

PHOENIX FOOTWEAR GROUP INC

Form S-3

September 24, 2003

Table of Contents

As filed with the Securities and Exchange Commission on September 24, 2003

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

PHOENIX FOOTWEAR GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

15-0327010

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification Number)

5759 Fleet Street, Suite 220
Carlsbad, California 92008
(760) 602-9688

(Address, including zip code, and telephone number, including area code, of
Registrant's principal executive offices)

James R. Riedman
Chairman and Chief Executive Officer
Phoenix Footwear Group, Inc.
5759 Fleet Street, Suite 220
Carlsbad, California 92008

(Name, Address, Including Zip Code, and Telephone Number, Including Area
Code, of Agent For Service)

Copies to:

Gordon E. Forth, Esq.
Woods Oviatt Gilman LLP
Suite 700
Two State Street
Rochester, New York 14614
(585) 987-2800

Table of Contents

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO PUBLIC: As soon as practicable after this registration statement becomes effective. See note 1 to the Calculation of the Registration Fee on the following page.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box:

CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Amount to be Registered(1) | Proposed Maximum Offering Price Per Share(2) | Proposed Maximum Aggregate Offering Price(2) | Amount of Registration Fee |
|---|-------------------------------|---|--|----------------------------------|
| Common Stock, par value \$0.01 per share | 699,980 shares | \$ 5.845 | \$4,091,383.10 | \$ 330.99 |

- (1) Including an indeterminate number of shares which may be issued by Phoenix Footwear with respect to such shares of common stock by way of a stock dividend, stock split or in connection with a stock combination, recapitalization, merger, consolidation or otherwise.
- (2) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(c) under the Securities Act, based on the prices of the common stock on the American Stock Exchange on September 19, 2003.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

SUBJECT TO COMPLETION, DATED SEPTEMBER 24, 2003

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective.

PROSPECTUS

**PHOENIX FOOTWEAR GROUP, INC.
699,980 SHARES
COMMON STOCK**

This prospectus relates to the offering of up to 699,980 shares of Phoenix Footwear Group, Inc. common stock that may be sold from time to time by certain selling stockholders. We issued these shares to former stockholders of H.S. Trask & Co. in connection with our acquisition of that company on August 7, 2003.

The prices at which selling stockholders may sell the shares will be determined by the prevailing market price for the shares or in negotiated transactions. We will not receive any proceeds from shares sold by the selling stockholders.

Our common stock is quoted on the American Stock Exchange under the symbol PXG. On September 19, 2003, the last reported sale price of Phoenix Footwear common stock was \$5.80 per share.

Investing in Phoenix Footwear common stock involves risk. See **Risk Factors** beginning on page 2 to read about factors you should consider before making an investment decision to purchase our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where such an offer or a solicitation would be illegal.

The date of this prospectus is _____, 2003

TABLE OF CONTENTS

ABOUT THIS PROSPECTUS

SUMMARY

RISK FACTORS

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION

USE OF PROCEEDS

SELLING STOCKHOLDERS

PLAN OF DISTRIBUTION

LEGAL MATTERS

EXPERTS

DOCUMENTS INCORPORATED BY REFERENCE IN THIS PROSPECTUS

WHERE YOU CAN FIND MORE INFORMATION

SIGNATURES

INDEX TO EXHIBITS

EXHIBIT 5.1

EXHIBIT 23.1

EXHIBIT 23.2

Table of Contents

TABLE OF CONTENTS

| | Page |
|--|-------------|
| ABOUT THIS PROSPECTUS | iii |
| SUMMARY | 1 |
| RISK FACTORS | 2 |
| CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING INFORMATION | 5 |
| USE OF PROCEEDS | 6 |
| SELLING STOCKHOLDERS | 6 |
| PLAN OF DISTRIBUTION | 8 |
| LEGAL MATTERS | 9 |
| EXPERTS | 9 |
| DOCUMENTS INCORPORATED BY REFERENCE IN THIS PROSPECTUS | 9 |
| WHERE YOU CAN FIND MORE INFORMATION | 10 |

Table of Contents

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we are filing with the SEC pursuant to a merger agreement we entered into with H.S. Trask & Co. The selling stockholders may sell the shares of Phoenix Footwear common stock being offered under this prospectus from time to time in one or more offerings (subject to the restrictions described in this prospectus). Under the merger agreement, we have agreed to use our commercially reasonable efforts to cause the registration statement to remain effective until August 7, 2004 or, if earlier, such time as the selling stockholders no longer own any of the shares of our common stock we issued to them in the H.S. Trask acquisition (subject to certain extensions).

The section **Plan of Distribution** beginning on page 8 of this prospectus provides a description of the sale of the shares being offered under this prospectus. We may file a prospectus supplement to update or change information contained in the basic prospectus. We expect that all relevant information about the shares will be contained in this prospectus, as amended and supplemented from time to time. In all cases, you should read this prospectus (as it may be amended or supplemented) together with the additional information described in the sections **Documents Incorporated by Reference in This Prospectus** and **Where You Can Find More Information**.

You should rely only on the information provided in this prospectus and in any prospectus supplement, including the information incorporated by reference. If anyone provides you with different or inconsistent information you should not rely on it. Neither we nor the selling stockholders have authorized anyone to provide you with different information.

The shares will not be offered under this prospectus in any jurisdiction where the offer or sale is not permitted. You should not assume that the information in this prospectus, or any supplement to this prospectus, is accurate at any date other than the date indicated on the front cover page of this prospectus or supplement. Our business, financial condition, results of operations and prospects may have changed since that date.

-iii-

Table of Contents**SUMMARY**

This summary highlights selected information from this prospectus and may not contain all the information that may be important to you. To understand the terms of the shares being offered by this prospectus, you should read this entire prospectus, especially the risks of investing in the shares described under the section "Risk Factors," and the documents identified under the caption "Where You Can Find More Information."

Phoenix Footwear

Phoenix Footwear (AMEX: PXG) has been engaged in the manufacture or importation and sale of quality footwear since 1882. We design, develop and market casual and dress footwear. Our current brands include Trotters®, SoftWalk® and Trask®. We compete in the women's casual and dress footwear market and men's casual boots and footwear market, both of which emphasize contemporary fashion, quality and value.

We were originally incorporated in the State of Massachusetts under the name Daniel Green Company in March, 1912 and reincorporated in the State of Delaware under the name of Phoenix Footwear Group, Inc. in March, 2002. Our executive offices are located at 5759 Fleet Street, Suite 220, Carlsbad, California 92008 and our telephone number is (760) 602-9688. Our world wide web address is <http://www.phoenixfootwear.com>. Information found at our web site is not a part of this prospectus.

Recent Developments

On August 7, 2003, we completed our acquisition of H.S. Trask & Co., a privately held Montana-based designer of men's casual boots and footwear.

On June 12, 2003, we effected a two-for-one stock split of our outstanding common stock. As a result we have restated our net earnings (loss) per share for prior years to reflect the stock split. A reconciliation of the numerators and denominators of basic and diluted earnings (loss) per share is presented for the fiscal years set forth below.

| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
|---|--------------|--------------|--------------|
| Basic net earnings (loss) per share: | | | |
| Net earnings (loss) | \$ 1,703,000 | \$ 1,370,000 | \$ (682,000) |
| Weighted average common shares outstanding | 3,418,000 | 3,138,000 | 3,142,000 |
| Basic net earnings (loss) per share | \$.50 | \$.44 | \$ (.22) |
| Diluted net earnings (loss) per share: | | | |
| Net earnings (loss) | \$ 1,703,000 | \$ 1,370,000 | \$ (682,000) |
| Interest on convertible debt | 17,000 | 59,000 | |
| Net earnings (loss) and effect of assumed conversions | 1,720,000 | 1,429,000 | (682,000) |
| Weighted average common shares outstanding | 3,418,000 | 3,138,000 | 3,142,000 |
| Effect of stock options outstanding | 262,000 | 2,000 | |
| Effect of convertible debt | 102,000 | 304,000 | |
| Weighted average common and potential common shares outstanding | 3,782,000 | 3,444,000 | 3,142,000 |
| Diluted net earnings (loss) per share | \$.45 | \$.41 | \$ (.22) |

This Offering

Edgar Filing: PHOENIX FOOTWEAR GROUP INC - Form S-3

This prospectus relates to the offering of up to 699,980 shares of Phoenix Footwear Group, Inc. common stock that may be sold from time to time by certain selling stockholders. We issued these shares to former stockholders of H.S. Trask & Co. in connection with our acquisition of that company on August 7, 2003.

The prices at which selling stockholders may sell the shares will be determined by the prevailing market price for the shares or in negotiated transactions. We will not receive any proceeds from shares sold by the selling stockholders.

Table of Contents

RISK FACTORS

An investment in our securities involves a high degree of risk. You should consider the following factors carefully before deciding to purchase our securities. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

If any of the following risks actually occur, our business, results of operations and financial condition would be harmed. In that case, the trading price of our common stock could decline and you may lose part or all of your investment.

If we do not successfully integrate the operations of our acquisitions, in a timely manner, we may not achieve the benefits we expect from any such acquisitions.

We recently completed the acquisition of H.S. Trask. In the future we may make additional acquisitions in the footwear or other industries in which we are not currently engaged. These acquisitions will involve the integration of operations independent from us. We may be unable to integrate the operations of our acquisitions without encountering difficulties, including possible unanticipated costs, failure to retain key employees, the diversion of management attention or failure to integrate our information and accounting systems. In addition, following an acquisition, we may not realize the increased revenues and cost savings that we expect to achieve or that would justify the investment made.

The costs of our acquisitions could adversely affect combined financial results.

If the benefits of the H.S. Trask and any future acquisitions do not exceed our anticipated costs associated with them, including any dilution to stockholders resulting from the issuance of shares in connection with the acquisitions, the combined company's financial results, including earnings per share, could be adversely affected.

The exercise of outstanding stock options and warrants, and the issuance of new shares in any future acquisitions we may undertake, would cause dilution to our stockholders.

As of September 24, 2003, we had 4,986,442 shares of common stock outstanding. In addition, as of that date we had outstanding options to purchase an additional 886,656 shares at exercise prices ranging from \$1.725 to \$5.50 per share. We may also issue new shares of our common stock in connection with any acquisitions we may undertake in the future. The issuance of any new shares, and the exercise of all or part of these options would cause our stockholders to experience a dilution in their percentage ownership and a reduction in our per share equity.

Our future success depends on our ability to respond to changing consumer preferences and changing fashion trends and to successfully develop and commercialize new products.

The footwear industry is subject to rapidly changing consumer preferences and fashion trends. Accordingly, we must identify and interpret fashion trends and respond in a timely manner. Demand for and market acceptance of new products are uncertain and achieving market acceptance for new products generally requires substantial product development and marketing efforts and expenditures. If we do not continue to meet changing consumer demands and develop successful styles in the future, our growth and profitability will be negatively impacted. Similarly, these risks could have a severe negative effect on our results of operations or financial condition.

Our financial results may fluctuate from quarter to quarter as a result of seasonality in our business.

The footwear industry generally is characterized by significant seasonality of net sales and results of operations. Our business is seasonal, with the bulk of our sales occurring in the first and third quarters, while our expenses remain relatively stable throughout the fiscal year. This seasonal fluctuation in consumer demand could have a material adverse effect on our business, financial condition and results of operations.

Table of Contents

We face intense competition, including competition from companies with greater resources than ours, and if we are unable to compete effectively with these companies, our market share may decline and our business could be harmed.

We face intense competition in the footwear industry from other established companies. Many of our competitors have greater financial, distribution or marketing resources, as well as greater brand awareness. In addition, the overall availability of overseas manufacturing opportunities and capacity allow for introduction of competitors with new products. In addition, new companies may enter the markets in which we compete, further increasing competition in the footwear industry.

We believe that our ability to compete successfully depends on a number of factors including, our brands' reputation, recognition, attention to quality and/or its distribution channels, as well as many factors beyond our control. We may not be able to compete successfully in the future, and increased competition may result in price reductions, reduced profit margins, loss of market share, and inability to generate cash flows that are sufficient to maintain or expand our development and marketing of new products, which would adversely impact the trading price of our common stock.

We depend upon a relatively small group of customers for a large portion of our sales.

Ten major customers represented approximately 34% of net sales in 2002; most of these same customers represented 38% of net sales in 2001; and 45% of net sales in 2000. Sales to one customer in 2002 totaled approximately 12 percent of our net sales in 2002. Sales to one customer in 2001 totaled approximately 11 percent of our net sales in 2001. Sales to any one customer in 2000 did not exceed 10% of our net sales in that year. Although we have long-term relationships with many of our customers, our customers do not have a contractual obligation to purchase our products and we cannot be certain that we will be able to retain our existing major customers. Due to the uncertain nature of the retail industry, the loss of any one or more of these customers could have a material adverse effect on our business.

Our ability to compete could be jeopardized if we are unable to protect our intellectual property rights or if we are sued for intellectual property infringement.

We believe that a definitive competitive advantage attaches to our ownership of the registered trademarks of Trotters®, SoftWalk® and H.S. Trask & Co.®. In addition, we own other trademarks, which we utilize in marketing our products. We continue to vigorously protect our trademarks against infringement. We believe that our trademarks are generally sufficient to permit us to carry on our business as presently conducted. We cannot, however, know whether we will be able to secure trademark protection for our intellectual property in the future or that protection will be adequate for future products. Further, we face the risk of ineffective protection of intellectual property rights in the countries where we source our products. We cannot be sure that our activities do not and will not infringe on the proprietary rights of others. If we are compelled to prosecute infringing parties, defend our intellectual property, or defend ourselves from intellectual property claims made by others, we may face significant expenses and liability which could negatively impact our business or financial condition.

Our international manufacturing operations are subject to the risks of doing business abroad, which could affect our ability to manufacture our products in international markets, obtain products from foreign suppliers or control the costs of our products.

We rely entirely on foreign sourcing of our products. We believe that one of the key factors in our growth has been our strong relationships with overseas manufacturers capable of meeting our requirements for quality and price in a timely fashion. We source our products primarily from independent third-party manufacturing facilities located in Brazil and China. As a result we are subject to the general risks of doing business outside the United States, including, without limitation, import duties, quotas, tariffs, and political and economic instability. These adverse factors could result in an inability to source our products.

Table of Contents

Our reliance on independent manufacturers could cause delay and damage customer relationships.

A manufacturer's failure to ship products to us in a timely manner or to meet the required quality standards could cause us to miss the delivery date requirements of our customers for those items. The failure to make timely deliveries may drive customers to cancel orders, refuse to accept deliveries or demand reduced prices, any of which could have a material adverse effect on our business. We do not have long-term written agreements with any of our third party manufacturers. As a result, any of these manufacturers may unilaterally terminate their relationships with us at any time.

We depend on key personnel to manage our business effectively in a rapidly changing market, and if we are unable to retain existing personnel, our business could be harmed.

Our future success depends upon the continued services of James Riedman, Chairman of the Board and Chief Executive Officer, Greg Tunney, President, Wilhelm Pfander Vice President-Sourcing and Development, and Kenneth Wolf, Chief Financial Officer and Treasurer. The loss of the services of any of these individuals or any other key employee could harm us. Our future success also depends on our ability to identify, attract and retain additional qualified personnel. Competition for employees in our industry is intense and we may not be successful in attracting and retaining such personnel.

Price increases in, and the availability and quality of, raw materials could have a material adverse effect.

Fluctuations in the price, availability, quality of leather and bison hides used to manufacture our footwear could have a material adverse effect on our cost of sales or our ability to meet our customers' demands. We do not expect our foreign manufacturing partners to have any difficulty in obtaining the raw materials required for footwear production. However, certain sources may experience some difficulty in obtaining leather where there has been a drop in beef consumption related to concerns about so-called mad cow disease and where there has been a destruction of livestock as a result of hoof and mouth disease. We do not have a practice of entering into long-term purchase commitments. In the event of price increases in these raw materials in the future, we may not be able to pass all or a portion of such higher raw materials prices on to our customers.

We are controlled by a principal stockholder.

James R. Riedman, our Chairman of the Board and Chief Executive Officer, is the largest beneficial owner of our stock. Through his personal holdings, the holdings of Riedman Corporation, of which he is a principal owner, and shares over which he is deemed to have beneficial ownership held by our Retirement Savings Partnership Plan, his children, and an affiliated entity, he has beneficial ownership of approximately 41.2% of our outstanding shares. He also has beneficial ownership of shares underlying options which, if exercised, would increase his percentage beneficial ownership to approximately 45.8% assuming no other exercises of outstanding options. Through this beneficial ownership, Mr. Riedman can significantly influence the election of our directors and the outcome of all matters submitted to a vote of our stockholders, as well as our management, operations and policies.

Table of Contents

**CAUTIONARY STATEMENT
CONCERNING FORWARD-LOOKING INFORMATION**

This prospectus and the SEC filings that are incorporated by reference into this prospectus contain forward-looking statements within the meaning of the securities laws. These forward-looking statements include, but are not limited to, statements relating to our anticipated financial performance, business prospects, new developments, new merchandising strategies and similar matters, and/or statements preceded by, followed by or that include the words believes, could, expects, anticipates, estimates, intends, plans, projects, seeks, or similar expressions. These forward-looking statements on our current expectations and projections about future events, based on the information currently available to us. For those statements, we claim the protection of the safe harbors for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks, uncertainties and assumptions, including those described in the section Risk Factors, that may affect the operations, performance, development and results of our business. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated, or if no date is stated, as of the date of this prospectus.

You should understand that the following important factors, in addition to those discussed in this prospectus or the documents incorporated in this prospectus by reference, could affect our future results and could cause those results to differ materially from those expressed in such forward-looking statements:

risks of changing consumer preference;

risks related to Phoenix Footwear's ability to successfully design, develop and market its brands;

competition from other footwear manufacturers;

loss of key employees;

the inability of Phoenix Footwear to out-source its products due to political or economic factors or the imposition of trade or duty restrictions;

material adverse changes in economic conditions generally or in the industry in which Phoenix Footwear participates;

risks that businesses we have or will acquire will not be integrated successfully with our existing business;

the impact that the failure to successfully integrate our existing business with acquired businesses could have on the realization of the anticipated benefits of the acquisition;

the ability of Phoenix Footwear to retain customers of acquired businesses and market acceptance of the acquisition;

costs related to any acquisitions; and

other risks and uncertainties as may be detailed from time to time in our public announcements and filings with the SEC.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or any other reason except as we may be required to do under applicable law. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus may not occur.

Table of Contents**USE OF PROCEEDS**

All of the Phoenix Footwear common stock being offered under this prospectus is being sold by the selling stockholders. We will not receive any proceeds from the sale of Phoenix Footwear common stock by the selling stockholders.

SELLING STOCKHOLDERS

This prospectus relates to the proposed resale by the selling stockholders of up to 699,980 shares of common stock in the manner and under the circumstances described under Plan of Distribution. The table below sets forth, as of September 5, 2003, certain information with respect to the persons for whom we are registering these shares for resale to the public. Except as noted below, no selling stockholder has had a material relationship, or has held any position or office, with us or any of our predecessors or affiliates within the last three years. We cannot assure you that the selling stockholders will sell any or all of their common stock offered by this prospectus. We do not know if, when, or in what amount the selling stockholders may offer the common stock for sale. As used in this prospectus, the term selling stockholder includes the selling stockholders named below and their permitted pledgees, donees, transferees, or any of their successors in interest.

The selling stockholders named below acquired all of the shares offered by this prospectus in connection with our acquisition of H.S. Trask through a merger with a wholly-owned subsidiary. Pursuant to the merger agreement, we agreed to use our best efforts to file with the SEC a registration statement for the resale of the shares within 45 days after the closing of the transaction (which occurred on August 7, 2003) and to maintain its effectiveness for up to one year thereafter, subject to certain exceptions and extensions.

| Name of Selling Stockholder | Number of Shares Being Offered ⁽¹⁾ | Number of Shares Beneficially Owned Before Offering ⁽²⁾ | Shares Beneficially Owned After Offering | |
|--|---|--|---|---------|
| | | | Number ⁽³⁾ | Percent |
| Anderson, Bruce W. | 86 | 86 | 0 | 0% |
| Behrens, Shelly D., employee Phoenix Footwear, former H.S. Trask employee | 1,094 | 1,094 | 0 | 0% |
| Bovry, Claude | 216 | 216 | 0 | 0% |
| Brewer, John, former VP Sales, H.S. Trask | 43,328 | 43,328 | 0 | 0% |
| Clark, Paul | 144 | 144 | 0 | 0% |
| Curtis, John J., former H.S. Trask employee | 842 | 842 | 0 | 0% |
| Delekta, Nancy, former CFO, H.S. Trask | 14,442 | 14,442 | 0 | 0% |
| Dineen, Robert J. | 231 | 231 | 0 | 0% |
| Doran, Richard, former H.S. Trask employee | 7,221 | 7,771 | 550 | * |
| Dreith, Laura | 296 | 296 | 0 | 0% |
| Flocchini, Jr., Armando J. ⁽⁴⁾ | 7,165 | 7,165 | 0 | 0% |
| Franklin, Darla R. | 21 | 21 | 0 | 0% |
| Fredericks, Jennifer, former H.S. Trask employee | 8,817 | 8,817 | 0 | 0% |
| Grindinger, III, F.X. | 144 | 144 | 0 | 0% |
| Harris, Stephen, former H.S. Trask employee | 1,783 | 1,783 | 0 | 0% |
| House, David C. (former director, H.S. Trask) and Janice E. House | 3,582 | 3,582 | 0 | 0% |
| Howe, Gavin V. | 4,332 | 4,332 | 0 | 0% |
| Jones, Jason C. employee, Phoenix Footwear, former VP Product Development, H.S. Trask | 17,125 | 17,125 | 0 | 0% |
| Lammers, Duane | 86 | 86 | 0 | 0% |
| Marvin H. Backer PHD, P.A., Smith Barney PS Custodian | 10,225 | 10,225 | 0 | 0% |
| Mead, James | 3,582 | 3,582 | 0 | 0% |
| Morgan Keegan & Co. Cust. F/B/O John H. Brewer Roth Conv. IRA | 11,554 | 11,554 | 0 | 0% |
| Morgan, Peter, former H.S. Trask employee | 288 | 288 | 0 | 0% |
| North American Bison Corp. | 8,098 | 8,098 | 0 | 0% |
| Nye, Gordie | 2,888 | 2,888 | 0 | 0% |

Edgar Filing: PHOENIX FOOTWEAR GROUP INC - Form S-3

| | | | | |
|---------------|--------|--------|---|----|
| Raddatz, Paul | 1,299 | 1,299 | 0 | 0% |
| Rapp, Roxy | 17,331 | 17,331 | 0 | 0% |

-6-

Table of Contents

| Name of Selling Stockholder | Number of Shares Being Offered ⁽¹⁾ | Number of Shares Beneficially Owned Before Offering ⁽²⁾ | Shares Beneficially Owned After Offering | |
|---|---|---|---|----------|
| | | | Number ⁽³⁾ | Percent |
| Rue, Sally (fka Sally Robinson), former H.S. Trask employee | 577 | 577 | 0 | 0% |
| Schmidt, Karen | 722 | 722 | 0 | 0% |
| Schnee, Steve | 288 | 288 | 0 | 0% |
| Seaman, Judson | 86 | 86 | 0 | 0% |
| Swanson, Tad, former director, H.S. Trask | 46,217 | 46,217 | 0 | 0% |
| Thiel, Ronald A. | 158 | 158 | 0 | 0% |
| Trask, Emily, former director, H.S. Trask | 44,772 | 44,772 | 0 | 0% |
| Trask, Harrison employee, Phoenix Footwear, former Chairman and CEO, H.S. Trask | 440,507 | 440,507 | 0 | 0% |
| Winjum, Christine, former H.S. Trask employee | 433 | 433 | 0 | 0% |
| TOTAL | 699,980 | 700,530 | 550 | * |

* less than one percent (1%).

- (1) The registration statement of which this prospectus forms a part will also cover any additional shares of Phoenix Footwear common stock which become issuable in connection with the shares registered for sale hereby by reason of any stock dividend, stock split, recapitalization or other similar transaction.
- (2) Includes 50,000 shares that are held in escrow subject to the terms of an escrow agreement entered into by and among Phoenix Footwear, Nancy Delekta (as the stockholder representative of the former H.S. Trask stockholders) and American Stock Transfer & Trust Company (as escrow agent) to secure indemnification obligations pursuant to the Agreement and Plan of Merger among us, our wholly-owned subsidiary PFG Acquisition, Inc., H.S. Trask and Nancy Delekta (as stockholder representative) and certain related documents. In the event any covered claims are made, a significant number of escrow shares will be transferred to us by the escrow agent on behalf of the selling stockholders to satisfy such claims. Subject to the terms of the escrow agreement, the escrow shares not used to satisfy claims will be released from escrow and issued to the selling stockholders on February 28, 2004. Nancy Delekta (as stockholder representative) has voting control over the shares while they are held in escrow.
- (3) Because the selling stockholders are not obligated to sell shares, and may also acquire shares of our common stock on the open market, we have estimated how many shares each selling stockholder will own beneficially after this offering by assuming that each such stockholder sells all of its shares offered under this prospectus and acquires no other shares.
- (4) In October 2002, our wholly-owned subsidiary H.S. Trask & Co. entered into an agreement with Armando J. Flocchini, Jr. and a corporation owned and controlled by him, Durham Ranches, Inc., appointing Durham Ranches as its exclusive sourcing broker for bison hides. Under the agreement, among other things, H.S. Trask agreed to guarantee purchases of Durham's existing hide inventory of at least \$956,783. As of August 6, 2003, \$207,046.50 still remained to be paid to Durham under H.S. Trask's obligation.

Table of Contents

PLAN OF DISTRIBUTION

We are registering the shares of our common stock covered by this prospectus on behalf of the selling stockholders including the selling stockholders named above and their permitted pledgees, donees, transferees, or any of their successors in interest.

While this registration statement is effective, the selling stockholders may, in their discretion, offer and sell shares from time to time on the American Stock Exchange or otherwise at prices and on terms then prevailing, at prices related to the then-current market price, or at negotiated prices. The distribution of the shares may be effected from time to time in one or more transactions including, without limitation:

ordinary brokerage transactions and transactions in which the broker solicits purchasers;

transactions involving block trades;

purchases by a broker-dealer or other person as principal and resale by that person for its own account pursuant to this prospectus;

an exchange distribution in accordance with the rules of such exchange;

put or call option transactions;

privately negotiated transactions; or

by any other legally available means.

Such transactions may or may not involve brokers or dealers.

The selling stockholders may negotiate and pay broker-dealers or other persons commissions, discounts or concessions for their services. Broker-dealers or other persons engaged by the selling stockholders may allow other broker-dealers or other persons to participate in resales. However, the selling stockholders and any broker-dealers or such other persons involved in the sale or resale of our shares of common stock offered under this prospectus may qualify as underwriters within the meaning of Section 2(a)(11) of the Securities Act of 1933. In addition, the broker-dealers or their affiliates commissions, discounts or concessions may qualify as underwriters compensation under the Securities Act.

In addition to selling their shares of our common stock under this prospectus, selling stockholders may:

agree to indemnify any broker-dealer or agent against certain liabilities relating to the selling of their shares, including liabilities arising under the Securities Act;

transfer their shares in other ways not involving market makers established trading markets, including directly by gift, distribution, or other transfer; or

sell their common stock under Rule 144 of the Securities Act rather than under this prospectus, if the transaction meets the requirements of Rule 144, including that of an adequate holding period.

From time to time, one or more of the selling stockholders may pledge, hypothecate or grant a security interest in some or all of the shares of our common stock offered under this prospectus, and the pledgees, secured parties or persons to whom such securities have been hypothecated shall, including upon foreclosure in the event of default, be deemed to be selling stockholders under this prospectus. From time to time each of the selling stockholders may transfer, pledge, donate or assign their shares to lenders, family members and others and each of such persons will be deemed to be a selling stockholder for purposes of this prospectus. The number of shares beneficially owned by those selling stockholders who transfer, pledge, donate or assign shares will decrease as and when they take such actions. The Plan of Distribution for the shares sold hereunder will otherwise remain unchanged, except that the transferees, pledgees, donees or other successors will be selling stockholders hereunder.

In addition, the selling stockholders may from time to time sell short their shares of our common stock offered under this prospectus or engage in other hedging transactions and, in such instances, this prospectus may be delivered in connection with such sale or transaction and the shares offered hereby may be used to cover such short sale. Without limiting the foregoing, in connection with distributions of the shares, a selling stockholder may enter

Table of Contents

into hedging transactions with broker-dealers and the broker-dealers may engage in short sales of our common stock in the course of hedging the positions they assume with such selling stockholder. A selling stockholder may also enter into option or other transactions with broker-dealers that involve the delivery of their shares of our common stock offered under this prospectus to the broker-dealers, who may then resell or otherwise transfer those shares. A selling stockholder may also lend or pledge shares of our common stock offered hereby to a broker-dealer and the broker-dealer may sell the shares so borrowed or, upon default, may sell or otherwise transfer the pledged shares.

Because selling stockholders may be deemed to be underwriters within the meaning of Section 2(11) of the Securities Act, the selling stockholders will be subject to the prospectus delivery requirements of the Securities Act. Selling stockholders may have other business relationships with us or our affiliates in the ordinary course of business.

We are bearing all costs, fees and expenses relating to the registration of the shares offered hereby including up to \$15,000 in fees of one counsel representing the selling stockholders but excluding other fees and expenses, if any, of counsel or other professionals, experts or advisors retained by the selling stockholders. Any commissions, discounts or other selling fees or expenses incident to the sale of these shares will be borne by the selling stockholders selling such shares.

We have agreed to use our commercially reasonable efforts to maintain the effectiveness of this registration statement with respect to the shares of common stock offered hereunder by the selling stockholders until August 7, 2004, or until such date as may be extended under certain circumstances, or, if shorter, until the selling stockholders no longer hold any shares.

Additional information related to the selling stockholders and the plan of distribution may be provided in one or more supplemental prospectuses.

LEGAL MATTERS

The validity of the Phoenix Footwear common stock offered by this prospectus is being passed upon by Woods Oviatt Gilman LLP, Rochester, New York.

EXPERTS

The consolidated financial statements and the related financial statement schedule incorporated in this prospectus by reference from our Annual Report on Form 10-K for the year ended December 31, 2002 have been audited by Deloitte & Touche, LLP, independent auditors, as stated in their report(which report expresses an unqualified opinion and includes an explanatory paragraph regarding an accounting change for goodwill) which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon said firm's authority as experts in accounting and auditing.

The financial statements of H.S. Trask & Co. as of December 31, 2002 and for the year then ended incorporated in this prospectus by reference to the Current Report on Form 8-K/A of Phoenix Footwear filed with the SEC on September 19, 2003 have been so incorporated in reliance on the report of Anderson ZurMuehlen & Co., P.C., independent auditors, given on the authority of said firm as experts in auditing and accounting.

DOCUMENTS INCORPORATED BY REFERENCE IN THIS PROSPECTUS

This prospectus incorporates documents by reference that are not presented in this prospectus or delivered with this prospectus. This means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and the information that we file later with the SEC will automatically update and supercede this information.

We incorporate by reference the documents listed below and all future documents filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this

Table of Contents

prospectus and prior to the termination of the offering. Each such document shall be a part of this prospectus from the date of its filing with the SEC.

1. Annual Report on Form 10-K for the year ended December 31, 2002, filed on March 31, 2003.
2. Quarterly Reports on Form 10-Q for the quarter ended March 29, 2003, filed on May 13, 2003 and for the quarter ended June 28, 2003, filed on August 12, 2003.
3. Definitive Proxy Statement filed on April 14, 2003.
4. Current Reports on Form 8-K and amendments thereto filed on June 3, 2003, June 17, 2003, July 24, 2003, August 12, 2003 and August 22, 2003, as amended on September 19, 2003, the locations of which are provided below.
5. Registration Statement on Form 8-A filed on April 30, 2002, as amended by Forms 8-A/A filed on May 3, 2002, and September 24, 2003 (including any amendment or report filed with the SEC for the purpose of updating such description).

This prospectus is part of a registration statement we have filed with the SEC relating to our common stock. As permitted by SEC rules, this prospectus does not contain all of the information included in the registration statement and the accompanying exhibits and schedules we file with the SEC. You may refer to the registration statement and the exhibits and schedules for more information about us and our common stock. The registration statement and exhibits and schedules are also available at the SEC's Public Reference Room or through its web site the locations of which are provided below.

You may request free copies of any or all of these filings by writing or telephoning us at the following address:

Phoenix Footwear Group, Inc.
5759 Fleet Street, Suite 220
Carlsbad, California 92008
Attention: Kenneth Wolf,
Chief Financial Officer and Treasurer
Telephone: (760) 602-9688

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-3 with the Securities and Exchange Commission under the Securities Act of 1933. This prospectus omits some information and exhibits included in the registration statement, copies of which may be obtained upon payment of a fee prescribed by the Commission or may be examined free of charge at the principal office of the Commission in Washington, D.C.

We are subject to the informational requirements of the Securities Exchange Act of 1934, and in accordance therewith file reports, proxy statements and other information with the Commission. The reports, proxy statements and other information filed by us with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the regional offices of the Commission located at 500 West Madison Street, Room 1400, Chicago, Illinois 60606 and at the Jacob K. Javits Federal Building, 75 Park Place, New York, New York 10278. Copies of filings can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. In addition, the Commission maintains a website that contains reports, proxy and informational statements and other information filed electronically with the Commission at <http://www.sec.gov>.

Table of Contents

699,980 Shares

PHOENIX FOOTWEAR GROUP, INC.

Common Stock

PROSPECTUS

_____, 2003

Table of Contents**PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION**

The following table sets forth the various costs and expenses payable by the Registrant in connection with the sale of Phoenix Footwear common stock being registered, other than broker-dealer discounts and commissions which are payable by the selling stockholders. All amounts are estimates except the SEC registration fee.

| Item | Amount |
|------------------------------|-------------|
| SEC Registration Fee | \$ 330.99 |
| Printing Fees and Expenses | \$ 3,000.00 |
| Legal Fees and Expenses | \$30,000.00 |
| Accounting Fees and Expenses | \$10,000.00 |
| Miscellaneous | \$ 1,000.00 |
| Total | \$44,330.99 |

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Reference is made to Section 145 of the General Corporation Law of the State of Delaware (the "DGCL"), which provides for indemnification of directors, officers and other employees in certain circumstances, and to Section 102(b)(7) of the DGCL, which provides for the elimination or limitation of the personal liability for monetary damages of directors under certain circumstances.

Article Sixth of the Certificate of Incorporation of the Company eliminates the personal liability for monetary damages of directors under certain circumstances. Article VI of the By-Laws provides indemnification to directors and officers of the Company for liability for certain losses in that capacity if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding had no reasonable cause to believe such person's conduct was unlawful. In the case of an action or suit by or in the right of the Company to procure a judgment in its favor, however, (1) such indemnification is limited to expenses (including attorneys' fees) actually and reasonably incurred by such person in the defense or settlement of such action or suit, and (2) no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Company unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper. These provisions also provide for the advance and payment of fees and expenses reasonably incurred by the director or officer in defense of any such lawsuit or proceeding.

The By-Laws authorize the Company to purchase and maintain insurance on behalf of any director or officer of the Company against any liability asserted against such person and incurred by such person or arising out of such person's status as such, whether or not the Company would have the power to indemnify such person. The directors and officers of the Company are covered by insurance policies indemnifying them against certain liabilities, including certain liabilities arising under the Securities Act of 1933, which might be incurred by them in such capacities and against which they may not be indemnified by the Company.

From time to time, officers and directors may be provided with indemnification agreements that are consistent with the foregoing provisions. The Company believes that these agreements and arrangements are necessary to attract and retain qualified persons as directors and officers.

ITEM 16. EXHIBITS

The following exhibits are filed as part of this registration statement:

Table of Contents

| Exhibit No. | Description |
|--------------------|--|
| 2.1 | Agreement and Plan of Merger dated as of June 16, 2003 among Phoenix Footwear Group, Inc., PFG Acquisition, Inc. and H.S. Trask & Co. (incorporated by reference to Exhibit 2.1 to Form 10-Q filed by Phoenix Footwear Group, Inc. on August 12, 2003) |
| 5.1 | Opinion of Woods Oviatt Gilman LLP as to the legality of the securities being registered |
| 23.1 | Consent of Deloitte & Touche LLP (relates to financial statements of Phoenix Footwear Group, Inc.) |
| 23.2 | Consent of Anderson ZurMuehlen & Co., P.C. (relates to financial statements of H.S. Trask & Co.) |
| 23.3 | Consent of Woods Oviatt Gilman LLP (included as part of Exhibit 5.1) |
| 24.1 | Power of Attorney (included on signature page) |

ITEM 17. UNDERTAKINGS

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement to include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in this registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Table of Contents

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|---|--------------|--------------------|
| <u>/s/ Gregory Harden</u> Gregory Harden | Director | September 18, 2003 |
| <u>/s/ Gary E. Pflugfelder</u> Gary E. Pflugfelder | Director | September 18, 2003 |
| <u>/s/ Wilhelm Pfander</u> Wilhelm Pfander | Director | September 18, 2003 |

Table of Contents

INDEX TO EXHIBITS

| <u>Exhibit No.</u> | <u>Description</u> |
|---------------------------|--|
| 2.1 | Agreement and Plan of Merger dated as of June 16, 2003 among Phoenix Footwear Group, Inc., PFG Acquisition, Inc. and H.S. Trask & Co. (incorporated by reference to Exhibit 2.1 to Form 10-Q filed by Phoenix Footwear Group, Inc. on August 12, 2003) |
| 5.1 | Opinion of Woods Oviatt Gilman LLP as to the legality of the securities being registered |
| 23.1 | Consent of Deloitte & Touche LLP (relates to financial statements of Phoenix Footwear Group, Inc.) |
| 23.2 | Consent of Anderson ZurMuehlen & Co., P.C. (relates to financial statements of H.S. Trask & Co.) |
| 23.3 | Consent of Woods Oviatt Gilman LLP (included as part of Exhibit 5.1) |
| 24.1 | Power of Attorney (included on signature page) |