactions and compliance with foreign laws. Also, our distribution center for Europe is owned and managed by an independent third party, which increases our risks associated with inventory management and timely and accurate customer shipments. Any negative outcome related to these risks would have an adverse impact on our results of operations.

Our profitability is significantly dependent upon future effective tax rates for federal, state and international taxing jurisdictions.

Tax rates on corporations may be increased in future periods. Higher effective federal, state and international tax rates would lower our earnings performance and restrict our ability to invest in various areas of our business. Future changes to rates of taxation in areas outside of the U.S. could also negatively impact our future earnings performance.

Table of Contents

We conduct a significant portion of our manufacturing activities and a certain portion of our net sales occurs outside the U.S.; therefore we are subject to the risks of international commerce. Also, any adverse political conditions or governmental actions, including the imposition of duties and quotas, internally within China (where the majority of our third party manufacturers are concentrated) or externally with NAFTA countries and the European Union could disrupt our supply of product to customers.

We use third party manufacturers located in foreign countries, primarily in China and Thailand, to manufacture the majority of our products, including all of our LACROSSE® branded products. Foreign manufacturing and sales activities are subject to numerous risks, including the following:

- delays associated with the manufacture, transportation and delivery of foreign-sourced products;
- tariffs, import and export controls and other non-tariff barriers such as quotas and local content rules;
- delays in the transportation and delivery of goods due to increased security concerns;
- foreign currency fluctuations (particularly with respect to the Chinese Renminbi and Euro), a risk which we do not currently seek to mitigate through hedging transactions;
- restrictions on the transfer of funds;
- changing economic conditions;
- restrictions, due to privacy laws, on the handling and transfer of consumer and other personal information;
- changes in governmental policies and regulations;
- political unrest, terrorism or war, any of which can interrupt commerce;
- expropriation and nationalization;
- difficulties in managing foreign operations effectively and efficiently from the U.S.;
- difficulties in understanding and complying with local laws, regulations and customs in foreign jurisdictions;
- limited capital of foreign distributors and the possibility that such distributors may terminate their operations or their relationships with us; and
- concentration of credit risk, currency, and political risks associated with international distributors.

Additionally, although net sales outside of the U.S. did not constitute a significant portion of our revenues in 2009, we expect our international sales will grow over the next few years. Our ability to continue to do business in international markets is subject to risks associated with international sales operations, as noted above, as well as the difficulties associated with promoting products in emerging markets. We are also subject to additional risk as we have a limited number of foreign distributors, who may have inadequate capital to continue operations over the long-term. Sales to the international markets are achieved through those foreign distributors, principally in Japan. Our sales and sales growth may be adversely affected if our relationships with those distributors were to deteriorate and we are unable to engage suitable alternatives in a timely manner.

Table of Contents

Because we depend on third party manufacturers, we face challenges in maintaining a timely supply of goods to meet sales demand, and we may experience delay or interruptions in our supply chain. Any shortfall or delay in the supply of our products may decrease our sales and have an adverse impact on our customer relationships.

Third party manufacturers produce approximately two-thirds of our footwear products. Currently, we source footwear with third party manufacturers primarily located in China and Thailand. We depend on these manufacturers ability to finance the production of goods ordered and to maintain adequate manufacturing capacity. We do not exert direct control over the third party manufacturers, so we may be unable to obtain timely delivery of acceptable products.

Due to various potential factors outside of our control, one or more of our third party manufacturers may be unable to continue meeting our production requirements. Also, certain of our third party manufacturers have manufacturing arrangements with companies that are much larger than we are and whose production needs are much greater than ours. As a result, such manufacturers may choose to devote additional resources to the production of products other than ours if capacity is limited.

In addition, we do not have long-term supply contracts with these third party manufacturers, and any of them could unilaterally terminate their relationship with us at any time or seek to increase the prices they charge us. As a result, we are not assured of an uninterrupted supply of products of an acceptable quality and price from our third party manufacturers. We may be unable to offset any interruption or decrease in supply of our products by increasing production in our company-operated manufacturing facility due to capacity constraints, and we may be unable to substitute suitable alternative third party manufacturers in a timely manner or at acceptable prices. Any disruption in the supply of products from our third party manufacturers may harm our business and could result in a loss of sales and an increase in production costs, which would adversely affect our results of operations.

Our business is substantially affected by weather conditions, and sustained periods of warm and/or dry weather can negatively impact our sales. Additionally, such weather conditions may negatively impact our inventory levels and subsequent period sales.

We sell our products into two primary markets, work and outdoor. For the year ended December 31, 2009, 37% of our annual revenues were to the outdoor market. This market category is highly seasonal and weather dependent. Sales of these products are largely dependent on the timing and severity of weather in the different regions of the United States and Europe. During sustained periods of warm and/or dry weather conditions, certain key categories in the outdoor market may be negatively impacted, including hunting, hiking and cold weather products, as consumers postpone purchases of our products pending the resumption of more conducive weather patterns. Additionally, given our advance ordering timelines, such reduced demand during normal outdoor market seasons may also negatively impact our inventory levels and subsequent period profits as such excess inventories are sold.

Failure to efficiently import foreign sourced products could result in decreased margins, cancelled orders and unanticipated inventory accumulation.

Our business depends on our ability to source and distribute products in a timely manner. As a result, we rely on the free flow of goods through open and operational ports worldwide. Labor disputes at various ports create significant risks for our business, particularly if these disputes result in work slowdowns, lockouts, strikes, or other disruptions during our peak importing seasons, and could have a material adverse effect on our business, potentially resulting in cancelled orders by customers, unanticipated inventory accumulation, and reduced revenues and earnings.

Furthermore, many of our imported products are subject to duties, tariffs or quotas that affect the cost and quantity of various types of goods imported into NAFTA or European Union countries and into our other sales markets. The countries in which our products are produced or sold may adjust or impose new quotas, duties, tariffs or other restrictions, any of which could have a material adverse effect on us.

If we do not accurately forecast consumer demand, we may have excess inventory to liquidate or have greater difficulty filling our customers orders, either of which could adversely affect our business.

The footwear industry is subject to cyclical variations and declines in performance, as well as fashion risks and rapid changes in consumer preferences, the effects of weather, general economic conditions and other factors affecting demand. Furthermore, the footwear industry has relatively long lead times for the design and manufacture of products. Consequently, we must commit to production based on our forecasts of consumer demand.

If we overestimate demand for our products, we may be forced to liquidate excess inventories at a discount to customers, resulting in markdowns and lower gross margins. Conversely, if we underestimate consumer demand, we could have inventory shortages, which can result in lost potential sales, delays in shipments to customers, strains on our relationships with customers and diminished brand loyalty. A decline in demand for our products, or any failure on our part to satisfy increased demand for our products, could adversely affect our business and results of operations.

Labor disruptions or disruptions due to natural disasters or casualty losses at one of our distribution facilities or our domestic manufacturing facility could have a material adverse effect on our operations.

Some of our employees at our Danner distribution and manufacturing facilities are organized in a labor union, the United Food and Commercial Workers Union. Our inability to renew on favorable terms the collective bargaining agreement between us and the union that represents our employees, or any strike, work stoppage or other labor disruption could impair our ability to adequately supply our customers and could have an adverse effect on our results of operations.

In addition, any natural disaster or other serious disruption at one of these facilities, including our non-union distribution facility in Indianapolis, Indiana, due to fire, earthquake, tornadoes, flood, terrorist attack or any other natural or manmade cause could damage a portion of our inventory or impair our ability to use our warehouse for our products. Any of these occurrences could impair our ability to adequately supply our customers and could have an adverse effect on our results of operations.

Our financial success may be limited by the strength of our relationships with our wholesale customers and by the success of such wholesale customers.

Our financial success is significantly related to the willingness of our wholesale customers to continue to carry our products and to the success of such customers in selling our products. We do not have long-term contracts with any of our wholesale customers, and sales to our wholesale customers are increasingly on an order-by-order basis and are subject to rights of cancellation and rescheduling by the customer. If we cannot fill our wholesale customers orders in a timely manner, the sales of our products and our relationships with those customers may suffer, and this could have a material adverse effect on our sales and ability to grow our product line.

Our five largest wholesale customers accounted for approximately 15% of our revenues in 2009. If any of our major wholesale customers experiences a significant downturn in their business or fails to remain committed to our products or brands, then these customers may reduce or discontinue purchases from us in the future. In addition, we extend credit to our customers based on an evaluation of each customer s financial condition. If a

Table of Contents

significant customer to whom we have extended credit experiences financial difficulties, our bad debt expense may increase relative to revenues in the future, which would adversely impact our net income and cash flow.

We face significant competition and if we are unable to compete effectively, sales of our products may decline and our business could be harmed.

The footwear industry is highly competitive. Some of our competitors have products with similar characteristics, such as design and materials, with certain of our products. In addition, access to offshore manufacturing is also making it easier for new companies to enter the markets in which we compete.

The footwear industry includes footwear manufacturers, fashion-oriented footwear marketers, vertically integrated specialty stores and retailers of private label products. Our principal competitive differentiators include product design, product performance, quality, brand image, marketing and promotion, customer support and service, the ability to meet delivery commitments to retailers, and others. Certain of our competitors have:

- significantly greater financial resources than we have;
- more comprehensive product lines than ours;
- broader market presence than we have in retail outlets, or have their own retail outlets;
- greater distribution capabilities than we have;
- stronger brand recognition than we have; and
- substantially greater product advertising budgets than we do.

Our competitors greater capabilities in these areas may enable them to better withstand periodic downturns in the footwear industry, compete more effectively on the basis of price and production and more quickly develop new products. In addition, a major marketing or promotional success or technological innovation by one of our competitors could adversely impact our competitive position. If we fail to compete successfully in the future, our sales and profits may decline and our financial condition may deteriorate.

In addition, a growing trend in the footwear industry is for dealers and distributors to source product directly from overseas manufacturers in order to increase profitability by eliminating the wholesale distributor or manufacturer. While dealers and distributors have not historically manufactured and developed new and innovative products, if consumers largely accept the directly sourced products, it could have an adverse effect on our results of operations.

We may be unable to meet changing consumer preferences and demands.

The footwear industry is subject to rapid changes in consumer preferences. Our success depends in large part on our ability to continuously develop, market and deliver innovative and functional products that are competitive with other brands in our market. In addition, we must design and manufacture products that appeal to many consumer markets at a range of price points. While we continually update our product line with new and innovative products, our products may not continue to be popular and new products we introduce may not achieve adequate consumer acceptance for us to recover development, manufacturing, marketing and other costs. Our failure to anticipate, identify and react to shifts in consumer preferences and maintain a strong brand image could adversely affect our sales and results of operations.

Our failure or inability to protect our intellectual property could significantly harm our competitive position and reduce future revenues.

Protecting our intellectual property is an important factor in maintaining our brand and our competitive position in the footwear industry. If we do not or are unable to adequately protect our intellectual property, our sales and profitability could be adversely affected. We currently hold a number of patents and trademarks and have patent and trademark applications pending. However, our efforts to protect our proprietary rights may be inadequate and applicable laws provide only limited protection. We have a number of licensing agreements, both for product, camouflage patterns and trademarks, which are significant to our business. If we are unable to renew the agreements, and suitable replacements are not available in a timely manner, our revenues could be negatively impacted.

We depend on a limited number of suppliers for key production materials, and any disruption in the supply of such materials could interrupt product manufacturing and increase product costs.

We depend on a limited number of sources for the primary materials used to make our footwear. For example, we and our suppliers purchase GORE-TEX® waterproof fabric directly from W.L. Gore and Associates (Gore), for both our LaCrosse and Danner footwear. Over three-fourths of Danner styles are GORE-TEX® lined.

While we consider our relationship with Gore to be good, if Gore were to terminate our agreements, the time required to obtain substitute materials could interrupt our production cycle. Additionally, consumers may be unwilling to accept any such replacement material. Any termination or delay in our supply of GORE-TEX® waterproof fabric or the loss of our ability to use the GORE-TEX® mark in association with our products, or in the procurement of any other key product component, could result in lost potential sales, delays in shipments to customers, strained relationships with customers and diminished brand loyalty.

In order to be successful, we must retain and motivate key employees, and the failure to do so could have an adverse impact on our business.

Our future success will depend in part on the continued service of key personnel. Our future success will also depend on our ability to attract and retain key managers, product development engineers, sales people, and others. We face intense competition for such individuals throughout the footwear and work and outdoor products industries. Not being able to attract or retain these employees could have a material adverse effect on our financial performance.

If we fail to comply with the covenants contained in our revolving credit facility, we may be unable to maintain existing, or secure additional financing, and repayment obligations on any outstanding indebtedness may be accelerated.

Our revolving credit facility contains financial and operating covenants with which we must comply. Our continued compliance with these covenants is dependent on our financial results, which are subject to fluctuation as described elsewhere in these risk factors. If we fail to comply with the covenants in the future or if our lender does not agree to waive any future non-compliance, we may be unable to borrow funds and any outstanding indebtedness could become immediately due and payable, which could harm our business. At December 31, 2009 we had no outstanding borrowing under this credit facility.

Our articles of incorporation, bylaws and Wisconsin corporate law each contain provisions that could delay, defer or prevent a change in control of our company or changes in our management.

Among other things, these provisions:

- classify our board of directors so that only some of our directors are elected each year;

- do not permit cumulative voting in the election of directors, which would otherwise allow less than a majority of stockholders to elect director candidates; and

- establish advance notice and other procedural requirements for submitting nominations for election to the board of directors and for proposing matters that can be acted upon by stockholders at a meeting.

These provisions could discourage proxy contests and make it more difficult for our stockholders to elect directors and take other corporate actions, which may prevent a change of control and/or changes in our management that a stockholder might consider favorable. In addition, Subchapter XI of the Wisconsin Business Corporation Law includes provisions that may discourage, delay, or prevent a change in control of us. Any delay or prevention of a change of control or change in management that stockholders might otherwise consider to be favorable could cause the market price of our common stock to decline.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table sets forth certain information, as of December 31, 2009, relating to our principal facilities.

PROPERTIES

Location	Owned or Leased	Approximate Floor Area in Square Feet	Principal Uses
Portland, OR	Leased (1)	145,000	Principal sales, marketing and executive offices and distribution facility
Portland, OR	Leased (2)	36,000	Manufacturing operations and factory store
Indianapolis, IN	Leased (3)	380,000	Distribution facility
Zhongshan, China	Leased (4)	1,400	Office space
Copenhagen, Denmark	Leased (5)	2,300	Office space
Portland, OR	Leased (6)	1,800	Office space
Portland, OR	Leased (7)	59,000	Manufacturing operations
Portland, OR	Leased (8)	17,500	Factory store

(1) The lease term on the Single Tenant Industrial Lease is 120 months from August 1, 2006 and the Lease provides for potential term extensions of up to 60 months after the original term.

(2) In December 2009, we signed a two

month lease extension. The lease for this facility expires on July 31, 2010.

(3) In June 2008, we signed a Single Tenant Industrial Lease for 124 months beginning March 1, 2009.

(4) The lease for this facility expires November, 2010.

(5) The lease for this facility expires June, 2012.

(6) The lease for this facility expires in September 2010. This facility is currently being sub-let to another tenant.

Table of Contents

(7) In February 2010, we signed a multi-tenant lease to relocate our Danner factory. The lease has an initial term of 64 months, and includes provision for three successive extension terms of five years each. The initial term of the Lease commences on May 1, 2010.

(8) In January 2010, we signed a lease to move our Danner Factory Store to a new facility in Portland. The lease has an initial term of 64 months and includes provision for three successive extension terms of five years each. The initial term of the lease commences on March 1, 2010.

Item 3. Legal Proceedings

From time to time, we become involved in ordinary, routine or regulatory legal proceedings incidental to our business. When a loss is deemed probable to occur and the amount of such loss can be reasonably estimated, a liability is recorded in our financial statements.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Price Range of Common Stock

Our common stock is publicly traded on the NASDAQ Global Market under the ticker symbol BOOT. On February 26, 2010, the closing sale price of our common stock was $14.10 per share, as reported on the NASDAQ Global Market. The table below shows the high and low sales prices per share of our common stock as reported by the NASDAQ Global Market:

	2009		2008	
	High	Low	High	Low
First Quarter	$ 13.40	$ 7.00	$ 18.98	