

WEYCO GROUP INC  
Form 10-Q  
May 07, 2010

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, 2010

Or

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

For the transition period from to

Commission file number 0-9068

WEYCO GROUP, INC.  
(Exact name of registrant as specified in its charter)

WISCONSIN 39-0702200  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

333 W. Estabrook Boulevard  
P. O. Box 1188  
Milwaukee, Wisconsin 53201  
(Address of principal executive offices)  
(Zip Code)

(414) 908-1600  
(Registrant's telephone number, including area code)

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 ☒ No ☐

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

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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 the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐ Accelerated Filer ☒ Non-Accelerated Filer ☐ Smaller Reporting Company ☐

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

As of April 30, 2010, there were 11,381,954 shares of common stock outstanding.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

The consolidated condensed financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. It is suggested that these financial statements be read in conjunction with the financial statements and notes thereto included in the Company's latest annual report on Form 10-K.

WEYCO GROUP, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED BALANCE SHEETS (UNAUDITED)

	March 31, 2010	December 31, 2009
	(Dollars in thousands)	
ASSETS :		
Cash and cash equivalents	\$ 25,154	\$ 30,000
Marketable securities, at amortized cost	4,255	3,954
Accounts receivable, net	42,119	33,020
Inventories	31,969	40,363
Prepaid expenses and other current assets	3,395	3,922
Total current assets	106,892	111,259
Marketable securities, at amortized cost	47,568	42,823
Deferred income tax benefits	2,128	2,261
Other assets	13,603	13,070
Property, plant and equipment, net	26,601	26,872
Trademark	10,868	10,868
Total assets	\$ 207,660	\$ 207,153
LIABILITIES AND EQUITY:		
Accounts payable	\$ 5,939	\$ 9,202
Dividend payable	1,694	1,693
Accrued liabilities	7,684	7,846
Accrued income taxes	1,877	1,241
Deferred income tax liabilities	369	295
Total current liabilities	17,563	20,277
Long-term pension liability	18,938	18,533
Common stock	11,342	11,333
Capital in excess of par value	17,366	16,788
Reinvested earnings	148,311	146,241
Accumulated other comprehensive loss	(10,086)	(10,066)
Total Weyco Group, Inc. equity	166,933	164,296
Noncontrolling interest	4,226	4,047
Total equity	171,159	168,343

Total liabilities and equity	\$ 207,660	\$ 207,153
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The accompanying notes to consolidated condensed financial statements (unaudited) are an integral part of these financial statements.

WEYCO GROUP, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS (UNAUDITED)

	Three Months Ended March 31,	
	2010	2009
	(In thousands, except per share amounts)	
Net sales	\$ 61,039	\$ 58,908
Cost of sales	37,630	39,217
Gross earnings	23,409	19,691
Selling and administrative expenses	17,968	16,357
Earnings from operations	5,441	3,334
Interest income	498	452
Interest expense	(1)	(23)
Other income and expense, net	133	(94)
Earnings before provision for income taxes	6,071	3,669
Provision for income taxes	2,090	1,310
Net earnings	3,981	2,359
Net earnings (loss) attributable to noncontrolling interest	124	(145)
Net earnings attributable to Weyco Group, Inc.	\$ 3,857	\$ 2,504
Weighted average shares outstanding		
Basic	11,291	11,279
Diluted	11,494	11,483
Earnings per share		
Basic	\$ 0.34	\$ 0.22
Diluted	\$ 0.34	\$ 0.22
Cash dividends per share	\$ 0.15	\$ 0.14

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

WEYCO GROUP, INC. AND SUBSIDIARIES  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31,	
	2010	2009
	(Dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 3,981	\$ 2,359
Adjustments to reconcile net earnings to net cash provided by operating activities -		
Depreciation	704	707
Amortization	22	27
Deferred income taxes	66	(174)
Net foreign currency transaction (gains) losses	(135)	-
Stock-based compensation	285	219
Pension expense	813	712
Increase in cash surrender value of life insurance	(138)	(135)
Changes in operating assets and liabilities -		
Accounts receivable	(8,989)	(7,484)
Inventories	8,578	11,866
Prepays and other current assets	206	1,040
Accounts payable	(3,290)	(3,689)
Accrued liabilities and other	(732)	(784)
Accrued income taxes	632	1,376
Net cash provided by operating activities	2,003	6,040
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of businesses	-	(9,320)
Purchases of marketable securities	(6,448)	(65)
Proceeds from maturities of marketable securities	1,380	2,135
Purchases of property, plant and equipment	(385)	(383)
Net cash used for investing activities	(5,453)	(7,633)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash received from noncontrolling interest	-	1,314
Cash dividends paid	(1,700)	(1,589)
Shares purchased and retired	(90)	(1,271)
Proceeds from stock options exercised	152	12
Net borrowings under revolving credit agreement	-	3,425
Income tax benefits from share-based compensation	154	4
Net cash (used for) provided by financing activities	(1,484)	1,895
Effect of exchange rate changes on cash	88	-
Net (decrease) increase in cash and cash equivalents	(4,846)	302
CASH AND CASH EQUIVALENTS at beginning of period	\$ 30,000	\$ 11,486
CASH AND CASH EQUIVALENTS at end of period	\$ 25,154	\$ 11,788

SUPPLEMENTAL CASH FLOW INFORMATION:

Income taxes paid, net of refunds	\$	1,903	\$	124
Interest paid	\$	-	\$	19

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

## NOTES:

## 1. Financial Statements

In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments necessary to present fairly the financial position, results of operations and cash flows for the periods presented. The results of operations for the three month period are not necessarily indicative of the results for the full year.

## 2. Earnings Per Share

The following table sets forth the computation of earnings per share and diluted earnings per share:

	Three Months Ended March 31,	
	2010	2009
	(In thousands, except per share amounts)	
Numerator:		
Net Earnings	\$ 3,857	\$ 2,504
Denominator:		
Basic weighted average shares outstanding	11,291	11,279
Effect of dilutive securities:		
Employee stock-based awards	203	204
Diluted weighted average shares outstanding	11,494	11,483
Basic earnings per share		
	\$ 0.34	\$ 0.22
Diluted earnings per share		
	\$ 0.34	\$ 0.22

Diluted weighted average shares outstanding for the three months ended March 31, 2010 excluded outstanding options to purchase 284,050 shares of common stock at a weighted average price of \$28.46, as they were antidilutive. Diluted weighted average shares outstanding for the three months ended March 31, 2009 excluded outstanding options to purchase 247,900 shares of common stock at a weighted average price of \$29.16, as they were antidilutive.

## 3. Investments

As noted in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, all of the Company's investments are classified as held-to-maturity securities and reported at amortized cost pursuant to Accounting Standards Codification (ASC) No. 320, Investments – Debt and Equity Securities as the Company has the intent and ability to hold all security investments to maturity.

The amortized cost of all marketable securities as of March 31, 2010 as reported in the Consolidated Condensed Balance Sheets was \$51.8 million. The estimated fair market value of those marketable securities as of March 31, 2010 was \$53.7 million. The unrealized gains and losses on marketable securities as of March 31, 2010, were \$2.0 million and \$71,000, respectively. The estimated market values provided are level 2 valuations as defined by ASC 820, Fair Value Measurement and Disclosures. The Company has reviewed its portfolio of marketable securities as of March 31, 2010 and has determined that no other-than-temporary market value impairment exists.





## 4. Segment Information

The Company has two reportable segments: North American wholesale operations (“wholesale”) and North American retail operations (“retail”). The chief operating decision maker, the Company’s Chief Executive Officer, evaluates the performance of its segments based on earnings from operations and accordingly, interest income, interest expense and other income or expense are not allocated to the segments. The “other” category in the table below includes the Company’s wholesale and retail operations in Australia, South Africa, Asia Pacific and Europe, which do not meet the criteria for separate reportable segment classification. Summarized segment data for the three months ended March 31, 2010 and 2009 was:

Three Months Ended  
March 31,

	Wholesale	Retail	Other	Total
	(Dollars in thousands)			
<b>2010</b>				
Product sales	\$ 44,088	\$ 5,275	\$ 11,096	\$ 60,459
Licensing revenues	580	-	-	580
Net sales	\$ 44,668	\$ 5,275	\$ 11,096	\$ 61,039
Earnings from operations	\$ 4,392	\$ (188)	\$ 1,237	\$ 5,441
<b>2009</b>				
Product sales	\$ 45,634	\$ 5,239	\$ 7,286	\$ 58,159
Licensing revenues	749	-	-	749
Net sales	\$ 46,383	\$ 5,239	\$ 7,286	\$ 58,908
Earnings from operations	\$ 3,294	\$ (273)	\$ 313	\$ 3,334

## 5. Employee Retirement Plans

The components of the Company’s net pension expense were:

	Three Months Ended March 31,	
	2010	2009
	(Dollars in thousands)	
Benefits earned during the period	\$ 285	\$ 238
Interest cost on projected benefit obligation	612	536
Expected return on plan assets	(447)	(383)
Net amortization and deferral	363	321
Net pension expense	\$ 813	\$ 712

## 6. Stock-Based Compensation Plans

During the three months ended March 31, 2010, the Company recognized approximately \$285,000 of compensation expense associated with stock option and restricted stock awards granted in the years 2006 through 2009. During the three months ended March 31, 2009, the Company recognized approximately \$219,000 of compensation expense associated with stock option and restricted stock awards granted in the years 2006 through 2008.

The following table summarizes the stock option activity under the Company's plans for the three month period ended March 31, 2010:

	Shares	Weighted Average Exercise Price	Wtd. Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value*
Outstanding at December 31, 2009	1,195,276	\$ 18.68		
Exercised	(12,800)	\$ 11.84		
Forefeited	(350)	\$ 25.50		
Outstanding at March 31, 2010	1,182,126	\$ 18.75	3.19	\$ 7,040,004
Exercisable at March 31, 2010	833,001	\$ 15.74	2.87	\$ 6,960,497

\*The aggregate intrinsic value of outstanding and exercisable stock options is defined as the difference between the market value at March 31, 2010 of \$23.52 and the exercise price.

The following table summarizes stock option activity for the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31, 2010                      2009 (Dollars in thousands)	
Total intrinsic value of stock options exercised	\$ 395	\$ 10
Cash received from stock option exercises	\$ 152	\$ 12
Income tax benefit from the exercise of stock options	\$ 154	\$ 4

The following table summarizes the Company's restricted stock award activity for the three months ended March 31, 2010:

	Shares of Restricted Stock	Weighted Average Grant Date Fair Value	Wtd. Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value*
Non-vested - December 31, 2009	46,670	\$ 25.56		
Issued	-	-		
Vested	-	-		
Forfeited	-	-		
Non-vested March 31, 2010	46,670	\$ 25.56	2.33	\$ 808,382

\* The aggregate intrinsic value of non-vested restricted stock is the number of shares outstanding valued at the March 31, 2010 market value of \$23.52.

## 7. Short-Term Borrowings

At March 31, 2010, the Company had a total of \$50.0 million available under its borrowing facility, and no outstanding borrowings. This facility includes one financial covenant that specifies a minimum level of net worth. The Company was in compliance with the covenant at March 31, 2010. The facility expired on April 30, 2010, and was renewed for another term that expires April 30, 2011.

## 8. Comprehensive Income

Comprehensive income for the three months ended March 31, 2010 and 2009 was as follows:

	Three Months Ended March 31,	
	2010	2009
	(Dollars in thousands)	
Net earnings	\$ 3,981	\$ 2,359
Foreign currency translation adjustments	(241)	(175)
Pension liability, net of tax	221	196
Total comprehensive income	\$ 3,961	\$ 2,380

The components of accumulated other comprehensive loss as recorded on the accompanying balance sheets were as follows:

	March 31,	December 31,
	2010	2009
	(Dollars in thousands)	
Foreign currency translation adjustments	\$ 880	\$ 1,121
Pension liability, net of tax	(10,966)	(11,187)
Total accumulated other comprehensive loss	\$ (10,086)	\$ (10,066)

## 9. Equity

A reconciliation of the Company's equity for the three months ended March 31, 2010 follows:

	Common Stock	Capital in Excess of Par Value	Reinvested Earnings	Accumulated Other Comprehensive Income/(Loss)	Noncontrolling Interest
	(Dollars in thousands)				
Balance, December 31, 2009	\$ 11,333	\$ 16,788	\$ 146,241	\$ (10,066)	\$ 4,047
Net earnings			3,857		124
Foreign currency translation adjustments				(241)	55
Pension liability adjustment, net of tax				221	
Cash dividends declared			(1,701)		
Stock options exercised	13	139			
Stock-based compensation expense		285			
Income tax benefit from stock options exercised		154			
Shares purchased and retired	(4)		(86)		

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Balance, March 31, 2010	\$	11,342	\$	17,366	\$	148,311	\$	(10,086)	\$	4,226
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## 10. Subsequent Event

On April 28, 2010, the Company acquired certain assets, including the Umi brand name, intellectual property and accounts receivable, from Umi, LLC, a children's footwear company, for an aggregate price of approximately \$2.5 million. Following the transaction, Umi, LLC and its subsidiaries will cease using the Umi name.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to the Company's outlook for the future. These statements represent the Company's reasonable judgment with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially. The reader is cautioned that these forward-looking statements are subject to a number of risks, uncertainties or other factors that may cause (and in some cases have caused) actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, but are not limited to, the risk factors described under Item 1A, "Risk Factors," of the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

#### GENERAL

The Company is a distributor of men's casual, dress and fashion shoes. The principal brands of shoes sold by the Company are "Florsheim," "Nunn Bush" and "Stacy Adams." Inventory is purchased from third-party overseas manufacturers. The majority of foreign-sourced purchases are denominated in U.S. dollars. The Company has two reportable segments, North American wholesale operations ("wholesale") and North American retail operations ("retail"). In the wholesale segment, the Company's products are sold to shoe specialty stores, department stores and clothing retailers, primarily in the United States and Canada. The Company also has licensing agreements with third parties who sell its branded apparel, accessories and specialty footwear in the United States, as well as its footwear in Mexico and certain markets overseas. Licensing revenues are included in the Company's wholesale segment. The Company's retail segment consisted of 36 Company-owned retail stores in the United States and an Internet business as of March 31, 2010. Sales in retail outlets are made directly to consumers by Company employees. The Company's "other" operations include the Company's wholesale and retail operations in Australia, South Africa, Asia Pacific and Europe. The majority of the Company's operations are in the United States, and its results are primarily affected by the economic conditions and the retail environment in the United States.

On January 23, 2009, the Company acquired a majority interest in a new subsidiary, Florsheim Australia. Accordingly, the Company's first quarter 2010 results included Florsheim Australia's operations for the entire first quarter, while 2009 only included the consolidated financial statements of Florsheim Australia from January 23 through March 31, 2009.

## CONSOLIDATED OVERVIEW

Consolidated net sales for the first quarter of 2010 reached \$61.0 million, an increase of 4% above last year's first quarter net sales of \$58.9 million. Consolidated operating earnings for the first quarter of 2010 were \$5.4 million, up from \$3.3 million last year. The Company's net earnings for the first three months of 2010 were \$3.9 million, up from \$2.5 million in the first quarter of 2009. Diluted earnings per share this quarter rose to \$.34 per share compared with \$.22 per share in last year's first quarter.

Wholesale segment net sales were down slightly in the first quarter this year compared with last year and retail segment net sales were flat with last year. Net sales of the Company's other operations, which include the wholesale and retail sales of Florsheim Australia and Florsheim Europe were up \$3.8 million this year, as this year's first quarter net sales included three full months of Florsheim Australia's net sales compared to last year's first quarter which included only January 23 through March 31, 2009. The 2010 net sales of Florsheim Australia and Florsheim Europe also benefited from foreign exchange rate changes.

The Company achieved higher gross earnings from operations this quarter compared with last year's first quarter primarily as a result of higher gross margins in its wholesale segment. The increase in operating earnings also reflects higher earnings at Florsheim Australia which primarily resulted from the additional 23 days of operations this year. Also, Florsheim Australia's first quarter 2009 earnings from operations were reduced by approximately \$370,000 of acquisition costs.

## SEGMENT ANALYSIS

Net sales and earnings from operations for the Company's segments in the three months ended March 31, 2010 and 2009 were as follows:

	Three Months Ended March 31,		% Change
	2010	2009	
	(Dollars in thousands)		
Net Sales			
North American Wholesale	\$ 44,668	\$ 46,383	-3.7%
North American Retail	5,275	5,239	0.7%
Other	11,096	7,286	52.3%
Total	\$ 61,039	\$ 58,908	3.6%
Earnings from Operations			
North American Wholesale	\$ 4,392	\$ 3,294	33.3%
North American Retail	(188)	(273)	31.1%
Other	1,237	313	295.2%
Total	\$ 5,441	\$ 3,334	63.2%



## North American Wholesale Segment

## Net Sales

Sales in the Company's North American wholesale segment for the three-month periods ended March 31, 2010 and 2009 were as follows:

## North American Wholesale Segment Net Sales

	Three Months Ended March 31,		% Change
	2010	2009	
	(Dollars in thousands)		
North American Wholesale			
Stacy Adams	\$ 16,411	\$ 15,454	6.2%
Nunn Bush	15,882	18,071	-12.1%
Florsheim	11,795	12,109	-2.6%
Total North American Wholesale	\$ 44,088	\$ 45,634	-3.4%
Licensing	580	749	-22.6%
Total North American Wholesale Segment	\$ 44,668	\$ 46,383	-3.7%

The growth at Stacy Adams this year was achieved across the majority of its trade channels. There were increases in the basic contemporary category, as well as with footwear that targets the younger denim oriented consumer. Net sales for Nunn Bush were down this year primarily due to a decline in shipments of product to off-price retailers. Florsheim net sales were down slightly in the first quarter of 2010 compared with the same quarter last year.

The Company's licensing revenues consist of royalties earned on the sales of Stacy Adams apparel and accessories in the United States, Florsheim specialty footwear and accessories in the United States, and Florsheim footwear in Mexico and certain overseas markets. For the first quarter of 2010, Stacy Adams licensing revenues were down mainly because the retail environment continues to be challenging for the independent retailers in the United States who distribute the majority of this product. Licensing revenues from the Company's Florsheim licensee in Mexico also decreased this year due to the troubled economic and retail environment in that country.

## Earnings from Operations

North American wholesale segment earnings from operations in the quarter ended March 31, 2010 were up \$1.1 million over last year's first quarter. This increase was achieved through higher gross margins, which were offset slightly by the decrease in net sales for the quarter.

Wholesale gross earnings were 30.8% of net sales in the first quarter of 2010 compared with 26.6% in 2009. The increase was due to higher selling prices on select products, an overall reduction this year in sales to off-price retailers, and some cost reductions achieved within the Company's supply chain.

The Company's cost of sales does not include distribution costs (e.g., receiving, inspection or warehousing costs). Distribution costs were approximately \$2.0 million for each of the three-month periods ended March 31, 2010 and 2009. These costs were included in selling and administrative expenses. Therefore, the Company's gross earnings may not be comparable to other companies, as some companies may include distribution costs in cost of sales.



North American wholesale segment selling and administrative expenses include, and are primarily related to, distribution costs, salaries and commissions, advertising costs, employee benefit costs and depreciation. Wholesale selling and administrative expenses this quarter were approximately level with the same period in 2009. As a percent of net sales, wholesale selling and administrative expenses were 22.2% this quarter compared with 21.1% in the same quarter last year. The percentage increase reflects the fixed nature of most of the wholesale selling and administrative expenses.

#### North American Retail Segment

##### Net Sales

Net sales in the Company's North American retail segment were \$5.3 million in the first quarter of 2010, as compared with \$5.2 million last year. There were the same number of retail stores this quarter as compared with 2009.

##### Earnings from Operations

First quarter 2010 earnings from operations in the North American retail segment were flat as both gross margins and selling and administrative expenses were flat between periods.

North American retail segment gross earnings were 65.0% of net retail sales compared with 64.8% in the first quarter of 2009. As a percent of sales, retail selling and administrative expenses were 68.6% in 2010 and 70.0% in 2009, which reflects the fixed nature of many of these retail expenses. Selling and administrative expenses at the retail segment include, and are primarily related to, rent and occupancy costs, employee costs and depreciation.

##### Other

The increases this year in the Company's other net sales and earnings from operations were mainly due to the inclusion of the full quarter of Florsheim Australia's results this year, as compared with the period of January 23 through March 31, 2009. In addition, the results of Florsheim Australia and Florsheim Europe benefited this year from foreign exchange rate changes. Also, Florsheim Australia's first quarter 2009 earnings from operations were reduced by \$370,000 of acquisition costs.

##### Other income and expense and taxes

Other income during the first quarter of 2010 was \$133,000 compared with expense of \$94,000 in the prior year period. The increase this year primarily related to foreign exchange gains on intercompany loans.

The Company's effective tax rate in the quarter ended March 31, 2010 was 34.4% compared with 35.7% in the same period last year. The decrease was due to a lower effective tax rate associated with the earnings at Florsheim Australia.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's primary source of liquidity is its cash and short-term marketable securities. During the first three months of 2010, the Company generated \$2.0 million in cash from operating activities compared with \$6.0 million in the same period one year ago. This decrease was primarily due to a smaller decrease in inventory levels in the first quarter of 2010 compared with the same period of 2009. Capital expenditures were \$385,000 in the first quarter of 2010. The Company expects annual capital expenditures for 2010 to be between \$1.0 million and \$2.0 million.



The Company paid cash dividends of \$1.7 million and \$1.6 million during the three months ended March 31, 2010 and 2009, respectively. On April 21, 2010, the Company's Board of Directors increased the quarterly dividend rate from \$.15 per share to \$.16 per share. This represents an increase of 7% in the quarterly dividend rate. The impact of this will be to increase cash dividends paid annually by approximately \$450,000.

The Company continues to repurchase its common stock under its share repurchase program when the Company believes market conditions are favorable. To date in 2010, the Company has repurchased 4,100 shares at a total cost of \$90,200. The Company currently has 1,381,645 shares available under its previously announced buyback program. See Part II, Item 2, "Unregistered Sales of Equity Securities and Use of Proceeds" below for more information.

The Company had a total of \$50.0 million available under its borrowing facility, and no outstanding borrowings as of March 31, 2010. The facility includes one financial covenant that specifies a minimum level of net worth. The Company was in compliance with the covenant at March 31, 2010. The facility expired on April 30, 2010 and was renewed through April 30, 2011.

The Company will continue to evaluate the best uses for its free cash, including continued stock repurchases and additional acquisitions.

The Company believes that available cash and marketable securities, cash provided by operations, and available borrowing facilities will provide adequate support for the cash needs of the business in 2010.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes from those reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

### Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures designed to ensure that the information the Company must disclose in its filings with the Securities and Exchange Commission is recorded, processed, summarized and reported on a timely basis. The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of the end of the period covered by this report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in bringing to their attention on a timely basis material information relating to the Company required to be included in the Company's periodic filings under the Exchange Act. Such officers have also concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in accumulating and communicating information in a timely manner, allowing timely decisions regarding required disclosures.

There have not been any changes in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

None

### Item 1A. Risk Factors

There have been no material changes in the Company's risk factors from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below presents information pursuant to Item 703(a) of Regulation S-K regarding the repurchase of the Company's common stock by the Company in the three month period ended March 31, 2010.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program
1/1/10 - 1/31/10	-	\$ -	-	1,385,745
2/1/10 - 2/28/10	4,100	\$ 22.00	4,100	1,381,645
3/1/10 - 3/31/10	-	\$ -	-	1,381,645
Total	4,100	\$ 22.00	4,100	

### Item 6. Exhibits

See the Exhibit Index included herewith for a listing of exhibits.

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.

WEYCO GROUP, INC.

May 7, 2010  
Date

/s/ John F. Wittkowske  
John F. Wittkowske  
Senior Vice President and  
Chief Financial Officer

WEYCO GROUP, INC.  
(THE "REGISTRANT")  
(COMMISSION FILE NO. 0-9068)

EXHIBIT INDEX  
TO  
CURRENT REPORT ON FORM 10-Q  
FOR THE QUARTERLY PERIOD ENDED March 31, 2010

Exhibit	Description	Filed Herewith
31.1	Certification of Principal Executive Officer	X
31.2	Certification of Principal Financial Officer	X
32	Section 906 Certification of Chief Executive Officer and Chief Financial Officer	X

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