Crocs, Inc.
Form FWP
August 14, 2006

Filed Pursuant to Rule 433
Issuer Free Writing Prospectus dated August 14, 2006
Relating to Preliminary Prospectus dated August 7, 2006
Registration No. 333-134481

CROCS, INC.

FREE WRITING PROSPECTUS

This Free Writing Prospectus amends and supersedes in its entirety the free writing prospectus filed with the Securities and Exchange Commission on August 14, 2006 (File No. 333-134481, Accession No.: 0001104659-06-054221) (the "Original Free Writing Prospectus"). This Free Writing Prospectus is being filed solely to correct the hyperlink to the current version of the Registration Statement on Form S-1 (File No. 333-134481) and to reference the availability of a revised preliminary prospectus, dated August 14, 2006 (the Updated Preliminary Prospectus). To review a filed copy of our current registration statement and the Updated Preliminary Prospectus, click on the following link:
http://www.sec.gov/Archives/edgar/data/1334036/000104746906010899/a2172641zs-1a.htm

This Free Writing Prospectus contains the Crocs, Inc. Form 10-Q for the quarter ended June 30, 2006 (10-Q), which we filed with the Securities and Exchange Commission (the SEC) on August 14, 2006 and which is being delivered along with, or had been preceded by, our Initial Preliminary Prospectus. The Initial Preliminary Prospectus forms a part of our Registration Statement on Form S-1 (Registration No. 333-134481) to which this Free Writing Prospectus relates.

The information under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations in our 10-Q should be read in conjunction with:

- our consolidated financial statements and the related notes that are contained in our 10-Q and the Initial Preliminary Prospectus; and

- the information contained under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations in the Initial Preliminary Prospectus.

You should also read carefully the Updated Preliminary Prospectus before deciding to invest in our common stock.

To review a filed copy of our current registration statement and the Updated Preliminary Prospectus, click on the following link:
http://www.sec.gov/Archives/edgar/data/1334036/000104746906010899/a2172641zs-1a.htm

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THE ISSUER HAS FILED A REGISTRATION STATEMENT (INCLUDING A PROSPECTUS) WITH THE SEC FOR THE OFFERING TO WHICH THIS COMMUNICATION RELATES. BEFORE YOU INVEST, YOU SHOULD READ THE PROSPECTUS IN THAT REGISTRATION STATEMENT AND OTHER DOCUMENTS THE ISSUER HAS FILED WITH THE SEC FOR MORE COMPLETE INFORMATION ABOUT THE ISSUER AND THIS OFFERING. YOU MAY OBTAIN THESE DOCUMENTS FOR FREE BY VISITING EDGAR ON THE SEC WEB SITE AT WWW.SEC.GOV OR BY CLICKING ON THE LINK ABOVE. ALTERNATIVELY, THE ISSUER, ANY UNDERWRITER OR ANY DEALER PARTICIPATING IN THE OFFERING WILL ARRANGE TO SEND TO YOU THE PROSPECTUS IF YOU REQUEST IT BY CALLING TOLL-FREE 1-877-371-5212.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2006

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 No. 000-51754

Crocs, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-2164234**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6328 Monarch Park Place, Niwot Colorado 80503

(Address of Registrant s principal executive offices)

(303) 848-7000

(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 x No o

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

Large accelerated filer o Accelerated filer o Non-accelerated filer x

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

As of July 31, 2006, Crocs, Inc. had 38,729,005 shares of its $0.001 par value common stock outstanding.

Crocs Inc.

Form 10-Q

Quarter Ended June 30, 2006

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PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

CROCS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005 (As restated see note 14)
Revenues	$ 85,635	$ 25,769	$ 130,477	$ 36,727
Cost of sales (including share-based compensation expense of $303, $29, $448, and $29, respectively)	38,665	11,800	59,828	15,919
Gross profit	46,970	13,969	70,649	20,808
Selling, general and administrative expense (including share-based compensation expense of $2,188, $1,076, $3,951 and $2,352, respectively)	23,312	8,552	36,978	13,225
Income from operations	23,658	5,417	33,671	7,583
Interest expense	92	165	391	202
Other (income) expense net	(366)	6	(662)	23
Income before income taxes	23,932	5,246	33,942	7,358
Income tax expense	8,266	1,896	11,835	1,968
Net income	15,666	3,350	22,107	5,390
Dividends on redeemable convertible preferred shares		68	33	136
Income attributable to common stockholders	$ 15,666	$ 3,282	$ 22,074	$ 5,254
Income per common share: (note 4)				
Basic	$ 0.41	$ 0.10	$ 0.62	$ 0.16
Diluted	$ 0.39	$ 0.10	$ 0.56	$ 0.16
Weighted average common shares:				
Basic	38,286,877	25,217,641	35,608,875	25,197,004
Diluted	40,427,703	33,497,743	39,351,248	33,289,163

See notes to condensed consolidated financial statements.

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CROCS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)
(Unaudited)

	As of	
	June 30, 2006	**December 31, 2005**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 67,017	$ 4,787
Accounts receivable net	47,252	17,641
Inventories	40,839	28,494
Deferred tax assets	1,636	1,939
Prepaid expenses and other current assets	3,345	3,492
Total current assets	160,089	56,353
Property and equipment net	19,924	14,765
Goodwill	351	336
Intangible assets net	7,523	5,311
Deferred tax assets	1,532	1,084
Other assets	777	183
Total assets	$ 190,196	$ 78,032
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 15,466	$ 20,829
Accrued expenses and other current liabilities	16,101	8,178
Income taxes payable	5,214	8,697
Note payable, current portion of long-term debt and capital lease obligations	864	8,601
Total current liabilities	37,645	46,305
Long-term debt and capital lease obligations, net of current portion	1,742	3,422
Deferred tax liabilities	1,884	1,772
Other liabilities	286	319
Total liabilities	41,557	51,818
Commitments and contingencies (note 9)		
Redeemable common shares, 8,410,320 shares issued and outstanding in 2005		1,800
Redeemable convertible preferred shares, par value $0.001 per share; 8,000,000 shares authorized, 7,452,492 shares issued and outstanding in 2005 preference in liquidation of $5,500		5,500
Stockholders equity:		
Common shares, par value $0.001 per share; 125,000,000 shares authorized, 38,411,692 and 17,449,699 shares issued and outstanding in 2006 and 2005	38	17
Preferred shares, par value $0.001 per share; 5,000,000 shares authorized, no shares issued and outstanding in 2006 and 2005		
Additional paid-in capital	117,202	13,976
Deferred compensation	(8,186)	(12,364)
Retained earnings	38,771	16,697
Accumulated other comprehensive income	814	588
Total stockholders equity	148,639	18,914
Total	$ 190,196	$ 78,032

See notes to condensed consolidated financial statements.

CROCS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For the Six Months Ended June 30, 2006	2005 (As restated see note 14)
Cash flows from operating activities:		
Net income	$ 22,107	$ 5,390
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,218	1,151
Loss on disposal of fixed assets	479	
Deferred income taxes	(113)	(723)
Share-based compensation	4,399	2,381
Excess tax benefit on share-based compensation	(1,281)	
Bad debt expense	877	170
Changes in operating assets and liabilities:		
Accounts receivable	(30,084)	(10,740)
Inventories	(12,118)	(6,311)
Prepaid expenses and other assets	(1,481)	(586)
Accounts payable	(5,225)	7,389
Accrued expenses and other liabilities	4,543	5,846
Cash (used in) provided by operating activities	(14,679)	3,967
Cash flows from investing activities:		
Cash paid for purchases of property and equipment	(6,892)	(4,097)
Cash paid for intangible assets	(1,421)	
Acquisition of non-competition agreement		(636)
Cash used in investing activities	(8,313)	(4,733)
Cash flows from financing activities:		
Proceeds from note payable, net	1,801	5,600
(Repayment of) proceeds from long-term debt and capital lease obligations	(11,957)	562
Proceeds from initial public offering, net of offering costs	94,454	
Excess tax benefit on share-based compensation	1,281	
Exercise of stock options	11	
Distribution payment to members		(3,000)
Payment of preferred dividends	(171)	(255)
Cash provided by financing activities	85,419	2,907
Effect of exchange rate changes on cash	(197)	(30)
Net increase in cash and cash equivalents	62,230	2,111
Cash and cash equivalents beginning of period	4,787	1,054
Cash and cash equivalents end of period	$ 67,017	3,165
Supplemental disclosure of cash flow information cash paid during the period for:		
Interest	$ 219	$ 159
Income taxes	$ 14,206	$ 1,481
Supplemental disclosure of non-cash, investing, and financing activities:		
Accrued preferred stock dividends	$	$ 23
Assets acquired under capitalized leases	$ 563	$

See notes to condensed consolidated financial statements.

CROCS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements of Crocs, Inc. and subsidiaries (collectively, Crocs or the Company) have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the rules and regulations for reporting on Form 10-Q. Accordingly, they do not include certain information and disclosures required for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal recurring nature. Operating results for the three and six months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2006.

These statements should be read in conjunction with the consolidated financial statements and footnotes included in the Company s Form 10-K for the year ended December 31, 2005. The accounting policies used in preparing these condensed consolidated financial statements are the same as those described in Note 2 to the consolidated financial statements in the Company s Form 10-K. Certain reclassifications have been made to the 2005 financial statements to conform to 2006 presentation.

2. RECENT ACCOUNTING PRONOUCEMENTS

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxe*s (FIN 48). FIN 48 requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return and disclosures regarding uncertainties in income tax positions. The Company is required to adopt FIN 48 effective January 1, 2007. The cumulative effect of initially adopting FIN 48 will be recorded as an adjustment to opening retained earnings in the year of adoption and will be presented separately. Only tax positions that meet the more likely than not recognition threshold at the effective date may be recognized on adoption of FIN 48. The Company is currently evaluating the impact this new standard will have on its future results of operations and financial position.

In June 2006, the FASB Emerging Issues Task Force issued EITF No. 06-3, *How Sales Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)* (EITF No. 06-3), which states that a company should must disclose its accounting policy (i.e., gross or net presentation) regarding presentation of taxes within the scope of this Issue. If taxes included in gross revenues are significant, a company must disclose the amount of such taxes for each period for which an income statement is presented. The issue will be effective for the first annual or interim reporting period beginning after December 15, 2006. The disclosures are required for annual and interim financial statements for each period for which an income statement is presented. The Company will adopt this Issue effective January 1, 2007. Based on the Company s current evaluation of this Issue, the Company does not expect the adoption of EITF No. 06-3 to have a significant impact on its consolidated results of operations or financial position.

3. EQUITY

On February 13, 2006, the Company issued 4,950,000 shares of common stock on the closing of its initial public offering for $94.5 million, net of underwriting discounts and commissions and related offering costs. In connection with the completion of the offering, the Company s redeemable common and preferred shares were converted to common shares and those balances were reclassified to permanent equity.

Equity-Based Compensation

The Company issues stock grants to employees and non-employees with vesting schedules of varying lengths. Typically, these grants range from immediate vesting to vesting periods of up to four years. Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123R, which establishes accounting guidelines for share-based awards exchanged for employee services, using the prospective method for option grants and restricted stock issued prior to August 15, 2005, the date which the Company filed its initial Registration Statement on Form S-1 and the modified prospective method for option grants issued after August 15, 2005. The Company was required to adopt the prospective method for grants prior to August 15, 2005 as the Company had elected to value employee grants using the minimum value method under SFAS 123. For option grants and restricted stock accounted for under the prospective method, the Company will continue to account for the grants under the intrinsic value-based method prescribed by Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees*, and the related interpretations in accounting for employee stock options. Therefore, the Company does not record any compensation expense for stock options granted to employees, prior to August 15, 2005, if the exercise price equals the fair market value of the stock option on the date of grant, and the exercise price, number of shares eligible for issuance under the options and vesting periods are fixed.

Under the modified prospective method, compensation expense recognized in the three and six months ended June 30, 2006, includes: (i) compensation expense of all share-based payments granted after August 15, 2005 but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123R and (ii) compensation expense for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R. Results for prior periods have not been retrospectively adjusted. The Company records compensation expense related to non-employees under the provisions of SFAS No. 123R and Emerging Issues Task Force EITF 96-18, *Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in conjunction with Selling, Goods or Services* and recognizes compensation expense over the vesting periods of such awards. Total pre-tax share-based compensation expense recognized was $2.5 million and $4.4 million for the three and six months ended June 30, 2006, with associated tax benefits of approximately $949,000 and $1.7 million, respectively. The cumulative effect of applying the modified prospective method was to reduce deferred compensation by $1.4 million and the effect on the statement of operations was immaterial. The effect of applying SFAS No. 123R was to reduce pre-tax income by $1.1 million and $1.7 million for the three and six months ended June 30, 2006.

SFAS No. 123R, also required the Company to change the classification, in its consolidated statement of cash flows, of any excess tax benefits realized on the exercise of stock options or issuance of restricted stock unit awards in excess of that which is associated with the expense recognized for financial reporting purposes. These amounts are presented as a financing cash inflow rather than as a reduction of income taxes paid in the consolidated statement of cash flows.

As required by SFAS No. 123, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure* (SFAS 148), the Company has computed, for pro forma disclosure purposes, the fair value of options granted using the Black-Scholes option pricing model. In order to calculate the fair value of the options, certain assumptions are made regarding components of the model, including risk-free interest rate, volatility, expected dividend yield rate, and expected option life. Changes to the assumptions could cause significant adjustments to the valuation. For options granted before August 15, 2005, expected volatility was not considered for employee grants as the Company was a non-public entity at the grant date of these options. For stock option grants issued after the filing of the Company s Registration Statement on Form S-1 on August 15, 2005, the minimum value method no longer is used and the Company used a volatility rate of 50% and began to include estimated forfeiture rates. The Company estimated the volatility of its common stock at the date of grant based on the historical volatility of comparable companies. The Company factored in expected retention rates combined with vesting periods to determine the average expected life. The risk-free interest rate for periods within the contractual life of the options is based on the U.S. Treasury yield curve in effect at the time of each grant. Accordingly, the Company has computed the fair values of all options granted during the three and six months ended June 30, 2006 and 2005, using the Black-Scholes option pricing model and the following weighted average assumptions:

	Three months ended June 30,		**Six months ended June 30,**	
	2006	**2005**	**2006**	**2005**
Expected volatility	50 %	0 %	50 %	0 %
Dividend yield				
Risk-free interest rate	5.03 %	3.92 %	4.87 %	3.72 %
Weighted average expected life (in years)	5	5	5	5

Because the Company applied the minimum value method of valuing employee stock options prior to becoming a public company, as allowed by SFAS 123, the Company is precluded from presenting pro forma historical statement of operations information under SFAS 123R.

Stock Option Activity

The following summarizes stock option transactions for the six months ended June 30, 2006:

Options	**Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (Years)**	**Aggregate Intrinsic Value**
Outstanding at December 31, 2005	2,923,754	$ 5.60		
Granted	1,634,715	22.38		
Exercised	(3,163)	3.38		
Forfeited or expired	(205,773)	6.91		
Outstanding at June 30, 2006	4,349,533	$ 10.53	8.0	$ 64,199,132
Exercisable at June 30, 2006	3,498,198	$ 12.11	8.5	$ 45,607,119
Vested at June 30, 2006	774,189	$ 2.77	6.8	$ 17,323,480
Weighted average fair value of options granted during the period		$ 11.04		

Options awarded under the Company s 2005 Equity Incentive Plan (the Plan) are exercisable immediately on the grant with the exception of 496,446 shares granted to members of the Board of Directors. In order to preserve the vesting provisions of the options, the options that are exercised early are subject to a repurchase right by the Company at the lower of exercise price or fair market value of the underlying stock at the date of repurchase. This repurchase right expires on vesting of the underlying option. Total stock options outstanding under the Plan were 3,064,622 at June 30, 2006 of which 340,613 are fully vested and no longer subject to the repurchase right.

The status of total stock options outstanding at June 30, 2006 was as follows:

Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Life (Years)	Number Exercisable	Fair Value Determination
$1.02	934,480	5.2	321,226	Estimate of fair value
$1.70	262,822	8.2	112,350	3rd party retrospective valuation
$3.38-5.69	1,149,573			