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As filed with the Securities and Exchange Commission on September 15, 2005

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

ROCKY SHOES & BOOTS, INC.

(Exact name of Registrant as specified in its charter)

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

39 East Canal Street
Nelsonville, Ohio 45764
(740) 753-1951
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Mike Brooks
Chairman and Chief Executive Officer
Rocky Shoes & Boots, Inc.
39 East Canal Street
Nelsonville, Ohio 45764
(740) 753-1951
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies of Correspondence to:

Robert J. Tannous, Esq. Erin F. Siegfried, Esq. Porter, Wright, Morris & Arthur LLP Huntington Center 41 South High Street, Suite 2800 Columbus, Ohio 43215-6194 (614) 227-2000 (614) 227-2100 (fax) rtannous@porterwright.com	W. Morgan Burns, Esq. Jonathan R. Zimmerman, Esq. Faegre & Benson LLP 2200 Wells Fargo Center 90 South Seventh Street Minneapolis, Minnesota 55402-3901 (612) 766-7000 (612) 766-1600 (fax) mburns@faegre.com

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective.

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

If any of the securities being registered on this Form are offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than the 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 this 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	Proposed Maximum Offering Price Per Share(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of the Registration Fee
Common Stock, without par value	2,990,000	$30.25	$90,447,500	$10,646.00

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c), based on the average high and low prices of the Common Stock as reported on the Nasdaq National Market on September 9, 2005.

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 or until the Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.

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Subject to completion, dated September 15, 2005

2,600,000 Shares

ROCKY SHOES & BOOTS, INC.

Common Stock

$ per share

- Rocky Shoes & Boots, Inc. is offering 2,000,000 shares and selling shareholders are offering 600,000 shares. We will not receive any proceeds from the sale of our shares by selling shareholders.
- The last reported sale price of our common stock on September 14, 2005 was $31.53 per share.
- Trading symbol: Nasdaq National Market — RCKY

This investment involves risk. See "Risk Factors" beginning on page 6.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to Rocky Shoes & Boots, Inc.	$	$
Proceeds, before expenses, to the selling shareholders	$	$

The underwriters have a 30-day option to purchase up to 390,000 additional shares of common stock from us to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved of anyone's investment in these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Piper Jaffray

Wachovia Securities

BB&T Capital Markets

D.A. Davidson & Co.

Ryan Beck & Co.

The date of this prospectus is , 2005

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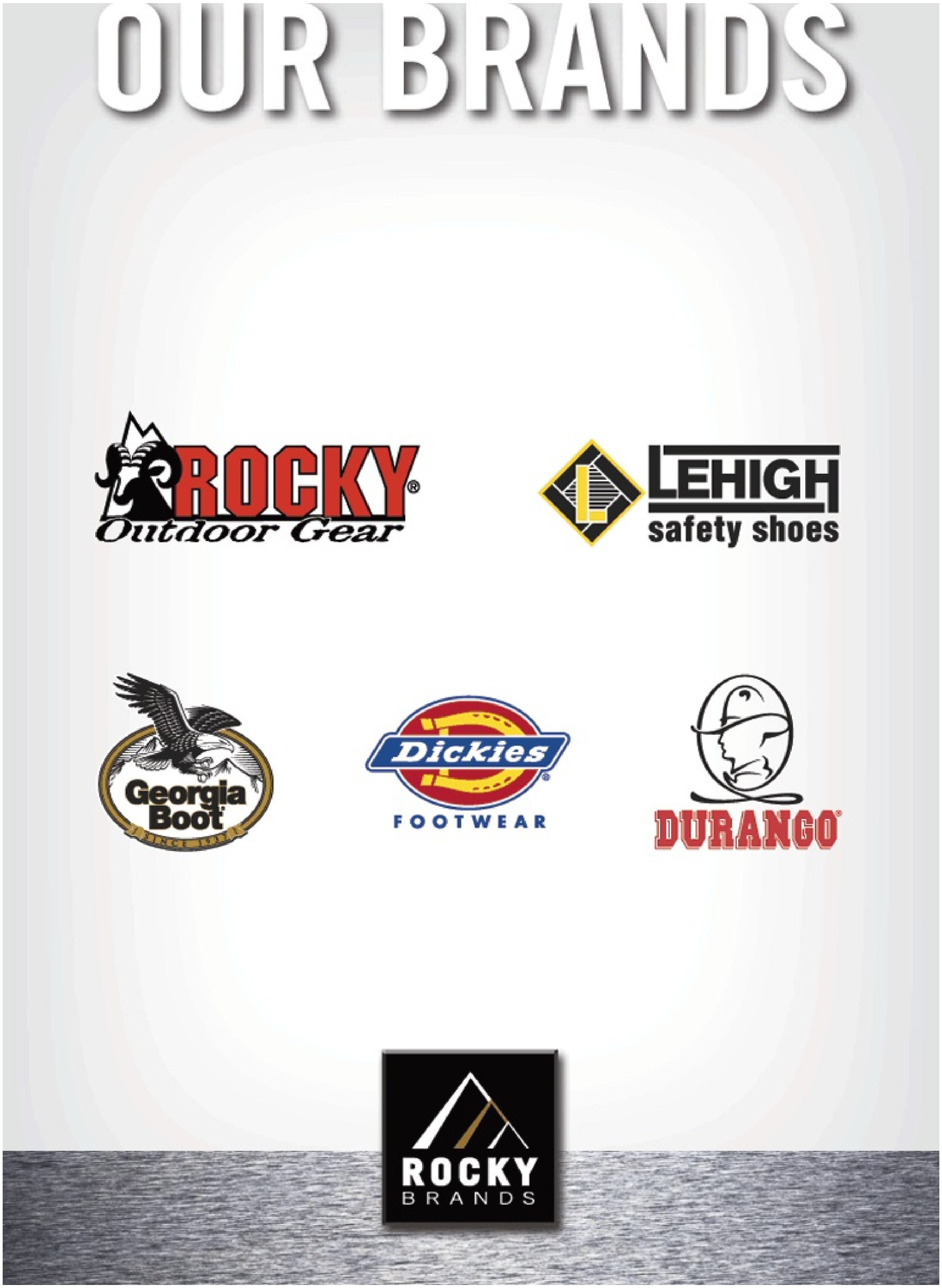
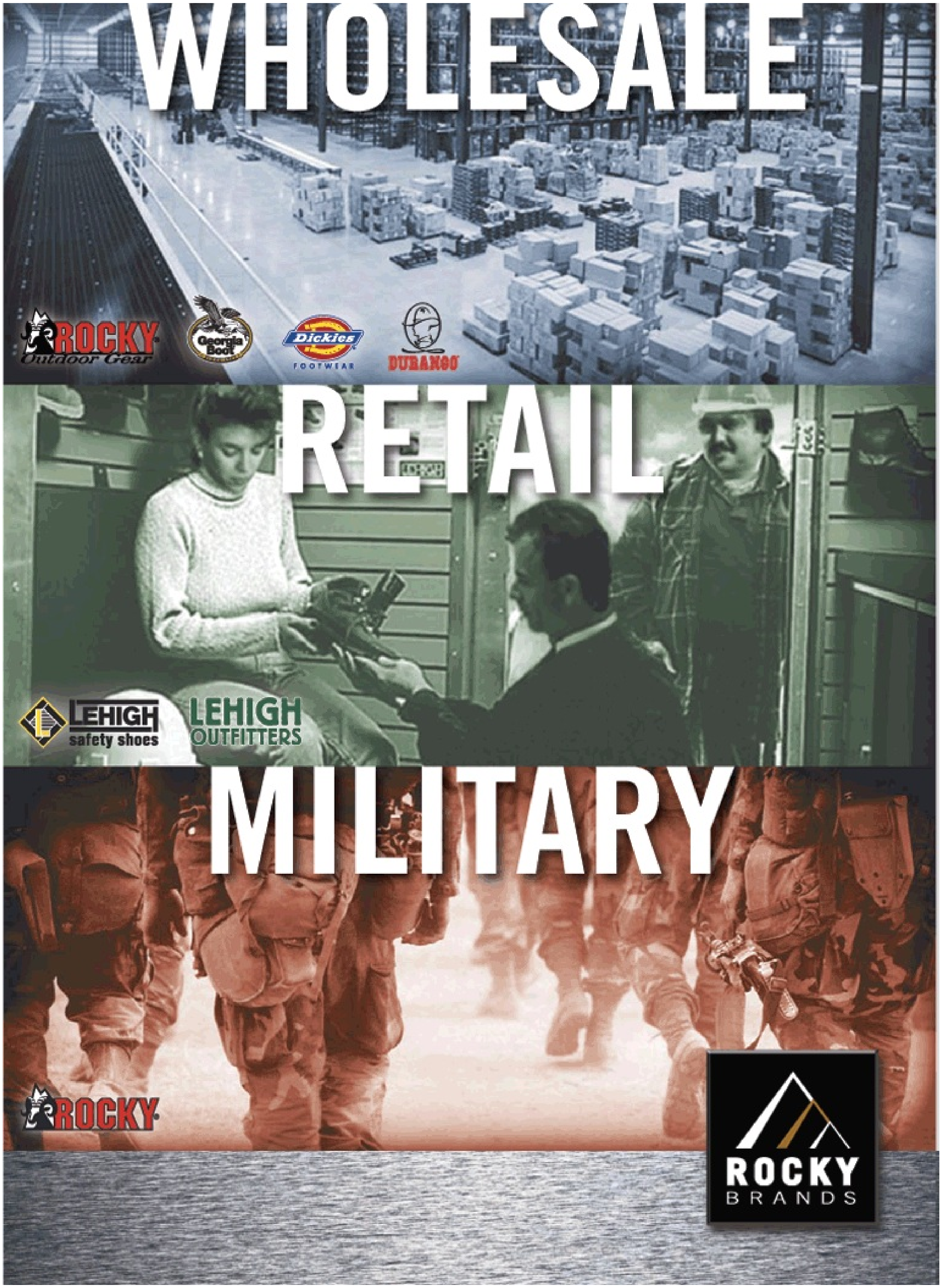

OUR BRANDS
ROCKY
Outdoor Gear
LEHIGH
safety shoes
Georgia Boot
Dickies
FOOTWEAR
DURANGO
ROCKY
BRANDS


WHOLESALE
ROCKY Outdoor Gear
Georgia Boot
Dickies FOOTWEAR
DURANGO
RETAIL
LEHIGH safety shoes
LEHIGH OUTFITTERS
MILITARY
ROCKY
ROCKY BRANDS

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. This prospectus is not an offer to sell, nor is it seeking an offer to buy, these securities in any state where the offer or sale is not permitted. The information in this prospectus is complete and accurate as of the date on the front cover, but the information may have changed since that date.

Our "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and Consolidated Financial Statements have been revised to reflect the changes in our reporting segments for the years ended December 31, 2002, 2003 and 2004 not previously included in our Annual Report on Form 10-K for the year ended December 31, 2004.

Rocky, Rocky Outdoor Gear, Georgia Boot, Durango and Lehigh and our other marks mentioned or used in this prospectus are our registered trademarks and service marks. This prospectus also contains trademarks and service marks belonging to other entities.

SUMMARY

The items in the following summary are described in more detail later in this prospectus. This summary provides an overview of selected information and does not contain all the information you should consider. Therefore, you should also read the more detailed information set out in this prospectus, the financial statements and the other information incorporated by reference into this prospectus.

Rocky Shoes & Boots, Inc.

We are a leading designer, manufacturer and marketer of premium quality footwear marketed under a portfolio of well recognized brand names including Rocky Outdoor Gear, Georgia Boot, Durango, Lehigh and Dickies. Our brands have a long history of representing high quality, comfortable, functional and durable footwear and our products are organized around four target markets: outdoor, work, duty and western. Our footwear products incorporate varying features and are positioned across a range of suggested retail price points from $29.95 for our value priced products to $249.95 for our premium products. In addition, as part of our strategy of outfitting consumers from head-to-toe, we market complementary branded apparel and accessories that we believe leverage the strength and positioning of each of our brands.

Our products are distributed through three distinct business segments: wholesale, retail and military. In our wholesale business, we distribute our products through a wide range of distribution channels representing over 10,000 retail store locations in the U.S. and Canada. Our wholesale channels vary by product line and include sporting goods stores, outdoor retailers, independent shoe retailers, hardware stores, catalogs, mass merchants, uniform stores, farm store chains, specialty safety stores and other specialty retailers. Our retail business includes direct sales of our products to consumers through our Lehigh Safety Shoes mobile and retail stores (including a fleet of 78 trucks, supported by 38 small warehouses that include retail stores, which we refer to as mini-stores), our two Rocky outlet stores and our websites. We also sell footwear under the Rocky label to the U.S. military.

In 2001, we undertook a number of strategic initiatives designed to increase our sales and improve our margins while mitigating the seasonality and weather related risk of our outdoor product lines. These strategic initiatives included:

- extending our lines of footwear into additional markets with the introduction of footwear models for the work and western markets;
- expanding our product offerings into complementary apparel to leverage the strength of our Rocky Outdoor Gear brand and offer our consumers a broader, head-to-toe product assortment; and
- closing our continental U.S. manufacturing facility and sourcing a greater portion of our products from third party facilities overseas.

As a result of these initiatives, we increased our sales and profitability, diversified our business and created additional opportunities for growth. We increased our sales from $89.0 million in 2002 to $132.2 million in 2004, representing a compound annual growth rate of 21.9%. Over the same period, our earnings per share increased from $0.62 to $1.74, representing a compound annual growth rate of 67.5%.

Acquisition of EJ Footwear Group

In January 2005, to further support our strategic objectives, we acquired EJ Footwear Group, a leading designer and developer of branded footwear products marketed under a collection of well recognized brands in the work, western and outdoor markets, including Georgia Boot, Durango and Lehigh. EJ Footwear was also the exclusive licensee of the Dickies brand for most footwear products. The acquisition was part of our strategy to expand our portfolio of leading brands and strengthen our market position in the work and western footwear markets, and to extend our product offerings to include brands positioned across multiple feature sets and price points. The EJ Footwear acquisition also expanded our distribution channels and diversified our retailer base.

We believe the EJ Footwear acquisition offers us multiple opportunities to expand and strengthen our combined business. We intend to extend certain of these brands into additional markets, such as outdoor, work and duty, where we believe the brand image is consistent with the target market. We also believe that the strength of each of these brands in their respective markets will allow us to introduce complementary apparel and accessories, similar to our head-to-toe strategy for Rocky Outdoor Gear.

Competitive Strengths

Our competitive strengths include:

- *Strong portfolio of brands.* We believe the Rocky Outdoor Gear, Georgia Boot, Durango, Lehigh and Dickies brands are well recognized and established names that have a reputation for performance, quality and comfort in the markets they serve: outdoor, work, duty and western. We plan to continue strengthening these brands through product innovation in existing footwear markets, by extending certain of these brands into our other target markets and by introducing complementary apparel and accessories under our owned brands.

- *Commitment to product innovation.* We believe a critical component of our success in the marketplace has been a result of our continued commitment to product innovation. Our consumers demand high quality, durable products that incorporate the highest level of comfort and the most advanced technical features and designs. We have a dedicated group of product design and development professionals, including well recognized experts in the footwear and apparel industries, who continually interact with consumers to better understand their needs and are committed to ensuring our products reflect the most advanced designs, features and materials available in the marketplace.

- *Long-term retailer relationships.* We believe that our long history of designing, manufacturing and marketing premium quality, branded footwear has enabled us to develop strong relationships with our retailers in each of our distribution channels. We intend to reinforce these relationships by continuing to offer innovative footwear products, by continuing to meet the individual needs of each of our retailers and by working with our retailers to improve the visual merchandising of our products in their stores. We believe that strengthening our relationships with retailers will allow us to increase our presence through additional store locations and expanded shelf space, improve our market position in a consolidating retail environment and enable us to better understand and meet the evolving needs of both our retailers and consumers.

- *Diverse product sourcing and manufacturing capabilities.* We believe our strategy of utilizing both company operated and third party facilities for the sourcing of our products offers several advantages. Operating our own facilities significantly improves our knowledge of the entire production process which allows us to more efficiently source product from third parties that is of the highest quality and at the lowest cost available. Over time, we intend to source a higher proportion of our products from third party manufacturers, which we believe will enable us to obtain high quality products at lower costs per unit.

Growth Strategy

We intend to increase our sales through the following strategies:

- *Expand into new target markets under existing brands.* We believe there is significant opportunity to extend certain of our brands into our other target markets. We intend to continue to introduce products across varying feature sets and price points in order to meet the needs of our retailers.
- *Increase apparel offerings.* We believe the long history and authentic heritage of our owned brands provide significant opportunity to extend each of these brands into complementary apparel. We intend to continue to increase our Rocky apparel offerings and believe that similar opportunities exist for our Georgia Boot and Durango brands in their respective markets.
- *Cross-sell our brands to our retailers.* The acquisition of EJ Footwear expanded our distribution channels and diversified our retailer base. We believe that many retailers of our existing and acquired brands target consumers with similar characteristics and, as a result, we believe there is significant opportunity to offer each of our retailers a broader assortment of footwear and apparel that target multiple markets and span a range of feature sets and price points.
- *Expand our retail sales through Lehigh.* We believe that our Lehigh mobile and retail stores offer us an opportunity to significantly expand our direct sales of work-related footwear. We intend to grow our Lehigh business by adding new customers, expanding the portfolio of brands we offer and increasing our footwear and apparel offerings. In addition, over time, we plan to upgrade the locations of some of our mini-stores, as well as expand the breadth of products sold in these stores.
- *Continue to add new retailers.* We believe there is an opportunity to add additional retailers in certain of our distribution channels. We have identified a number of large, national footwear retailers that target consumers whom we believe identify with the Georgia Boot, Durango and Dickies brands.
- *Acquire or develop new brands.* We intend to continue to acquire or develop new brands that are complementary to our portfolio and could leverage our operational infrastructure and distribution network.

Risks Affecting Us

As further described below in “Risk Factors,” our growth strategy is founded substantially on expanding our brands into new footwear and apparel markets, and if our growth strategy is unsuccessful, our brands may be adversely affected, and we may not achieve our planned sales growth. Achieving market acceptance for new products will likely require us to exert substantial product development and marketing efforts, which may materially increase our expenses and may not be successful. A significant portion of our revenues are derived from outdoor products and are subject to seasonal fluctuations. We recently acquired EJ Footwear and we may encounter difficulties integrating it into our business. We produce a majority of our products outside the U.S. and source materials from a limited number of suppliers, both of which subject us to various risks.

Our Corporate Information

We are an Ohio corporation. Our headquarters is located at 39 East Canal Street, Nelsonville, Ohio 45764, and our telephone number is (740) 753-1951. Our corporate website address is www.rockyboots.com. This is a textual reference only. We do not incorporate the information on our website into this prospectus and you should not consider any information on, or that can be accessed through, our website as part of this prospectus.

The Offering

Common stock offered:	
By Rocky Shoes & Boots, Inc	2,000,000 shares
By selling shareholders	600,000 shares
Total	2,600,000 shares
Common stock outstanding after the offering	7,293,595 shares
Offering Price	$ per share
Use of proceeds	We intend to use the net proceeds we receive in this offering to repay amounts under our term loan with GMAC Commercial Finance LLC ($16.5 million as of June 30, 2005), our term loan with American Capital Strategies, Ltd. ($30.0 million as of June 30, 2005), and the remainder to pay down our revolving credit facility and for working capital and other general corporate purposes, including the growth and expansion of our business. We will not receive any proceeds from the sale of common stock by the selling shareholders. See "Use of Proceeds."
Nasdaq National Market symbol	RCKY

The number of shares to be outstanding after this offering is based on 5,293,595 shares outstanding as of September 14, 2005. The number of shares to be outstanding after this offering does not give effect to:

- 645,351 shares of common stock issuable upon exercise of outstanding options at a weighted average exercise price of $13.20 per share as of September 14, 2005;
- 565,935 additional shares reserved for future grants under our stock option plans as of September 14, 2005; or
- exercise of the underwriters' over-allotment option to purchase up to 390,000 shares of common stock from us.

Summary Consolidated Financial Data

The summary financial data presented below under the heading "Income Statement Data" for the years ended December 31, 2002, 2003 and 2004, which have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, have been derived from, and are qualified by reference to, our consolidated financial statements included elsewhere in this prospectus. The summary financial data presented below under the headings "Income Statement Data" for the six months ended June 30, 2004 and 2005 and "Balance Sheet Data" as of June 30, 2005 are unaudited, have been derived from our unaudited condensed consolidated financial statements that are included elsewhere in this prospectus and have been prepared on the same basis as our consolidated financial statements. In the opinion of management, the unaudited summary financial data presented below under the headings "Income Statement Data" and "Balance Sheet Data" reflect all adjustments, which include only normal and recurring adjustments, necessary to present fairly our results of operations for and as of the periods presented. Historical results are not necessarily indicative of the results of operations to be expected for future periods. Quarterly results are not necessarily indicative of full year results. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Seasonality and Weather." You should read the summary consolidated financial data in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and with our consolidated financial statements and related notes included in this prospectus.

	Year Ended December 31,			Six Months Ended June 30,	
	2002	2003	2004	2004	2005(1)
	(In thousands, except per share amounts)				
Income Statement Data					
Net sales	$ 88,959	$ 106,165	$ 132,249	$ 49,316	$ 127,018
Cost of goods sold	65,528	73,383	93,607	35,921	77,087
Gross margin	23,431	32,782	38,642	13,395	49,931
Selling, general and administrative expenses	18,662	23,279	25,618	10,724	40,146
Income from operations	4,769	9,503	13,024	2,671	9,785
Interest expense	(1,405)	(1,378)	(1,335)	(534)	(3,994)
Other — net	432	348	381	98	117
Income before income taxes	3,796	8,473	12,070	2,235	5,908
Income tax expense	953	2,434	3,476	715	2,009
Net income	$ 2,843	$ 6,039	$ 8,594	$ 1,520	$ 3,899
Net income per common share:					
Basic	$ 0.63	$ 1.44	$ 1.89	$ 0.34	$ 0.75
Diluted	$ 0.62	$ 1.32	$ 1.74	$ 0.31	$ 0.70
Weighted average common shares outstanding:					
Basic	4,500	4,190	4,557	4,493	5,204
Diluted	4,590	4,561	4,954	4,950	5,590

	As of June 30, 2005	
	Actual(1)	As Adjusted(2)
	(In thousands)	
Balance Sheet Data		
Cash and cash equivalents	$ 1,016	$ 1,016
Working capital	115,428	121,862
Total assets	243,719	242,513
Long-term debt, less current maturities	104,337	51,220
Shareholders' equity	87,682	146,027

(1) Includes our acquisition of EJ Footwear in January 2005.

(2) The as adjusted balance sheet data reflect our sale of 2,000,000 shares of common stock in this offering at an assumed public offering price of $31.53 per share (the last sale price on September 14, 2005) and the application of the estimated net proceeds of such sale after deducting underwriting discounts and estimated offering expenses as described in "Use of Proceeds."

RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with all of the other information included in this prospectus, before making an investment decision. If any of the following risks actually occurs, our business, financial condition or results of operations could suffer. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Relating to Rocky Shoes & Boots, Inc.

Expanding our brands into new footwear and apparel markets may be difficult and expensive, and if we are unable to successfully continue such expansion, our brands may be adversely affected, and we may not achieve our planned sales growth.

Our growth strategy is founded substantially on the expansion of our brands into new footwear and apparel markets. New products that we introduce may not be successful with consumers or one or more of our brands may fall out of favor with consumers. If we are unable to anticipate, identify or react appropriately to changes in consumer preferences, we may not grow as fast as we plan to grow or our sales may decline, and our brand image and operating performance may suffer.

Furthermore, achieving market acceptance for new products will likely require us to exert substantial product development and marketing efforts, which could result in a material increase in our selling, general and administrative, or SG&A, expenses, and there can be no assurance that we will have the resources necessary to undertake such efforts. Material increases in our SG&A expenses could adversely impact our results of operations.

We may also encounter difficulties in producing new products that we did not anticipate during the development stage. Our development schedules for new products are difficult to predict and are subject to change as a result of shifting priorities in response to consumer preferences and competing products. If we are not able to efficiently manufacture newly-developed products in quantities sufficient to support retail distribution, we may not be able to recoup our investment in the development of new products. Even if we develop and manufacture new products that consumers find appealing, the ultimate success of a new model may depend on our product pricing. Failure to gain market acceptance for new products that we introduce could impede our growth, reduce our profits, adversely affect the image of our brands, erode our competitive position and result in long term harm to our business.

We may not successfully integrate EJ Footwear Group, which we recently acquired.

In light of our recent acquisition of EJ Footwear, our success will depend in part on our ability to complete the integration of the operations, systems and personnel of EJ Footwear with our company into a single organizational structure. There can be no assurance that we will be able to effectively integrate the existing operations of our company with the newly-acquired EJ Footwear. Integration of these operations could also place additional pressures on our management as well as on our key resources. The failure to successfully manage this integration could have a material adverse effect on us.

A majority of our products are produced outside the U.S. where we are subject to the risks of international commerce.

A majority of our products are produced in the Dominican Republic and China. Therefore, our business is subject to the following risks of doing business offshore:

- the imposition of additional United States legislation and regulations relating to imports, including quotas, duties, taxes or other charges or restrictions;
- foreign governmental regulation and taxation;
- fluctuations in foreign exchange rates;

- changes in economic conditions;
- transportation conditions and costs in the Pacific and Caribbean;
- changes in the political stability of these countries; and
- changes in relationships between the United States and these countries.

If any of these factors were to render the conduct of business in these countries undesirable or impracticable, we would have to manufacture or source our products elsewhere. There can be no assurance that additional sources or products would be available to us or, if available, that these sources could be relied on to provide product at terms favorable to us. The occurrence of any of these developments would have a material adverse effect on our business, financial condition and results of operations.

Our success depends on our ability to anticipate consumer trends.

Demand for our products may be adversely affected by changing consumer trends. Our future success will depend upon our ability to anticipate and respond to changing consumer preferences and technical design or material developments in a timely manner. The failure to adequately anticipate or respond to these changes could have a material adverse effect on our business, financial condition and results of operations.

Loss of services of our key personnel could adversely affect our business.

The development of our business has been, and will continue to be, highly dependent upon Mike Brooks, Chairman and Chief Executive Officer, David Sharp, President and Chief Operating Officer, and James McDonald, Executive Vice President, Chief Financial Officer and Treasurer. Mr. Brooks has an at-will employment agreement with us. The employment agreement provides that in the event of termination of employment, he will receive a severance benefit and may not compete with us for a period of one year. None of our other executive officers and key employees have an employment agreement with our company. The loss of the services of any of these officers could have a material adverse effect on our business, financial condition and results of operations.

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

We purchase raw materials from a number of domestic and foreign sources. We do not have any long-term supply contracts for the purchase of our raw materials, except for limited blanket orders on leather. The principal raw materials used in the production of our footwear, in terms of dollar value, are leather, Gore-Tex waterproof breathable fabric, Cordura nylon fabric and soling materials. Availability or change in the prices of our raw materials could have a material adverse effect on our business, financial condition and results of operations.

We currently have a licensing agreement for the use of Gore-Tex waterproof breathable fabric, and any termination of this licensing agreement could impact our sales of waterproof products.

We are currently one of the largest customers of Gore-Tex waterproof breathable fabric for use in footwear. Our licensing agreement with W.L. Gore & Associates, Inc. may be terminated by either party upon advance written notice to the other party by October 1 for termination effective December 31 of that same year. Although other waterproofing techniques and materials are available, we place a high value on our Gore-Tex waterproof breathable fabric license because Gore-Tex has high brand name recognition with our customers. The loss of our license to use Gore-Tex waterproof breathable fabric could have a material adverse effect on our competitive position, which could have a material adverse effect on our business, financial condition and results of operations.

We currently have a licensing agreement for the use of the Dickies trademark, and any termination of this licensing agreement could impact our sales and growth strategy.

We have an exclusive license through December 31, 2007 to use the Dickies brand on all footwear products, except nursing shoes. The Dickies brand is well recognized by consumers and we plan to introduce value priced Dickies footwear targeting additional markets, including outdoor, duty and western. Our license with Dickies may be terminated by Dickies prior to December 31, 2007 if we do not achieve certain minimum net shipments in a particular year. Furthermore, it is not certain whether we will be able to renew our license to use the Dickies brand after the expiration or termination of the current license. The loss of our license to use the Dickies brand could have a material adverse effect on our competitive position and growth strategy, which could have a material adverse effect on our business, financial condition and results of operations.

Our outdoor products are seasonal.

We have historically experienced significant seasonal fluctuations in our business because we derive a significant portion of our revenues from sales of our outdoor products. Many of our outdoor products are used by consumers in cold or wet weather. As a result, a majority of orders for these products are placed by our retailers in January through April for delivery in July through October. In order to meet demand, we must manufacture and source outdoor footwear year round to be in a position to ship advance orders for these products during the last two quarters of each year. Accordingly, average inventory levels have been highest during the second and third quarters of each year and sales have been highest in the last two quarters of each year. There is no assurance that we will have either sufficient inventory to satisfy demand in any particular quarter or have sufficient demand to sell substantially all of our inventory without significant markdowns.

Our outdoor products are sensitive to weather conditions.

Historically, our outdoor products have been used primarily in cold or wet weather. Mild or dry weather has in the past and may in the future have a material adverse effect on sales of our products, particularly if mild or dry weather conditions occur in broad geographical areas during late fall or early winter. For example, an unseasonably warm and dry winter in late 2004 and early 2005 throughout the Midwest significantly decreased demand for our outdoor products. Also, due to variations in weather conditions from year to year, results for any single quarter or year may not be indicative of results for any future period.

Our business could suffer if our third party manufacturers violate labor laws or fail to conform to generally accepted ethical standards.

We require our third party manufacturers to meet our standards for working conditions and other matters before we are willing to place business with them. As a result, we may not always obtain the lowest cost production. Moreover, we do not control our third party manufacturers or their respective labor practices. If one of our third party manufacturers violates generally accepted labor standards by, for example, using forced or indentured labor or child labor, failing to pay compensation in accordance with local law, failing to operate its factories in compliance with local safety regulations or diverging from other labor practices generally accepted as ethical, we likely would cease dealing with that manufacturer, and we could suffer an interruption in our product supply. In addition, such a manufacturer’s actions could result in negative publicity and may damage our reputation and the value of our brand and discourage retail customers and consumers from buying our products.

Our future tax rates may not be as favorable as our historical tax rates.

In past years, our effective tax rate typically has been substantially below the United States federal statutory rates. We have paid minimal income taxes on income earned by our subsidiary in Puerto Rico due to tax credits afforded us under Section 936 of the Internal Revenue Code and local tax abatements.

However, Section 936 of the Internal Revenue Code has been repealed so that future tax credits available to us are capped in 2005 and terminate in 2006. In addition, our local tax abatements in Puerto Rico are scheduled to expire in 2009. In 2004, we elected to repatriate $3.0 million of earnings and accrued $157,000 of related taxes under the American Jobs Creation Act of 2004. No income taxes are provided on the approximately $6.8 million of remaining undistributed earnings. During 2005, we will complete our evaluation of foreign earnings and may repatriate up to an additional $5.0 million of accumulated undistributed earnings, which could result in up to $260,000 of additional tax. As a result of the acquisition of EJ Footwear, our effective tax rate for 2005 is expected to increase compared to 2004, as a higher percentage of profits will be taxed at U.S. tax rates.

Our future tax rate will vary depending on many factors, including the level of relative earnings and tax rates in each jurisdiction in which we operate and the repatriation of any foreign income to the United States. We cannot anticipate future changes in such laws. Increases in effective tax rates or changes in tax laws may have a material adverse effect on our business, financial condition and results of operations.

The growth of our business will be dependent upon the availability of adequate capital.

The growth of our business will depend on the availability of adequate capital, which in turn will depend in large part on cash flow generated by our business and the availability of equity and debt financing. We cannot assure you that our operations will generate positive cash flow or that we will be able to obtain equity or debt financing on acceptable terms or at all. Our revolving credit facility contains provisions that restrict our ability to incur additional indebtedness or make substantial asset sales that might otherwise be used to finance our expansion. Security interests in substantially all of our assets, which may further limit our access to certain capital markets or lending sources, secure our obligations under our revolving credit facility. Moreover, the actual availability of funds under our revolving credit facility is limited to specified percentages of our eligible inventory and accounts receivable. Accordingly, opportunities for increasing our cash on hand through sales of inventory would be partially offset by reduced availability under our revolving credit facility. As a result, we cannot assure you that we will be able to finance our current expansion plans.

We face intense competition, including competition from companies with significantly 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.

The footwear and apparel industries are intensely competitive, and we expect competition to increase in the future. A number of our competitors have significantly greater financial, technological, engineering, manufacturing, marketing and distribution resources than we do, as well as greater brand awareness in the footwear market. Our ability to succeed depends on our ability to remain competitive with respect to the quality, design, price and timely delivery of products. Competition could materially adversely affect our business, financial condition and results of operations.

We currently manufacture a portion of our products and we may not be able to do so in the future at costs that are competitive with those of competitors who source their goods.

We currently plan to retain our internal manufacturing capability in order to continue benefiting from expertise we have gained with respect to footwear manufacturing methods conducted at our manufacturing facilities. We continue to evaluate our manufacturing facilities and third party manufacturing alternatives in order to determine the appropriate size and scope of our manufacturing facilities. There can be no assurance that the costs of products that continue to be manufactured by us can remain competitive with products sourced from third parties.

We rely on distribution centers in Logan, Ohio and Tunkhannock, Pennsylvania, and if there is a natural disaster or other serious disruption at any of these facilities, we may be unable to deliver merchandise effectively to our retailers.

We rely on distribution centers in Logan, Ohio and Tunkhannock, Pennsylvania. Any natural disaster or other serious disruption at any of these facilities due to fire, tornado, flood, terrorist attack or any other cause could damage a portion of our inventory or impair our ability to use our distribution center as a docking location for merchandise. Either of these occurrences could impair our ability to adequately supply our retailers and harm our operating results.

We may be subject to certain environmental and other regulations.

Some of our operations use substances regulated under various federal, state, local and international environmental and pollution laws, including those relating to the storage, use, discharge, disposal and labeling of, and human exposure to, hazardous and toxic materials. Compliance with current or future environmental laws and regulations could restrict our ability to expand our facilities or require us to acquire additional expensive equipment, modify our manufacturing processes or incur other significant expenses. In addition, we could incur costs, fines and civil or criminal sanctions, third party property damage or personal injury claims or could be required to incur substantial investigation or remediation costs, if we were to violate or become liable under any environmental laws. Liability under environmental laws can be joint and several and without regard to comparative fault. There can be no assurance that violations of environmental laws or regulations have not occurred in the past and will not occur in the future as a result of our inability to obtain permits, human error, equipment failure or other causes, and any such violations could harm our business and financial condition.

If our efforts to establish and protect our trademarks, patents and other intellectual property are unsuccessful, the value of our brands could suffer.

We regard certain of our footwear designs as proprietary and rely on patents to protect those designs. We believe that the ownership of patents is a significant factor in our business. Existing intellectual property laws afford only limited protection of our proprietary rights, and it may be possible for unauthorized third parties to copy certain of our footwear designs or to reverse engineer or otherwise obtain and use information that we regard as proprietary. If our patents are found to be invalid, however, to the extent they have served, or would in the future serve, as a barrier to entry to our competitors, such invalidity could have a material adverse effect on our business, financial condition and results of operations.

We own U.S. registrations for a number of our trademarks, trade names and designs, including such marks as Rocky, Rocky Outdoor Gear, Georgia Boot, Durango and Lehigh. Additional trademarks, trade names and designs are the subject of pending federal applications for registration. We also use and have common law rights in certain trademarks. Over time, we have increased distribution of our goods in several foreign countries. Accordingly, we have applied for trademark registrations in a number of these countries. We intend to enforce our trademarks and trade names against unauthorized use by third parties.

Our success depends on our ability to forecast sales.

Our investments in infrastructure and product inventory are based on sales forecasts and are necessarily made in advance of actual sales. The markets in which we do business are highly competitive, and our business is affected by a variety of factors, including brand awareness, changing consumer preferences, product innovations, susceptibility to fashion trends, retail market conditions, weather conditions and economic and other factors. One of our principal challenges is to improve our ability to predict these factors, in order to enable us to better match production with demand. In addition, our growth over the years has created the need to increase the investment in infrastructure and product inventory and to enhance our systems. To the extent sales forecasts are not achieved, costs associated with the infrastructure and carrying costs of product inventory would represent a higher percentage of revenue, which would adversely affect our financial performance.

Risks Related to Our Industry

Because the footwear market is sensitive to decreased consumer spending and slow economic cycles, if general economic conditions deteriorate, many of our customers may significantly reduce their purchases from us or may not be able to pay for our products in a timely manner.

The footwear industry has been subject to cyclical variation and decline in performance when consumer spending decreases or softness appears in the retail market. Many factors affect the level of consumer spending in the footwear industry, including:

- general business conditions;
- interest rates;
- the availability of consumer credit;
- weather;
- increases in prices of nondiscretionary goods;
- taxation; and
- consumer confidence in future economic conditions.

Consumer purchases of discretionary items, including our products, may decline during recessionary periods and also may decline at other times when disposable income is lower. A downturn in regional economies where we sell products also reduces sales.

The continued shift in the marketplace from traditional independent retailers to large discount mass merchandisers may result in decreased margins.

A continued shift in the marketplace from traditional independent retailers to large discount mass merchandisers has increased the pressure on many footwear manufacturers to sell products to these mass merchandisers at less favorable margins. Because of competition from large discount mass merchandisers, a number of our small retailing customers have gone out of business, and in the future more of these customers may go out of business, which could have a material adverse effect on our business, financial condition and results of operations. Although progressive independent retailers have attempted to improve their competitive position by joining buying groups, a continued shift to discount mass merchandisers could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Our Common Stock and this Offering

Our management will have broad discretion over the use of net proceeds of this offering, and you may not agree with the way they are used.

While we currently intend to use the net proceeds of this offering for repayment of our indebtedness, working capital and other general corporate purposes, we may subsequently choose to use the net offering proceeds for different purposes or not at all. The effect of this offering will be to increase capital resources available to management, and our management may allocate these resources as it deems necessary. You will be relying on the judgment of our management with regard to the use of the net proceeds of this offering and management may choose to allocate the net proceeds differently than you would.

Our common stock price has been volatile, which could result in a substantial loss for shareholders.

Our common stock is traded on the Nasdaq National Market. While our average daily trading volume for the 52-week period ended September 9, 2005 was approximately 40,824 shares, we have experienced more limited volume in the past and may experience it in the future. The trading price of our common stock has been and may continue to be volatile. The closing sale prices of our common stock, as reported by the Nasdaq National Market, have ranged from $35.20 to $15.81 for the 52-week period ended September 9,

2005. The trading price of our common stock could be affected by a number of factors, including, but not limited to the following:

- changes in expectations of our future performance;
- changes in estimates by securities analysts (or failure to meet such estimates);
- quarterly fluctuations in our sales and financial results;
- limited trading volume;
- broad market fluctuations in volume and price; and
- a variety of risk factors, including the ones described elsewhere in this prospectus.

Accordingly, the price of our common stock after the offering is likely to fluctuate greatly and may be lower than the price you pay.

Future sale of our common stock could adversely affect our stock price.

Future sales of substantial amounts of shares of our common stock in the public market, or the perception that these sales could occur, may cause the market price of our common stock to decline. In addition, we may be required to issue additional shares upon exercise of previously granted options that are currently outstanding. Our directors and executive officers and all of the other selling shareholders have entered into lock-up agreements with the underwriters, in which they have agreed to refrain from selling their shares for a period of 90 days after this offering. Increased sales of our common stock in the market after exercise of our currently outstanding stock options or expiration of the lock-up agreements could exert significant downward pressure on our stock price. These sales also might make it more difficult for us to sell equity or equity related securities in the future at a time and price we deem appropriate.

We can issue shares of preferred stock without shareholder approval, which could adversely affect the rights of common shareholders.

Our articles of incorporation permit us to establish the rights, privileges, preferences and restrictions, including voting rights, of future series of our preferred stock and to issue such stock without approval from our shareholders. The rights of holders of our common stock may suffer as a result of the rights granted to holders of preferred stock that we may issue in the future. In addition, we could issue preferred stock to prevent a change in control of our company, depriving common shareholders of an opportunity to sell their stock at a price in excess of the prevailing market price.

Anti-takeover provisions of our articles of incorporation, code of regulations, shareholder rights plan and Ohio law could prevent or delay a change in control of our company, even if a change of control would benefit our shareholders.

Provisions of our articles of incorporation and code of regulations, as well as provisions of Ohio law, could discourage, delay or prevent a merger, acquisition or other change in control of our company, even if a change in control might benefit our shareholders. These provisions could also discourage proxy contests and make it more difficult for you and other shareholders to elect directors and take other corporate actions. As a result, these provisions could limit the price that investors are willing to pay in the future for shares of our common stock. These provisions might also discourage a potential acquisition proposal or tender offer, even if the acquisition proposal or tender offer is at a price well above the then current market price for our common stock. These provisions include the following:

- a board of directors that is classified so that only one-half of the directors stand for election each year;
- authorization of “blank check” preferred stock, which our board of directors could issue with provisions designed to thwart a takeover attempt;

- limitations on the ability of shareholders to call special meetings of shareholders;
- no cumulative voting in the election of directors, which would otherwise allow the holders of less than a majority of our common stock to elect director candidates;
- a prohibition against shareholder action by written consent unless signed by all shareholders of record; and
- advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by shareholders at shareholder meetings.

We adopted a shareholder rights plan in 1997 under a shareholder rights agreement intended to protect shareholders against unsolicited attempts to acquire control of our company that do not offer what our board of directors believes to be an adequate price to all shareholders or that our board of directors otherwise opposes. As part of the plan, our board of directors declared a dividend that resulted in the issuance of one preferred stock purchase right for each outstanding share of our common stock. Unless extended, the preferred share purchase rights will terminate on November 5, 2007. If a bidder proceeds with an unsolicited attempt to purchase our stock and acquires 20% or more (or announces its intention to acquire 20% or more) of our outstanding stock, and the board of directors does not redeem the preferred stock purchase right, the right will become exercisable at a price that significantly dilutes the interest of the bidder in our common stock.

The effect of the shareholder rights plan is to make it more difficult to acquire our company without negotiating with the board of directors. The shareholder rights plan, however, could discourage offers even if made at a premium over the market price of our common stock, and even if the shareholders might believe the transaction would benefit them.

In addition, we are subject to the Chapter 1704 of the Ohio Revised Code, the Merger Moratorium Act, which limits business combination transactions with interested shareholders (generally 10% or greater shareholders) that our board of directors has not approved. These provisions and other similar provisions make it more difficult for a third party to acquire us without negotiation. These provisions apply even if some shareholders would consider the transaction beneficial.

We do not anticipate paying cash dividends on our shares of common stock in the foreseeable future.

We intend to retain any future earnings to fund the operation and expansion of our business and, therefore, we do not anticipate paying cash dividends on our shares of common stock in the foreseeable future. As a result, you may only realize a return on your investment upon a sale of our common stock, if at all.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the information incorporated by reference in this prospectus contain forward-looking statements. We sometimes use words such as “anticipate,” “believe,” “continue,” “estimate,” “expect,” “intend,” “may,” “plan,” “project” and similar expressions, as they relate to us, our management and our industry, to identify forward-looking statements. Forward-looking statements relate to our expectations, beliefs, plans, strategies, prospects, future performance, anticipated trends and other future events. Specifically, this prospectus and the information incorporated by reference in this prospectus contain forward-looking statements relating to, among other things:

- our business, growth, operating and financing strategies;
- our product mix;
- the introduction or success of new products;
- the incremental earnings and benefits of the EJ Footwear acquisition;
- the impact of seasonality and weather on our operations;
- expectations regarding our net sales and earnings growth;
- expectations regarding our liquidity;
- our future financing plans; and
- trends affecting our financial condition or results of operations.

We have based our forward-looking statements largely on our current expectations and projections about future events and trends affecting our business. Actual results may differ materially. Some of the risks, uncertainties and assumptions that may cause actual results to differ from these forward-looking statements are described in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus and the information incorporated by reference in this prospectus might not occur.

You should read this prospectus, the documents that we filed as exhibits to the registration statement of which this prospectus is a part and the documents that we incorporate by reference in this prospectus completely and with the understanding that our future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements, and we assume no obligation to update these forward-looking statements publicly for any reason.

USE OF PROCEEDS

We expect to receive net proceeds of approximately $59.1 million from the sale by us of 2,000,000 shares of our common stock in this offering, based on an assumed public offering price of $31.53 per share (the last sale price on September 14, 2005) and after deducting underwriting discounts and the estimated offering expenses we will pay. We will not receive any proceeds from the sale of common stock by selling shareholders.

We intend to use the net proceeds we receive from this offering for the following purposes:

- to pay all outstanding amounts under our term loan with GMAC Commercial Finance LLC ($16.5 million as of June 30, 2005);
- to pay all outstanding amounts under our term loan with American Capital Strategies, Ltd. ($30.0 million as of June 30, 2005); and
- the balance of approximately $12.6 million to reduce indebtedness under our revolving credit facility and for working capital and other general corporate purposes, including the growth and expansion of our business.

Our term loan with GMAC Commercial Finance bears an interest rate of LIBOR plus 3.25% or prime plus 1.75%, and is payable in equal quarterly installments over three years beginning in 2005. Our term loan with American Capital Strategies bears an interest rate of LIBOR plus 8.00% and is payable in equal installments from 2008 through 2011. Indebtedness under our five year $100 million revolving credit facility bears interest at a rate of LIBOR plus 2.5%, or prime plus 1.0%.

PRICE RANGE OF COMMON STOCK

Our common stock is traded on the Nasdaq National Market under the symbol “RCKY.” The following table shows the range of low and high sale prices per share of our common stock as reported by the Nasdaq National Market for the periods indicated.

	Common Stock Price Per Share Low	Common Stock Price Per Share High
Year ended December 31, 2003:		
First Quarter	$ 4.77	$ 7.30
Second Quarter	$ 6.50	$ 9.54
Third Quarter	$ 9.10	$ 11.72
Fourth Quarter	$ 11.12	$ 26.01
Year ended December 31, 2004:		
First Quarter	$ 17.75	$ 31.95
Second Quarter	$ 17.96	$ 29.25
Third Quarter	$ 15.79	$ 23.70
Fourth Quarter	$ 17.00	$ 29.93
Year ended December 31, 2005:		
First Quarter	$ 25.31	$ 36.44
Second Quarter	$ 25.00	$ 33.79
Third Quarter (through September 14, 2005)	$ 27.50	$ 32.25

On September 14, 2005, the last sale price of our common stock on the Nasdaq National Market was $31.53 per share. As of September 14, 2005, there were 111 record holders of our common stock.

DIVIDEND POLICY

We have not declared or paid any cash dividends on our common stock since our initial public offering in 1993. We currently anticipate that we will retain all of our earnings for the continued development and expansion of our business and do not anticipate declaring or paying any cash dividends in the foreseeable future. Moreover, our credit facilities contain covenants expressly prohibiting us from paying cash dividends.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of June 30, 2005:

- on an actual basis; and
- on an as adjusted basis to reflect our sale of 2,000,000 shares of common stock in this offering at an assumed public offering price of $31.53 per share (the last sale price on September 14, 2005) and the application of the estimated net proceeds of such sale after deducting underwriting discounts and estimated offering expenses as described in “Use of Proceeds.”

You should read the following table in conjunction with our consolidated financial statements and related notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained elsewhere in this prospectus.

	As of June 30, 2005	
	Actual	As Adjusted
	(In thousands)	
Cash and cash equivalents	$ 1,016	$ 1,016
Current installments of long-term debt	$ 6,384	$ 384
Long-term debt, excluding current installments:		
Revolving credit facility	59,541	46,924
Term loan with GMAC Commercial Finance(1)	10,500	—
Term loan with American Capital Strategies	30,000	—
Real estate mortgages	4,296	4,296
Total long-term debt, including current installments	110,721	51,604
Shareholders’ equity:		
Common stock, no par value; 10,000,000 shares authorized; 5,284,725 issued and outstanding — actual; and 7,284,725 shares issued and outstanding — as adjusted	50,623	109,740
Accumulated other comprehensive loss	(890)	(890)
Retained earnings(2)	37,949	37,177
Total shareholders’ equity	87,682	146,027
Total capitalization	$ 198,403	$ 197,631

(1) Reflects $16.5 million of outstanding principle as of June 30, 2005, less $6.0 million in current installments.

(2) Retained earnings, as adjusted, includes a non-cash charge net of tax for the write-off of deferred financing costs related to our term loans with GMAC Commercial Finance and American Capital Strategies.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below under the heading “Income Statement Data” and “Balance Sheet Data” for the years ended and as of December 31, 2000, 2001, 2002, 2003 and 2004, which have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, have been derived from, and are qualified by reference to, our consolidated financial statements. The consolidated financial statements as of December 31, 2003 and 2004 and for each of the three years in the periods ended December 31, 2004 are included elsewhere in this prospectus. The selected consolidated financial data presented below under the headings “Income Statement Data” and “Balance Sheet Data” for the six months ended and as of June 30, 2004 and 2005 are unaudited, have been derived from unaudited condensed consolidated financial statements that are included elsewhere in this prospectus and have been prepared on the same basis as our consolidated financial statements. In the opinion of management, the unaudited selected consolidated financial data presented below under the headings “Income Statement Data” and “Balance Sheet Data” reflect all adjustments, which include only normal and recurring adjustments, necessary to present fairly our results of operations for and as of the periods presented. Historical results are not necessarily indicative of the results of operations to be expected for future periods. Quarterly results are not necessarily indicative of full year results. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Seasonality and Weather.” You should read the selected consolidated financial data in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and with our consolidated financial statements and related notes included in this prospectus.

	Year Ended December 31,					Six Months Ended June 30,	
	2000	2001	2002	2003	2004	2004	2005(1)
	(In thousands, except per share amounts)						
Income Statement Data							
Net sales	$ 103,229	$ 103,320	$ 88,959	$ 106,165	$ 132,249	$ 49,316	$ 127,018
Cost of goods sold	78,617	80,068	65,528	73,383	93,607	35,921	77,087
Gross margin	24,612	23,252	23,431	32,782	38,642	13,395	49,931
Selling, general and administrative expenses	21,427	18,176	18,662	23,279	25,618	10,724	40,146
Plant closing costs	—	1,500	—	—	—	—	—
Income from operations	3,185	3,576	4,769	9,503	13,024	2,671	9,785
Interest expense	(3,354)	(2,494)	(1,405)	(1,378)	(1,335)	(534)	(3,994)
Other-net	449	355	432	348	381	98	117
Income before income taxes	280	1,437	3,796	8,473	12,070	2,235	5,908
Income tax expense (benefit)	183	(93)	953	2,434	3,476	715	2,009
Net income	$ 97	$ 1,531	$ 2,843	$ 6,039	$ 8,594	$ 1,520	$ 3,899
Net income per common share:							
Basic	$ 0.02	$ 0.34	$ 0.63	$ 1.44	$ 1.89	$ 0.34	$ 0.75
Diluted	$ 0.02	$ 0.34	$ 0.62	$ 1.32	$ 1.74	$ 0.31	$ 0.70
Weighted average common shares outstanding:							
Basic	4,489	4,489	4,500	4,190	4,557	4,493	5,204
Diluted	4,493	4,549	4,590	4,561	4,954	4,950	5,590

	As of December 31,					As of June 30,	
	2000	2001	2002	2003	2004	2004	2005(1)
	(In thousands)						
Balance Sheet Data							
Cash and cash equivalents	$ 2,118	$ 2,955	$ 4,277	$ 2,159	$ 5,061	$ 492	$ 1,016
Working capital	50,201	44,267	41,751	54,210	55,612	59,912	115,428
Total assets	86,051	74,660	68,417	86,175	96,706	94,713	243,719
Long-term debt, less current maturities	26,445	16,976	10,488	17,515	10,045	21,494	104,337
Shareholders’ equity	50,326	51,043	52,393	58,385	71,371	61,421	87,682

(1) Includes our acquisition of EJ Footwear in January 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes, all included elsewhere in this prospectus. The forward-looking statements in this section and other parts of this document involve risks and uncertainties including statements regarding our plans, objectives, goals, strategies and financial performance. Our actual results could differ materially from the results anticipated in these forward-looking statements as a result of factors set forth under the caption "Special Note Regarding Forward-Looking Statements" included elsewhere in this prospectus. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements made by or on our behalf.

Overview

We are a leading designer, manufacturer and marketer of premium quality footwear marketed under a portfolio of well recognized brand names including Rocky Outdoor Gear, Georgia Boot, Durango, Lehigh and Dickies. Our brands have a long history of representing high quality, comfortable, functional and durable footwear and our products are organized around four target markets: outdoor, work, duty and western. Our footwear products incorporate varying features and are positioned across a range of suggested retail price points from $29.95 for our value priced products to $249.95 for our premium products. In addition, we market complementary branded apparel and accessory items that we believe leverage the strength and positioning of each of our brands.

We operate our business through three business segments: wholesale, retail and military.

Wholesale. In our wholesale segment, our products are offered in over 10,000 retail locations representing a wide range of distribution channels in the U.S. and Canada. These distribution channels vary by product line and target market and include sporting goods stores, outdoor retailers, independent shoe retailers, hardware stores, catalogs, mass merchants, uniform stores, farm store chains, specialty safety stores and other specialty retailers. Prior to our acquisition of EJ Footwear Group in January 2005, our wholesale segment represented 82.9% of our net sales in 2004. For the six months ended June 30, 2005, our wholesale segment represented 68.8% of our net sales, largely a result of our acquisition of EJ Footwear, which generated a significant portion of its sales from its Lehigh retail operations. Gross margins for our wholesale business have improved over the last several years as a result of:

- expansion into higher margin product lines, including apparel and work and western footwear; and
- shifting production from our continental U.S. manufacturing facility to lower cost, off-shore facilities.

In 2004, our wholesale gross margin as a percentage of net sales was 31.7%, compared to 28.4% in 2002. Our wholesale gross margin as a percentage of net sales was 37.4% for the six months ended June 30, 2005, compared to 30.3% for the same period last year. The 2005 improvement reflects the sale of EJ Footwear work and western products, which generally carry higher gross margins than our products for our other target markets.

We intend to continue to expand our Rocky Outdoor Gear product lines in each of our markets and believe similar opportunities exist for our Georgia Boot, Durango and Dickies brands. In addition, we believe that there are significant opportunities to cross sell our brands to existing and new retailers and that the breadth of our product lines across products, target markets and price points will allow us to offer our retailers a broader offering to better meet their needs.

Retail. In our retail segment, we sell our products directly to consumers through our Lehigh mobile and retail stores, our two Rocky outlet stores and our websites. Our Lehigh operations include a fleet of 78 trucks, supported by 38 small warehouses that include retail stores, which we refer to as mini-stores. Through our outlet stores, we generally sell first quality or discontinued products in addition to a limited amount of factory damaged goods, which typically carry lower gross margins. Prior to our acquisition of EJ

Footwear and its Lehigh division, our retail segment represented only a small portion of our business, or 3.0% of our net sales in 2004. Retail gross margin as a percentage of net sales was 27.7% in 2004. Our acquisition of EJ Footwear significantly increased our retail sales and improved our retail gross margin. For the six months ended June 30, 2005, our retail segment represented 23.7% of our total net sales and our retail gross margin was 53.2%, primarily as a result of Lehigh, which generally sells products at full retail prices.

We believe that our Lehigh retail operations offer us an opportunity to significantly expand our direct sales of work-related footwear. We intend to expand our Lehigh business by adding new customers, particularly in the hospitality industry, and by expanding the portfolio of brands we offer and by increasing our footwear and apparel offerings. In addition, over time, we plan to upgrade the locations of some of our mini-stores to sites that experience higher foot traffic and intend to expand the breadth of products sold in these stores to include casual and outdoor footwear and apparel to better utilize our retail presence and leverage our fixed costs.

Military. While we are focused on continuing to build our wholesale and retail business, we also actively bid, from time to time, on footwear contracts with the U.S. military. As a result, our military sales fluctuate from year to year. Our military sales were $0.4 million in 2003 and $18.5 million, or 14.0% of our net sales, in 2004. In February 2005, we were awarded a $21 million contract by the U.S. military for production of infantry combat boots, all of which is expected to be recognized as sales in 2005. Our gross margins for our military sales are significantly lower than our gross margins in our wholesale and retail segments and were 15.0% in 2004. However, there are little or no selling, general and administrative, or SG&A, expenses associated with these sales. We believe our sales to the U.S. military serve as an opportunity to reach our target demographic with premium, Rocky branded products. We are currently waiting for responses on two outstanding bids. While we believe we compete effectively for military business, there is no assurance that we will continue to be awarded such contracts.

We manufacture footwear in facilities that we operate in the Dominican Republic and Puerto Rico, and source footwear, apparel and accessories from third party factories, primarily in China. We do not have long-term contracts with any of our third party manufacturers. We expect that one of our third party manufacturers in China, with which we have had a relationship for over 20 years, and that has historically accounted for a significant portion of our manufacturing, will represent approximately 20% of our net sales in 2005. We expect that a greater portion of our products will be sourced from third party manufacturers in the future as a result of our acquisition of EJ Footwear, which sourced all of its products from third parties. We believe that operating our own facilities significantly improves our knowledge of the entire raw material sourcing and manufacturing process, enabling us to more efficiently source finished goods from third parties that are of the highest quality and at the lowest cost available. In addition, our Puerto Rican facilities allow us to produce footwear for the U.S. military and other business that requires production by a U.S. manufacturer. Sourcing products from off-shore third party manufacturers generally enables us to lower our costs per unit while maintaining high product quality, as well as limits the capital investment required to establish and maintain company operated manufacturing facilities. Because quality is an important part of our value proposition to our retailers and consumers, we source products from manufacturers that have demonstrated the intent and ability to maintain the high quality that has become associated with our portfolio of brands.

Strategic Initiatives

In 2001, we undertook a number of strategic initiatives designed to increase our sales and improve our margins while mitigating the seasonality and weather related risk of our outdoor product lines. These strategic initiatives included:

- extending our lines of footwear into additional markets with the introduction of footwear models for the work and western markets;

- expanding our product offerings into complementary apparel to leverage the strength of our Rocky Outdoor Gear brand and offer our consumers a broader, head-to-toe product assortment; and
- closing our continental U.S. manufacturing facility and sourcing a greater portion of our products from third party facilities overseas.

As a result of these initiatives, we increased our sales from $89.0 million in 2002 to $132.2 million in 2004, representing a compound annual growth rate of 21.9%. Over the same period, our net income increased from $2.8 million to $8.6 million, representing a compound annual growth rate of 73.9%, and earnings per share increased from $0.62 to $1.74, representing a compound annual growth rate of 67.5%.

In January 2005, to further support our strategic objectives, we acquired EJ Footwear, a leading designer and developer of branded footwear products marketed under a collection of well recognized brands in the work, western and outdoor markets, including Georgia Boot, Durango and Lehigh. EJ Footwear was also the exclusive licensee of the Dickies brand for most footwear products. The acquisition was part of our strategy to expand our portfolio of leading brands and strengthen our market position in the work and western footwear markets, as well as extend our product offering to include brands positioned across multiple feature sets and price points. The EJ Footwear acquisition also expanded our distribution channels and diversified our retailer base. In addition, our acquisition of EJ Footwear significantly increased our revenues and our profitability. We recorded $127.0 million in net sales and $3.9 million in net income in the six months ended June 30, 2005, compared to net sales of $49.3 million and net income of $1.5 million for the same period in the prior year. The total purchase price for all of EJ Footwear's equity, including a closing date working capital adjustment, was $91.3 million in cash plus 484,261 shares of our common stock valued at $11.5 million at closing (valued at $10 million in the definitive agreement). Effective with the closing of our EJ Footwear acquisition, we entered into agreements with GMAC Commercial Finance and American Capital Strategies for credit facilities totaling $148 million to fund the acquisition and replace our existing revolving credit facility. We intend to pay down a portion of this debt with proceeds from this offering as described in "Use of Proceeds."

We believe our EJ Footwear acquisition offers us multiple opportunities to expand and strengthen our combined business. We intend to extend certain of these brands into additional markets, such as outdoor, work and duty, where we believe the brand image is consistent with the target market. For example, we plan to introduce a line of footwear under Georgia Boot, a well recognized brand for work-related footwear, for law enforcement and security and postal service personnel. We also believe that the strength of each of these brands in their respective markets will allow us to introduce complementary apparel and accessories, similar to our head-to-toe strategy for Rocky Outdoor Gear.

Results of Operations

Net sales. Net sales and related cost of goods sold are recognized at the time products are shipped to the customer and title transfers. Net sales are recorded net of estimated sales discounts and returns based upon specific customer agreements and historical trends. All sales are final upon shipment.

Cost of goods sold. Our cost of goods sold represents our costs to manufacture products in our own facilities, including raw materials costs and all overhead expenses related to production, as well as the cost to purchase finished products from our third party manufacturers. Cost of goods sold also includes the cost to transport these products to our distribution centers.

SG&A expenses. Our SG&A expenses consist primarily of selling, marketing, wages and related payroll and employee benefit costs, travel and insurance expenses, depreciation, amortization, professional fees, facility expenses, bank charges, and warehouse and outbound freight expenses.

The following is a summary of segment operating results for our wholesale, retail and military segments:

	Year Ended December 31,			Six Months Ended June 30,	
	2002	2003	2004	2004	2005
Net sales:					
Wholesale	$ 78,470,650	$ 101,173,862	$ 109,689,040	$ 40,089,142	$ 87,383,197
Retail	4,050,823	4,582,687	4,017,359	1,499,331	30,111,095
Military	6,437,248	408,204	18,542,564	7,727,603	9,523,429
Total	$ 88,958,721	$ 106,164,753	$ 132,248,963	$ 49,316,076	$ 127,017,721
Gross margin:					
Wholesale	$ 22,308,356	$ 31,104,319	$ 34,738,851	$ 12,155,897	$ 32,679,481
Retail	1,122,152	1,614,454	1,114,364	416,713	16,026,272
Military	—	62,852	2,789,148	822,203	1,225,358
Total	$ 23,430,508	$ 32,781,625	$ 38,642,363	$ 13,394,813	$ 49,931,111

The following table sets forth consolidated statements of operations data as percentages of total net sales:

	Year Ended December 31,			Six Months Ended June 30,	
	2002	2003	2004	2004	2005
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	73.7%	69.1%	70.8%	72.8%	60.7%
Gross margin	26.3%	30.9%	29.2%	27.2%	39.3%
SG&A expenses	20.9%	21.9%	19.4%	21.7%	31.6%
Operating income	5.4%	9.0%	9.8%	5.5%	7.7%

Results of Operations

Six Months Ended June 30, 2005 Compared to Six Months Ended June 30, 2004

Net sales. Net sales for the six months ended June 30, 2005 were $127.0 million compared to $49.3 million for the same period in 2004. The current year results reflect our acquisition of EJ Footwear in January 2005, which contributed $77.9 million in sales during the six month period ended June 30, 2005. Wholesale sales for the first six months of 2005 were $87.4 million compared to $40.1 million for the same period in 2004. The increase was due to our acquisition of EJ Footwear, which contributed $49.1 million in sales during the period. The $1.8 million decrease in Rocky Outdoor Gear branded wholesale sales was due to lower sales of our outdoor and duty products, which were impacted by timing of shipments and unseasonably warm and dry weather in late 2004, partially offset by increases in sales of our work and western products. Retail sales for the first six months of 2005 were $30.1 million compared to $1.5 million for the same period in 2004. The increase of $28.6 million was due to our acquisition of EJ Footwear, specifically its Lehigh division, in 2005. Military segment sales, which occur from time to time, for the first six months of 2005 were $9.5 million, compared to $7.7 million in the same period in 2004. Average list prices for our footwear, apparel and accessories were similar in the 2005 period, compared to the 2004 period.

Gross margin. Gross margin in the first six months of 2005 increased to $49.9 million, or 39.3% of net sales, from $13.4 million, or 27.2% of net sales, in the same period last year. The basis point increase is primarily attributable to higher sales of EJ Footwear work and western products and a higher percentage of our net sales derived from our retail sales, which carry higher gross margins than our wholesale and military sales. Wholesale gross margin for the first six months of 2005 was $32.7 million, or 37.4% of net sales, compared to $12.2 million, or 30.3% of net sales, in the same period last year. The increase reflects sales in 2005 of EJ Footwear products, which carry higher gross margins than Rocky products due to a higher percentage of their sales in the work and western markets. Gross margins in the work and western markets are generally higher than the outdoor and duty markets. Retail gross margin for the first six months of 2005 was $16.0 million, or 53.2% of net sales, compared to $0.4 million, or 27.8% of net sales, for the same period in 2004. The increase in gross margin reflects sales by Lehigh, which carry higher gross margins than our outlet store sales. Military gross margin for the first six months of 2005 was $1.2 million, or 12.9% of net sales, compared to $0.8 million, or 10.6% of net sales, for the same period in 2004.

SG&A expenses. SG&A expenses were $40.1 million, or 31.6% of net sales, for the first six months of 2005, compared to $10.7 million, or 21.7% of net sales, for the same period in 2004. The increase was primarily a result of higher SG&A expenses associated with the EJ Footwear business, particularly higher expenses associated with our Lehigh retail operations.

Interest expense. Interest expense was $4.0 million in the six months ended June 30, 2005, compared to $0.5 million for the same period in the prior year. The increase was primarily due to interest on borrowings to finance the EJ Footwear acquisition.

Income taxes. Income tax expense for the six months ended June 30, 2005 was $2.0 million, compared to $0.7 million for the same period a year ago. Our effective tax rate was 34.0% for the six months ended June 30, 2005, versus 32.0% for the same period in 2004. The increase in our effective tax rate in 2005 was due primarily to income from EJ Footwear, which is subject to the U.S. effective tax rate. A portion of our income is subject to lower taxes in foreign countries.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Net sales. Net sales rose 24.6% to $132.2 million for 2004 from $106.2 million the prior year. Wholesale sales were $109.7 million for 2004, an increase of $8.5 million, or 8.4%, over 2003, as a result of increases in sales of our apparel and work and western footwear, which benefited from increased product offerings and expanded distribution. Retail segment sales were $4.0 million in 2004, a decrease of $0.6 million from 2003, reflecting unseasonably warm and dry weather in late 2004. Military sales, which occur from time to time, were $18.5 million in 2004 versus $0.4 million in 2003. This represented final shipments of $5.7 million in footwear under a contract awarded in September 2003 and $12.8 million of shipments under a contract awarded in March 2004 to produce boots for delivery to the U.S. military. Average list prices for our footwear, apparel and accessories were similar in 2004 compared to 2003.

Gross margin. Gross margin increased to $38.6 million in 2004 from $32.8 million in the prior year. Expressed as a percentage of net sales, gross margin declined 170 basis points to 29.2% in 2004, compared to 30.9% in 2003, as a result of higher military sales in 2004, which carry lower gross margins than our wholesale and retail sales. Wholesale gross margin in 2004 was $34.7 million, or 31.7% of net sales, compared to $31.1 million, or 30.7% of net sales, in 2003. The increase was due to higher sales of apparel and work and western footwear, which are sourced products that carry higher gross margins than our other products. Retail gross margin for 2004 was $1.1 million, or 27.7% of net sales, compared to $1.6 million, or 35.2% of net sales, for 2003. Military gross margin was $2.8 million, or 15.0% of net sales, for 2004 compared to $0.1 million, or 15.4% of net sales, in 2003.

SG&A expenses. SG&A expenses increased $2.3 million to $25.6 million for 2004. The increase in SG&A expenses was due to higher commissions paid of $0.4 million, additional distribution costs of $0.6 million and higher advertising expenses of $0.6 million, as well as expenses of $0.4 million for testing and documentation of internal controls required by the Sarbanes-Oxley Act of 2002. As a percentage of net sales, SG&A expenses declined to 19.4% for 2004 from 21.9% for the prior year, due to nominal SG&A expenses associated with increased military sales in 2004.

Interest expense. Interest expense declined slightly to $1.3 million for 2004 from $1.4 million in 2003 because of lower average borrowings on our revolving credit facility.

Income taxes. Income tax expense was $3.5 million for 2004, compared to $2.4 million in 2003. Our effective tax rate remained stable between 2004 and 2003 at 28.8% and 28.7%, respectively. This effective rate is lower than the statutory rate of 35.0% due to a portion of income being earned in offshore jurisdictions where effective tax rates are lower than the U.S. effective tax rate. Sourced products are taxed at the U.S. effective tax rate. In addition, the provision includes $157,000 related to our decision to repatriate foreign earnings totaling $3.0 million.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Net sales. Net sales increased 19.3% to $106.2 million for 2003 from $89.0 million the prior year. Wholesale sales were $101.2 million for 2003, an increase of $22.7 million, or 28.9%, over 2002 reflecting increased sales of our branded footwear and apparel products. Sales in 2003 included $10.2 million of Gates products, following our acquisition of certain assets of Gates-Mills in 2003. Sales benefited from increased demand due to colder and wetter weather conditions in most regions of the U.S. where our outdoor products are sold, coupled with product line extensions, particularly a line of western influenced footwear, which we introduced in late 2002. Retail sales increased 13.1% to $4.6 million in 2003, compared with $4.1 million in the prior year. The sales increase was the result of more traditional seasonal weather, expansion of our Nelsonville store and focused merchandising of our retail stores. Military sales, which occur from time to time, were $0.4 million in 2003 versus $6.4 million in 2002. Average list prices for our footwear, apparel and accessories were similar in 2003 compared to 2002.

Gross margin. Gross margin increased to $32.8 million for 2003 from $23.4 million the prior year. Expressed as a percentage of net sales, gross margin increased 460 basis points to 30.9% of net sales in 2003, compared to 26.3% in 2002, as a result of improved margins on our wholesale and retail sales and lower military sales, which carry a lower gross margin than our wholesale and retail sales. Wholesale gross margin for 2003 was $31.1 million, or 30.7% of net sales, compared to $22.3 million, or 28.4% of net sales, in 2002. The increase was due to higher sales of apparel and work and western footwear, which carry higher gross margins than our other products. Retail segment gross margin for 2003 was $1.6 million, or 35.2% of net sales, compared to $1.1 million, or 27.7% of net sales, for 2002. Military gross margin was $0.1 million, or 15.4% of net sales, for 2003 compared to no gross margin in 2002.

SG&A expenses. SG&A expenses were $23.3 million, or 21.9% of net sales, for 2003, versus $18.7 million, or 21.0% of net sales, in the prior year. The increase in SG&A expenses for 2003 was due to higher commissions paid, additional distribution costs and higher incentive compensation, all attributable to the increase in net sales and profitability compared to the prior year.

Interest expense. Interest expense was $1.4 million for both 2003 and 2002. We benefited from generally lower interest rates, which were partially offset by higher average outstanding borrowings.

Income taxes. Income tax expense increased $1.5 million to $2.4 million in 2003, compared to $1.0 million in 2002. Our effective tax rate was 28.7% for 2003, compared to 25.1% the previous year. This effective rate is lower than the statutory rate of 35.0% due to a portion of income being earned in offshore jurisdictions where effective tax rates are lower than the U.S. effective tax rate and our decision not to repatriate foreign earnings to the U.S. The increase in our effective tax rate in 2003 from 2002 was due primarily to the increase in sales of sourced products which are taxed at U.S. effective tax rates.

Seasonality and Weather

Historically, we experienced significant seasonal fluctuations in our business because we derive a significant portion of our revenues from sales of our outdoor products. Many of our outdoor products are used by consumers in cold or wet weather. As a result, a majority of orders for these products are placed by our retailers in January through April for delivery in July through October. In order to meet demand, we must manufacture and source outdoor footwear year round to be in a position to ship advance orders for these products during the last two quarters of each year. Accordingly, average inventory levels have been highest during the second and third quarters of each year and sales have been highest in the last two quarters of each year. In addition, mild or dry weather conditions historically have had a material adverse effect on sales of our outdoor products, particularly if they occurred in broad geographical areas during late fall or early winter. Since our acquisition of EJ Footwear, we have experienced and we expect that we will continue to experience less seasonality and that our business will be subject to reduced weather related risk because we now derive a higher proportion of our sales from work-related footwear products. Generally, work, duty and western footwear is sold year round and is not subject to the same level of seasonality or sensitivity to weather conditions as our outdoor product lines. However, because of seasonal fluctuations and variations in weather conditions from year to year, there is no assurance that the results for any particular interim period will be indicative of results for the full year or for future interim periods.

Liquidity and Capital Resources

Our principal sources of liquidity have been our income from operations, borrowings under our credit facility and other indebtedness. In January 2005, we incurred additional indebtedness to fund our acquisition of EJ Footwear as described below. During 2004, we relied primarily on cash provided from operating activities to fund our operations.

Over the last several years our principal uses of cash have been for our acquisitions of EJ Footwear and certain assets of Gates-Mills, as well for working capital and capital expenditures to support our growth. Our working capital consists primarily of trade receivables and inventory, offset by accounts payable and accrued expenses. Our working capital fluctuates throughout the year as a result of our seasonal business cycle and business expansion and is generally lowest in the months of January through March of each year and highest during the months of May through October of each year. We typically utilize our revolving credit facility to fund our seasonal working capital requirements. As a result, balances on our revolving credit facility will fluctuate significantly throughout the year. Our capital expenditures relate primarily to projects relating to our property, merchandising fixtures, molds and equipment associated with our manufacturing operations and for information technology. Capital expenditures were $5.5 million for 2004, compared to $2.2 million for 2003. Capital expenditures for 2005 are anticipated to be approximately $6.0 million.

In conjunction with the completion of our acquisition of EJ Footwear, we entered into agreements with GMAC Commercial Finance and American Capital Strategies for credit facilities totaling $148 million. The credit facilities were used to fund the acquisition of EJ Footwear and replace our prior $45 million revolving credit facility. Under the terms of the agreements, the interest rates and repayment terms are: (1) a five year $100 million revolving credit facility with an interest rate of LIBOR plus 2.5% or prime plus 1.0%; (2) an $18 million term loan with an interest rate of LIBOR plus 3.25% or prime plus 1.75%, payable in equal quarterly installments over three years beginning in 2005; and (3) a $30 million term loan with an interest rate of LIBOR plus 8.0%, payable in equal installments from 2008 through 2011. The total amount available on our revolving credit facility is subject to a borrowing base calculation based on various percentages of accounts receivable and inventory. As of June 30, 2005, we had $59.5 million in borrowings under this facility and total capacity of $71.8 million. Our credit facilities contain certain restrictive covenants, which among other things, require us to maintain certain minimum EBITDA and certain leverage and fixed charge coverage ratios. As of June 30, 2005, we were in compliance with these loan covenants. Our previous credit facility contained certain restrictive covenants, which, among other things, required us to maintain a certain level of net worth and fixed charge coverage. As of December 31, 2004, we were in compliance with these loan covenants. We believe that our existing credit facilities coupled with cash generated from operations will provide sufficient liquidity to fund our operations for at least the next 12 months. Our continued liquidity, however, is contingent upon future operating performance, cash flows and our ability to meet financial covenants under our credit facilities.

Cash Flows

Cash Flow Summary	Year Ended December 31, 2002	2003	2004	Six Months Ended June 30, 2004	2005
			(In millions)		
Cash provided by (used in):					
Operating activities	$ 10.1	$ (1.6)	$ 7.6	$ (4.3)	$ (1.0)
Investing activities	(2.3)	(7.0)	(5.5)	(2.8)	(95.6)
Financing activities	(6.5)	6.5	0.8	5.4	92.6
Net change in cash and cash equivalents	$ 1.3	$ (2.1)	$ 2.9	$ (1.7)	$ (4.0)

Operating Activities. Cash used in operating activities totaled $1.0 million in the first six months of 2005, compared to $4.3 million in the same period of 2004. Cash used in operating activities was impacted by an increase in inventory resulting from procurement of raw materials to support production to fulfill our military contract, and higher finished goods inventory due to the seasonal nature of the business coupled with a shift of large seasonal shipments from late second quarter in 2004 to early third quarter in 2005. This was offset by increases in accounts payable and accrued liabilities reflecting the higher inventory purchases.

Cash provided by operating activities totaled $7.6 million for 2004, compared to cash used by operating activities of $1.6 million in 2003 and cash provided by operations of $10.1 million in 2002. Principal uses of cash in 2004 included a $7.9 million increase in accounts receivable-trade during 2004, which was partially offset by a $5.1 million reduction in inventory. The principal uses of cash in 2003 included $12.9 million in increased inventory to support our growth and a $3.9 million increase in accounts receivable-trade related to our sales growth. For 2002, we had $10.1 million of cash provided by operating activities, which benefited from a $4.5 million reduction in inventory, as well as reductions in deferred compensation and pension and accrued expenses of $1.6 million and $1.5 million, respectively.

Investing Activities. Cash used in investing activities was $95.6 million for the first six months of 2005, compared to $2.8 million in 2004. Cash used in investing activities was impacted by our acquisition of EJ Footwear in 2005, and also included investment in property, plant and equipment. In the first six months of 2005, property, plant and equipment expenditures were $2.7 million versus $2.8 million in the same period of 2004. Our 2005 expenditures primarily relate to investments in production equipment and expansion of workspace at our main office building and factory store to accommodate the relocation of the EJ Footwear operations.

Cash used in investing activities was $5.5 million in 2004 versus $7.0 million in 2003. The principal uses of cash in investing activities for 2004 were for the purchase of fixed assets. The principal uses of cash in investing activities for 2003 were $2.2 million for the purchase of fixed assets and $4.9 million for the acquisition of certain assets of Gates-Mills. For 2002, we purchased $2.3 million of fixed assets.

Financing Activities. Cash provided by financing activities for the six months ended June 30, 2005 was $92.6 million, compared to $5.4 million in 2004. Cash provided by financing activities for the six months ended June 30, 2005 was comprised of the cash proceeds from debt financing of $94.2 million and proceeds from the exercise of stock options of $0.7 million, offset by debt financing costs of $2.3 million. The proceeds of the borrowings were primarily used to fund our acquisition of EJ Footwear, and to fund our working capital. Cash provided by financing activities for the six months ended June 30, 2004 was comprised of the cash proceeds from debt financing of $4.0 million borrowed under our revolving credit facility and proceeds from the exercise of stock options of $1.5 million.

Cash provided by financing activities during 2004 was $0.8 million. This included $2.2 million in proceeds from the exercise of stock options, which was offset by a $1.5 million net reduction in borrowings. Our cash provided by financing activities during 2003 totaled $6.5 million, which included the repurchase of $3.1 million of common stock that was partially offset by $2.5 million in proceeds from the exercise of stock options and $7.0 million of increased net borrowings to support sales growth, as well as inventory acquired in conjunction with the acquisition of Gates-Mills. For 2002, cash used in financing activities was $6.5 million due to a reduction in total debt outstanding.

Borrowings and External Sources of Funds

	December 31,		June 30,	
	2003	2004	2004	2005
	(In millions)			
Revolving credit facility	$ 12.5	$ 11.5	$ 16.8	$ 59.5
Term loan with GMAC Commercial Finance	—	—	—	16.5
Term loan with American Capital Strategies	—	—	—	30.0
Equipment and other obligations	0.3	0.1	0.2	—
Real estate obligations	5.2	4.9	5.0	4.7
Total debt	18.0	16.5	22.0	110.7
Less current maturities	0.5	6.5	0.5	6.4
Net long-term debt	$ 17.5	$ 10.0	$ 21.5	$ 104.3

Our real estate obligations were $4.9 million at December 31, 2004 and $4.7 million at June 30, 2005. Our mortgage financing, which was completed in 2000, includes three of our facilities with monthly payments of approximately $0.1 million through 2014.

We lease certain machinery and manufacturing facilities under operating leases that generally provide for renewal options. At December 31, 2004, future minimum lease payments under non-cancelable operating leases were $0.7 million, $0.6 million, $0.3 million and $0.3 million for years 2005 through 2008, respectively, and $0.3 million for all years after 2008, or approximately $2.2 million in total. We continually evaluate our external credit arrangements in light of our growth strategy and new opportunities. We anticipate no changes in our credit arrangements in 2005 beyond the $148 million in credit facilities announced on January 6, 2005 to fund our acquisition of EJ Footwear and to replace our prior $45 million revolving credit facility and the repayment of indebtedness under these credit facilities with the proceeds of this offering. See "Use of Proceeds."

Contractual Obligations and Commercial Commitments

The following table summarizes our contractual obligations at December 31, 2004 resulting from financial contracts and commitments. We have not included information on our recurring purchases of materials for use in our manufacturing operations. These amounts are generally consistent from year to year, closely reflect our levels of production, and are not long-term in nature (less than three months).

Contractual Obligations at December 31, 2004

	Payments due by Year				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	Over 5 Years
	(In millions)				
Long-term debt, adjusted for the January 2005 refinancing	$ 111.3	$ 6.5	$ 12.8	$ 21.0	$ 71.0
Pension benefits(1)	4.1	0.3	0.6	0.7	2.5
Minimum operating lease commitments	2.2	0.7	0.9	0.6	—
Expected cash requirements for interest(2)	36.3	7.8	14.7	12.8	1.0
Building purchase obligation	0.5	0.5	—	—	—
Total contractual obligations	$ 154.4	$ 15.8	$ 29.0	$ 35.1	$ 74.5

(1) Assumes no plan termination and includes estimated pension plan contributions.

(2) Assumes the following interest rates: (1) 6.0% on the $58.4 million revolving credit facility; (2) 5.65% on the $18 million three year term loan; (3) 10.4% on the $30 million six year term loan; and (4) 8.275% on the $4.9 million mortgage loans.

From time to time we enter into purchase commitments with our suppliers under customary purchase order terms. Any significant losses implicit in these contracts would be recognized in accordance with generally accepted accounting principles. At December 31, 2004 and June 30, 2005, no losses existed.

Our ongoing business activities continue to be subject to compliance with various laws, rules and regulations as may be issued and enforced by various federal, state and local agencies. With respect to environmental matters, costs are incurred pertaining to regulatory compliance. These costs have not been, and are not anticipated to become, material.

We are contingently liable with respect to lawsuits, taxes and various other matters that routinely arise in the normal course of business. We do not have off-balance sheet arrangements, financings or other relationships with unconsolidated entities or other persons, also known as variable interest entities. Additionally, we do not have any related party transactions that materially affect the result of operations, cash flow or financial condition.

Quantitative and Qualitative Disclosures about Market Risk

Our primary market risk results from fluctuations in interest rates. We do not hold any material market risk sensitive instruments for trading purposes. We are sensitive to interest rate fluctuations from long-term debt consisting of credit facilities with a balance at June 30, 2005 of $106.0 million.

On January 6, 2005, we announced that we had entered into credit facilities with GMAC Commercial Finance and American Capital Strategies totaling $148 million to fund the acquisition of EJ Footwear and to replace our prior $45 million revolving credit facility. The agreements include a $100 million revolving credit facility and term loans totaling $48 million. Under the terms of the agreements, the interest rates and repayment terms are:

- a five year revolving credit facility with an interest rate of LIBOR plus 2.5% or prime plus 1.0%;
- an $18 million term loan with an interest rate of LIBOR plus 3.25% or prime plus 1.75%, payable in equal quarterly installments over three years beginning in 2005; and
- a $30 million term loan with an interest rate of LIBOR plus 8.0%, payable in equal installments from 2008 to 2011.

We do not have any interest rate management agreements as of June 30, 2005.

Inflation

Our financial performance is influenced by factors such as higher raw material costs as well as higher salaries and employee benefits. Our management attempts to minimize or offset the effects of inflation through increased selling prices, productivity improvements and cost reductions. We were able to mitigate the effects of inflation during 2004 due to these factors. It is anticipated that inflationary pressures during 2005 will be offset through increases in sales and profitability, due to improved operating leverage in our business.

Critical Accounting Policies and Estimates

“Management’s Discussion and Analysis of Financial Condition and Results of Operations” discusses our consolidated financial statements and interim condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements and interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. A summary of our significant accounting policies is included in the Notes to Consolidated Financial Statements included in this prospectus.

Our management regularly reviews our accounting policies to make certain they are current and also provide readers of the consolidated financial statements and interim condensed consolidated financial statements with useful and reliable information about our operating results and financial condition. These include, but are not limited to, matters related to accounts receivable, inventories, pension benefits and income taxes. Implementation of these accounting policies includes estimates and judgments by management based on historical experience and other factors believed to be reasonable. This may include judgments about the carrying value of assets and liabilities based on considerations that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our management believes the following critical accounting policies are most important to the portrayal of our financial condition and results of operations and require more significant judgments and estimates in the preparation of our consolidated financial statements.

Revenue recognition

Revenue principally consists of sales to customers, and, to a lesser extent, license fees. Revenue is recognized when the risk and title passes to the customer, while license fees are recognized when earned. Customer sales are recorded net of allowances for estimated returns, trade promotions and other discounts, which are recognized as a deduction from sales at the time of sale.

Accounts receivable allowances

Management maintains allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Management also records estimates for customer returns and discounts offered to customers. Should a greater proportion of customers return goods and take advantage of discounts than estimated by us, additional allowances may be required.

Sales returns and allowances

We record a reduction to gross sales based on estimated customer returns and allowances. These reductions are influenced by historical experience, based on customer returns and allowances. The actual amount of sales returns and allowances realized may differ from our estimates. If we determine that sales returns or allowances should be either increased or decreased, then the adjustment would be made to net sales in the period in which such a determination is made. Sales returns and allowances for sales returns were approximately 3.5% of sales for 2005 and 2004.

Inventories

Management identifies slow moving or obsolete inventories and estimates appropriate loss provisions related to these inventories. Historically, these loss provisions have not been significant as the vast majority of our inventories are considered saleable and we have been able to liquidate slow moving or obsolete inventories through our factory outlet stores or through various discounts to customers. Should management encounter difficulties liquidating slow moving or obsolete inventories, additional provisions may be necessary. Management regularly reviews the adequacy of our inventory reserves and makes adjustments to them as required.

Intangible assets

Intangible assets, including goodwill, trademarks and patents are reviewed for impairment at least at each reporting date. Based upon our review, none of our intangibles were impaired as of June 30, 2005.

Pension benefits

Accounting for pensions involves estimating the cost of benefits to be provided well into the future and attributing that cost over the time period each employee works. To accomplish this, extensive use is made of assumptions about inflation, investment returns, mortality, turnover, medical costs and discount rates. These assumptions are reviewed annually. See Note 9, “Retirement Plans,” to the consolidated financial statements included elsewhere in this prospectus for information on these plans and the assumptions used.

Pension expenses are determined by actuaries using assumptions concerning the discount rate, expected return on plan assets and rate of compensation increase. An actuarial analysis of benefit obligations and plan assets is determined as of September 30 each year. The funded status of our plans and reconciliation of accrued pension cost is determined annually as of December 31. Further discussion of our pension plan and related assumptions is included in Note 9, “Retirement Plans,” to the consolidated financial statements included elsewhere in this prospectus. Actual results would be different using other assumptions. Management records an accrual for pension costs associated with our sponsored noncontributory defined benefit pension plan covering our non-union workers. A union plan, which was frozen in 2001, was settled in April 2004. Future adverse changes in market conditions or poor operating results of underlying plan assets could result in losses or a higher accrual.

Income taxes

Currently, management has not recorded a valuation allowance to reduce its deferred tax assets to the amount that it believes is more likely than not to be realized. We have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance, however, in the event we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made. Finally, at December 31, 2004, a provision of $157,000 has been made for U.S. taxes on the repatriation of $3.0 million of accumulated undistributed earnings of Five Star through December 31, 2004. At December 31, 2004, after the planned repatriation above, approximately $6.8 million is remaining that would become taxable upon repatriation to the U.S. During 2005, we will complete our evaluation of foreign earnings and may repatriate up to an additional $5.0 million of accumulated undistributed earnings, which could result in up to $260,000 of additional tax.

Recently Issued Financial Accounting Pronouncements

In December 2003, the Financial Accounting Standards Board, or FASB, issued a revision to Interpretation 46 (FIN 46R) to clarify certain provisions of FASB Interpretation No. 46. Variable interests in a variable interest entity are contractual, ownership, or other pecuniary interests in an entity that change with changes in the entity’s net asset value. Variable interests are investments or other interests that will absorb a portion of an entity’s expected losses if they occur or receive portions of the entity’s expected residual returns if they occur. FIN 46R defers the effective date of FIN 46 for certain entities and makes several other changes to FIN 46. Our adoption of FIN 46 or FIN 46R did not have a material impact on our consolidated financial statements.

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs — an amendment of ARB No. 43, Chapter 4,* which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) and also requires that the allocation of fixed production overhead be based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. We are currently evaluating the impact of adopting this statement.

In December 2004, FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment* (“SFAS 123(R)”), which is a revision of SFAS No. 123, *Accounting for Stock-Based Compensation*. The statement supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* and SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure — an amendment of FASB Statement No. 123.* The statement requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. SFAS 123(R) establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair value based measurement method in accounting for share-based payment transactions with employees, except for equity instruments held by employee share ownership plans. SFAS 123(R) applies to all awards granted after the required effective date (the beginning of the first annual reporting period that begins after June 15, 2005 in accordance with the SEC's delay of the original effective date of SFAS 123(R)) and to awards modified, repurchased or canceled after that date. As a result, beginning January 1, 2006, we will adopt SFAS 123(R) and begin reflecting the stock option expense determined under fair value based methods in our income statement rather than as pro forma disclosure in the notes to the financial statements.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets — an amendment of APB Opinion No. 29.* The statement addresses the measurement of exchanges of nonmonetary assets and eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. We are currently evaluating the impact of adopting this statement.

In December 2004, the FASB issued FSP No. FAS 109-2, *Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004,* which provides a practical exception to the SFAS No. 109 requirement to reflect the effect of a new tax law in the period of enactment by allowing additional time beyond the financial reporting period to evaluate the effects on plans for reinvestment or repatriation of unremitted foreign earnings. At December 31, 2004, we determined that we would repatriate a portion of our foreign earnings and accrued the related taxes. See Note 8, "Income Taxes" to the consolidated financial statement included elsewhere in this prospectus.

In March 2005, the SEC issued Staff Accounting Bulletin Number 107 ("SAB 107") that provided additional guidance to public companies relating to share-based payment transactions and the implementation of SFAS 123(R), including guidance regarding valuation methods and related assumptions, classification of compensation expense and income tax effects of share-based payment arrangements.

We have not completed our assessment of the impact or method of adoption of SFAS 123(R) and SAB 107.

BUSINESS

Overview

We are a leading designer, manufacturer and marketer of premium quality footwear marketed under a portfolio of well recognized brand names including Rocky Outdoor Gear, Georgia Boot, Durango, Lehigh and Dickies. Our brands have a long history of representing high quality, comfortable, functional and durable footwear and our products are organized around four target markets: outdoor, work, duty and western. Our footwear products incorporate varying features and are positioned across a range of suggested retail price points from $29.95 for our value priced products to $249.95 for our premium products. In addition, as part of our strategy of outfitting consumers from head-to-toe, we market complementary branded apparel and accessories that we believe leverage the strength and positioning of each of our brands. Our products are distributed through three distinct business segments: wholesale, retail and military. In our wholesale business, we distribute our products through a wide range of distribution channels representing over 10,000 retail store locations in the U.S. and Canada. Our retail business includes direct sales of our products to consumers through our Lehigh Safety Shoes mobile and retail stores, our two Rocky outlet stores and our websites. We also sell footwear under the Rocky label to the U.S. military.

History

We have a long history of designing, manufacturing and marketing high quality, innovative footwear products and have developed strong relationships with our retailers and our suppliers. We are the successor to the business of The Wm. Brooks Shoe Company, a company established in 1932 by William Brooks, who was later joined by F. M. Brooks, the grandfather of our current Chairman and Chief Executive Officer, Mike Brooks. We renamed our company Rocky Shoes & Boots, Inc. in conjunction with our initial public offering in 1993.

In 1979, we introduced the Rocky brand to the market with a high quality, premium boot for the outdoor hunting market which we believe created the hunting boot category. We have since maintained our leading position in that category, and we have continued to introduce new, innovative models in the broader outdoor category. In 2001, we undertook a number of strategic initiatives designed to increase our sales and improve our margins while mitigating the seasonality and weather related risk of our outdoor product lines. These strategic initiatives included:

- extending our lines of footwear into additional markets with the introduction of footwear models for the work and western markets;
- expanding our product offerings into complementary apparel to leverage the strength of our Rocky Outdoor Gear brand and offer our consumers a broader, head-to-toe product assortment; and
- closing our continental U.S. manufacturing facility and sourcing a greater portion of our products from third party facilities overseas.

As a result of these initiatives, we increased our sales and profitability, diversified our business and created additional opportunities for growth.

In January 2005, to further support our strategic objectives, we acquired EJ Footwear Group, a leading designer and developer of branded footwear products marketed under a collection of well recognized brands in the work, western and outdoor markets, including Georgia Boot, Durango and Lehigh. EJ Footwear was also the exclusive licensee of the Dickies brand for most footwear products. The acquisition was part of our strategy to expand our portfolio of leading brands and strengthen our market position in the work and western footwear markets, and to extend our product offerings to include brands positioned across multiple feature sets and price points. Our EJ Footwear acquisition also expanded our distribution channels and diversified our retailer base.

We believe our EJ Footwear acquisition offers us multiple opportunities to expand and strengthen our combined business. We intend to extend certain of these brands into additional markets, such as outdoor, work and duty, where we believe the brand image is consistent with the target market. We also believe that the strength of each of these brands in their respective markets will allow us to introduce complementary apparel and accessories, similar to our head-to-toe strategy for Rocky Outdoor Gear.

Competitive Strengths

Our competitive strengths include:

- *Strong portfolio of brands.* We believe the Rocky Outdoor Gear, Georgia Boot, Durango, Lehigh and Dickies brands are well recognized and established names that have a reputation for performance, quality and comfort in the markets they serve: outdoor, work, duty and western. We plan to continue strengthening these brands through product innovation in existing footwear markets and by extending certain of these brands into additional markets where we believe their brand identity is consistent with our target consumer. For example, we plan to extend the Dickies brand into value priced outdoor, duty and western footwear, which we believe will capitalize on the strength of this brand. In addition, we plan to introduce complementary apparel and accessories under our owned brands, which we believe will expand awareness of these brands in the markets they serve. For example, we plan to strengthen the Durango brand in the western market by introducing a line of western influenced apparel and accessories.

- *Commitment to product innovation.* We believe a critical component of our success in the marketplace has been a result of our continued commitment to product innovation. Our consumers demand high quality, durable products that incorporate the highest level of comfort and the most advanced technical features and designs. Since the introduction of our first hunting boot, we have continually improved the comfort, warmth, style and durability of our footwear through the use of the most advanced proprietary and third party designs and materials available, such as 3M Thinsulate insulation and Vibram outsoles. We were also the first company to introduce a lightweight, waterproof hunting boot incorporating camouflaged Cordura nylon and Gore-Tex waterproof breathable fabric. We have a dedicated group of product design and development professionals, including well recognized experts in the footwear and apparel industries, who continually interact with consumers to better understand their needs and are committed to ensuring our products reflect the most advanced designs, features and materials available in the marketplace.

- *Long-term retailer relationships.* We believe that our long history of designing, manufacturing and marketing premium quality, branded footwear has enabled us to develop strong relationships with our retailers in each of our distribution channels. We intend to reinforce these relationships by continuing to offer innovative footwear products, by continuing to meet the individual needs of each of our retailers and by working with our retailers to improve the visual merchandising of our products in their stores. We believe that strengthening our relationships with retailers will allow us to increase our presence through additional store locations and expanded shelf space, particularly for our full line of head-to-toe products. In addition, we believe our relationships with retailers will improve our market position in a consolidating retail environment and enable us to better understand and meet the evolving needs of both our retailers and consumers.

- *Diverse product sourcing and manufacturing capabilities.* We believe our strategy of utilizing both company operated and third party facilities for the sourcing of our products offers several advantages. Operating our own facilities significantly improves our knowledge of the entire raw material sourcing and manufacturing process which allows us to more efficiently source product from third parties that is of the highest quality and at the lowest cost available. In addition, our facilities in Puerto Rico allow us to compete for business that must be manufactured in the U.S., including military contracts and certain commercial business. Our third party facilities enable us to capitalize on the cost efficiencies and low capital requirements of offshore manufacturing. Over time, we intend to source a higher proportion of our products from third party manufacturers, which we believe will enable us to obtain high quality products at lower costs per unit.

Growth Strategy

We intend to increase our sales through the following strategies:

- *Expand into new target markets under existing brands.* We currently market our footwear product lines to the outdoor, work, duty and western markets. Under Rocky Outdoor Gear, we offer footwear products for each of these markets and intend to continue to develop additional, innovative models in each category. We believe that Georgia Boot, Durango and Dickies are brands well recognized by consumers and reflect an authentic image consistent with our target markets, which we believe will provide us with a significant opportunity to extend certain of these brands into our other target markets. For example, we currently offer models marketed under the Georgia Boot brand primarily to the work market and believe that the strength of this brand will allow us to successfully expand our Georgia Boot outdoor offering. We also believe the Dickies brand represents an authentic brand in the value priced work market and would be well accepted in the outdoor, duty and western markets. We intend to continue to introduce products across varying feature sets and price points in order to meet the needs of our retailers.

- *Increase apparel offerings.* We believe the long history and authentic heritage of our owned brands provide significant opportunity to extend each of these brands into complementary apparel. In 2002, we strategically introduced Rocky Outdoor Gear hunting apparel to leverage the strength of the brand and offer our consumers a head-to-toe line of high quality Rocky Outdoor Gear products. We have continued to expand our branded apparel product offering and, as a result of our efforts, we increased our branded apparel revenues to approximately $18.5 million in 2004. We intend to continue to increase our Rocky Outdoor Gear apparel offerings and believe that similar opportunities exist for our Georgia Boot and Durango brands in their respective markets. For example, we plan to introduce a line of western influenced apparel under the Durango brand in 2006.

- *Cross-sell our brands to our retailers.* Our acquisition of EJ Footwear expanded our distribution channels and diversified our retailer base. We believe that many retailers of our existing and acquired brands target consumers with similar characteristics and, as a result, we believe there is a significant opportunity to offer each of our retailers a broader assortment of footwear and apparel that target multiple markets and span a range of feature sets and price points.

- *Expand our retail sales through Lehigh.* We believe that our Lehigh mobile and retail stores offer us an opportunity to significantly expand our direct sales of work-related footwear. We currently operate a fleet of 78 trucks, supported by 38 small warehouses that include retail stores, which we refer to as mini-stores. We intend to grow our Lehigh business by adding new customers, particularly in the hospitality industry, and by expanding the portfolio of brands we offer and increasing our footwear and apparel offerings. In addition, over time, we plan to upgrade the locations of some of our mini-stores to sites that experience higher foot traffic as well as expand the breadth of products sold in those stores to include casual and outdoor footwear and apparel to better utilize our retail presence and leverage our fixed costs.

- *Continue to add new retailers.* We believe there is an opportunity to add additional retailers in certain of our distribution channels. We have identified a number of large, national footwear retailers that target consumers that we believe identify with the Georgia Boot, Durango and Dickies brands. For example, in 2005, Sears began selling Dickies footwear in over 600 of its stores.

- *Acquire or develop new brands.* We intend to continue to acquire or develop new brands that are complementary to our portfolio and could leverage our operational infrastructure and distribution network.

Product Lines

Our product lines consist of high quality products that target the following markets:

- *Outdoor.* Our outdoor product lines consist of footwear, apparel and accessory items marketed to outdoor enthusiasts who spend time actively engaged in activities such as hunting, fishing, camping or hiking. Our consumers demand high quality, durable products that incorporate the highest level of comfort and the most advanced technical features, and we are committed to ensuring our products reflect the most advanced designs, features and materials available in the marketplace. Our outdoor product lines consist of all-season sport/hunting footwear, apparel and accessories that are typically waterproof and insulated and are designed to keep outdoorsmen comfortable on rugged terrain or in extreme weather conditions.

- *Work.* Our work product lines consist of footwear and apparel marketed to industrial and construction workers, as well as workers in the hospitality industry, such as restaurants or hotels. All of our work products are specially designed to be comfortable, incorporate safety features for specific work environments or tasks and meet applicable federal and other standards for safety. This category includes products such as safety toe footwear for steel workers and non-slip footwear for kitchen workers.

- *Duty.* Our duty product line consists of footwear products marketed to law enforcement, security personnel and postal employees who are required to spend a majority of time at work on their feet. All of our duty footwear styles are designed to be comfortable, flexible, lightweight, slip resistant and durable. Duty footwear is generally designed to fit as part of a uniform and typically incorporates stylistic features, such as black leather uppers in addition to the comfort features that are incorporated in all of our footwear products.

- *Western.* Our western product line currently consists of authentic footwear products marketed to farmers and ranchers who generally live in rural communities in North America. We also selectively market our western footwear to consumers enamored with the western lifestyle.

Our products are marketed under four well-recognized, proprietary brands, Rocky Outdoor Gear, Georgia Boot, Durango and Lehigh, in addition to the licensed Dickies brand.

Rocky Outdoor Gear

Rocky Outdoor Gear, established in 1979, is our premium priced line of branded footwear, apparel and accessories. We currently design Rocky Outdoor Gear products for each of our four target markets and offer our products at a range of suggested retail price points: $99.95 to $249.95 for our footwear products, $29.95 to $49.95 for tops and bottoms in our apparel lines and $49.95 to $199.95 for our basic and technical outerwear.

The Rocky Outdoor Gear brand originally targeted outdoor enthusiasts, particularly hunters, and has since become the market leader in the hunting boot category. In 2002, we also extended into hunting apparel, including jackets, pants, gloves and caps. Our Rocky Outdoor Gear products for hunters and other outdoor enthusiasts are designed for specific weather conditions and the diverse terrains of North America. These products incorporate a range of technical features and designs such as Gore-Tex waterproof breathable fabric, 3M Thinsulate insulation, nylon Cordura fabric and camouflaged uppers featuring either Mossy Oak or Realtree patterns. Rugged outsoles made by industry leaders like Vibram are sometimes used in conjunction with our proprietary design features like the “Rocky Ride Comfort System” to make the products durable and easy to wear.

We also produce Rocky Outdoor Gear duty footwear targeting law enforcement professionals, security workers and postal service employees, and we believe we have established a leading market share position in this category. We plan to launch a line of duty apparel in 2006.

In 2002, we introduced Rocky Outdoor Gear work footwear designed for varying weather conditions or difficult terrain, particularly for people who make their living outdoors such as those in lumber or forestry occupations. These products typically include many of the proprietary features and technologies that we incorporate in our hunting and outdoor products. Similar to our strategy for the outdoor market, we introduced rugged work apparel in 2004, such as ranch jackets and carpenter jeans.

We have also introduced western influenced work boots for farmers and ranchers. Most of these products are waterproof, insulated and utilize our proprietary comfort systems. We also recently introduced some men's and women's casual western footwear for consumers enamored with western influenced fashion.

Georgia Boot

Georgia Boot is our moderately priced, high quality line of work footwear. Georgia Boot footwear is sold at suggested retail price points ranging from $79.95 to $109.95. This line of products primarily targets construction workers and those who work in industrial plants where special safety features are required for hazardous work environments. Many of our boots incorporate steel toes or metatarsal guards to protect wearers' feet from heavy objects and non-slip outsoles to prevent slip related injuries in the work place. All of our boots are designed to help prevent injury and subsequent work loss and are designed according to standards determined by the Occupational Safety & Health Administration or other standards required by employers.

In addition, we market a line of Georgia Boot footwear to brand loyal consumers for hunting and other outdoor activities. These products are primarily all leather boots distributed in the western and southwestern states where hunters do not require camouflaged boots or other technical features incorporated in our Rocky Outdoor Gear.

We believe the Georgia Boot brand can be extended into moderately priced duty footwear as well as outdoor and work apparel. We plan to launch a line of work apparel in 2006.

Durango

Durango is our moderately priced, high quality line of western footwear. Over its 40 year history, the brand has developed broad appeal and earned a reputation for authenticity and quality in the western footwear market. Our current line of products is offered at suggested retail price points ranging from $79.95 to $149.95, and we market products designed for both work and casual wear. Our Durango line of products primarily targets farm and ranch workers who live in the heartland where western influenced footwear and apparel is worn for work and casual wear and, to a lesser extent, this line appeals to urban consumers enamored with western influenced fashion. Many of our western boots marketed to farm and ranch workers are designed to be durable, including special "barn yard acid resistant" leathers to maintain integrity of the uppers, and incorporate our proprietary "Comfort Core" system to increase ease of wear and reduce foot fatigue. Other products in the Durango line that target casual and fashion oriented consumers have colorful leather uppers and shafts with ornate stitch patterns and are offered for men, women and children.

We plan to launch a line of tops, bottoms and outerwear at the Denver International Western Retailer Market in January 2006.

Dickies

Dickies is a high quality, value priced line of work footwear. The Dickies brand, owned by the Williamson-Dickie Manufacturing Co. since 1922, has a long history of providing value priced apparel in the work and casual markets and is a leading brand name in that category.

We secured our license to design, develop and manufacture footwear under the Dickies name in 2003. We currently offer work products targeted at the construction trades and agricultural and hospitality workers. Our Dickies footwear incorporates specific design features to appeal to these workers and is offered at suggested retail price points ranging from $49.95 to $89.95. The Dickies brand is well recognized by consumers and we plan to introduce value priced footwear in the outdoor, duty and western markets.

Lehigh

The Lehigh brand was launched in 1922 and is our moderately priced, high quality line of safety shoes sold at suggested retail price points ranging from $29.95 to $149.95. Our current line of products is designed to meet occupational safety footwear needs. Most of this footwear incorporates steel toes to protect workers and often incorporates other safety features such as metatarsal guards or non-slip outsoles. Additionally, certain models incorporate durability features to combat abrasive surfaces or caustic substances often found in some work places.

With the recent shift in manufacturing jobs to service jobs in the U.S., Lehigh began marketing products for the hospitality industry. These products have non-slip outsoles designed to reduce slips, trips and falls in kitchen environments where floors are often tiled and greasy. Price points for this kind of footwear range from $29.95 to $49.95.

Sales and Distribution

Our products are distributed through three distinct business segments: wholesale, retail and military.

Wholesale

In the U.S., we distribute Rocky Outdoor Gear, Georgia Boot, Durango and Dickies products through a wide range of wholesale distribution channels. As of June 30, 2005, our products were offered for sale at over 10,000 retail locations in the U.S. and Canada.

We sell our products to wholesale accounts in the U.S. through a dedicated in-house sales team of 74 sales employees who carry our branded products exclusively and 49 independent sales representatives who carry our branded products and other non-competing products. Our sales force for Rocky Outdoor Gear is organized around major accounts, including Bass Pro Shops, Cabela's, Dick's Sporting Goods and Gander Mountain, and around our target markets: outdoor, work, duty and western. For our Georgia Boot, Durango and Dickies brands, our sales employees are organized around each brand and target a broad range of distribution channels. All of our sales people actively call on their retail customer base to educate them on the quality, comfort, technical features and breadth of our product lines and to ensure that our products are displayed effectively at retail locations.

Our wholesale distribution channels vary by market:

- Our outdoor products are sold primarily through sporting goods stores, outdoor specialty stores, catalogs and mass merchants.
- Our work-related products are sold primarily through retail uniform stores, catalogs, farm store chains, specialty safety stores, independent shoe stores and hardware stores. In addition to these retailers, we also market Dickies work-related footwear to select large, national retailers.
- Our duty products are sold primarily through uniform stores and catalog specialists.
- Our western products are sold through western stores, work specialty stores, specialty farm and ranch stores and more recently fashion oriented footwear retailers.

Retail

We market products directly to consumers through three retail strategies: mobile and retail stores, outlet stores and our websites.

Mobile and Retail Stores

Lehigh markets branded work footwear, principally through mobile stores, to industrial and hospitality related corporate customers across the U.S. We work closely with our customers to select footwear products best suited for the specific safety needs of their work site and that meet the standards determined by the Occupational Safety & Health Administration or other standards required by our customers. Our customers include large, national companies such as 3M, Abbott Laboratories, Alcoa, Carnival Cruise Lines, Federal Express, IBM, Kodak and Texas Instruments.

Our 78 Lehigh mobile trucks, supported by our 38 small warehouses, are stocked with work footwear, as established by the specific needs of our customers, and typically include our owned brands augmented by branded work footwear from third parties including Dunham, Skechers and Timberland Pro. Prior to a scheduled site visit, Lehigh sales managers consult with our corporate customers to ensure that our trucks are appropriately stocked for their specific needs. Our trucks then perform a site visit where customer employees select work related footwear and apparel. Our corporate customers generally purchase footwear or provide payroll deduction plans for footwear purchases by their employees. We believe that our ability to service work sites across the U.S. allows us to effectively compete for large, national customers who have employees located throughout the U.S.

We also operate 38 mini-stores located in our small warehouses, which are primarily situated in industrial parks. Over time, we intend to improve some of these locations to sites that experience higher foot traffic in order to better utilize our retail square footage and leverage our fixed costs. We also intend to expand the breadth and depth of products sold in these mini-stores to include casual and outdoor footwear and apparel to offer a broader range of products to our consumers. We recently began testing this concept in two stores located in Wisconsin.

Outlet Stores

We operate Rocky Outdoor Gear outlet stores in Nelsonville, Ohio and Edgefield, South Carolina. Our outlet stores primarily sell first quality or discontinued products in addition to a limited amount of factory damaged goods. Related products from other manufacturers are also sold in these stores. Our outlet stores allow us to showcase the breadth of our product lines as well as to cost-effectively sell slow moving inventory. Our outlet stores also provide an opportunity to interact with consumers to better understand their needs.

Websites

We sell our product lines on our websites at www.rockyboots.com, www.georgiaboot.com, www.lehighsafetyshoes.com and www.bootsunlimited.com. We believe that our internet presence allows us to showcase the breadth and depth of our product lines in each of our target markets and enables us to educate our consumers about the unique technical features of our products.

Military

While we are focused on continuing to build our wholesale and retail business, we also actively bid on footwear contracts with the U.S. military, which requires products to be made in the U.S. Our manufacturing facilities in Puerto Rico, a U.S. territory, allow us to competitively bid for such contracts. In February 2005, we were awarded a $21 million order from the U.S. military for production of infantry combat boots. We currently have two outstanding bids on which we are waiting for a response. However, there is no assurance that we will continue to be awarded contracts by the U.S. military.

All of our footwear for the U.S. military is currently branded Rocky. We believe that many U.S. service men and women are active outdoor enthusiasts and may be employed in many of the work and duty markets that we target with our brands. As a result, we believe our sales to the U.S. military serve as an opportunity to reach our target demographic with high quality branded products.

Marketing and Advertising

We believe that our brands have a reputation for high quality, comfort, functionality and durability built through their long history in the markets they serve. To further increase the strength and awareness of our brands, we have developed comprehensive marketing and advertising programs to gain national exposure and expand brand awareness for each of our brands in their target markets.

We have focused the majority of our advertising efforts on consumers. A key component of this strategy includes advertising through targeted national and local cable programs and print publications aimed at audiences which share the demographic profile of our typical customers. For example, we advertise in such print publications as Outdoor Life, American Hunter and BassMaster, on targeted cable broadcasts, including NASCAR, Bass Pro Outdoors, Knight & Hale Ultimate Hunt, North American White Tail and Mossy Oaks Hunting the Country, appearing on such cable channels as The Outdoor Channel, The SPEED Channel, Outdoor Life Network and ESPN. In addition, we promote our products on national radio broadcasts and through event sponsorship. We are a title sponsor of the Professional Bull Riders, which is broadcast on Outdoor Life Network and NBC, and provides significant national exposure for all of our brands. We also sponsor Tony Mendes, an accomplished and well known professional bull rider. Our print advertisements and television commercials emphasize the technical features of our products as well as their high quality, comfort, functionality and durability.

We also support independent dealers by listing their locations in our national print advertisements. In addition to our national advertising campaign, we have developed attractive merchandising displays and store-in-store concept fixturing that are available to our retailers who purchase the breadth of our product lines. We also attend numerous tradeshows, including the World Shoe Association show, the Denver International Western Retailer Market and the Shooting, Hunting, Outdoor Exposition. Tradeshows allow us to showcase our entire product line to retail buyers and have historically been an important source of new accounts.

Product Design and Development

We believe that product innovation is a key competitive advantage for us in each of our markets. Our goal in product design and development is to continue to create and introduce new and innovative footwear and apparel products that combine our standards of quality, functionality and comfort and that meet the changing needs of our retailers and consumers. Our product design and development process is highly collaborative and is typically initiated both internally by our development staff and externally by our retailers and suppliers, whose employees are generally active users of our products and understand the needs of our consumers. Our product design and development personnel, marketing personnel and sales representatives work closely together to identify opportunities for new styles, camouflage patterns, design improvements and newer, more advanced materials. We have a dedicated group of product design and development professionals, some of whom are well recognized experts in the footwear and apparel industries, who continually interact with consumers to better understand their needs and are committed to ensuring our products reflect the most advanced designs, features and materials available in the marketplace.

Manufacturing and Sourcing

We manufacture footwear in facilities that we operate in the Dominican Republic and Puerto Rico, and source footwear, apparel and accessories from third party facilities, primarily in China. We do not have long-term contracts with any of our third party manufacturers. We expect that one of our third party manufacturers in China, with which we have had a relationship for over 20 years, and that has historically accounted for a significant portion of our manufacturing, will represent approximately 20% of our net sales in 2005. We believe that operating our own facilities significantly improves our knowledge of the entire raw material sourcing and manufacturing process enabling us to more efficiently source finished goods from third parties that are of the highest quality and at the lowest cost available. In addition, our Puerto Rican facilities allow us to produce footwear for the U.S. military and other commercial business that requires production by a U.S. manufacturer. Sourcing products from offshore third party facilities generally enables us to lower our costs per unit while maintaining high product quality, as well as limits the capital investment required to establish and maintain company operated manufacturing facilities. We expect that a greater portion of our products will be sourced from third party facilities in the future as a result of our acquisition of EJ Footwear, which sourced all of its products from third parties. Because quality is an important part of our value proposition to our retailers and consumers, we source products from manufacturers who have demonstrated the intent and ability to maintain the high quality that has become associated with our brands.

Quality control is stressed at every stage of the manufacturing process and is monitored by trained quality assurance personnel at each of our manufacturing facilities, including our third party factories. In addition, we utilize a team of procurement, quality control and logistics employees in our China office to visit factories to conduct quality control reviews of raw materials, work in process inventory and finished goods. We also utilize quality control personnel at our finished goods distribution facilities to conduct quality control testing on incoming sourced finished goods and raw materials and inspect random samples from our finished goods inventory from each of our manufacturing facilities to ensure that all items meet our high quality standards.

Our products are distributed in the U.S. and Canada from our finished goods distribution facilities located near Logan, Ohio and Waterloo, Ontario, respectively. With the acquisition of EJ Footwear, our products are also distributed in the U.S. from a third party distribution facility in Tunkhannock, Pennsylvania. Certain of our retailers receive shipments directly from our manufacturing sources, including all of our U.S. military sales which are shipped directly from our manufacturing facilities in Puerto Rico.

Suppliers

We purchase raw materials from sources worldwide. We do not have any long-term supply contracts for the purchase of our raw materials, except for limited blanket orders on leather to protect wholesale selling prices for an extended period of time. The principal raw materials used in the production of our products, in terms of dollar value, are leather, Gore-Tex waterproof breathable fabric, Cordura nylon fabric and soling materials. We believe these materials will continue to be available from our current suppliers. However, in the event these materials are not available from our current suppliers, we believe these products, or similar products, would be available from alternative sources.

Seasonality and Weather

Historically, we experienced significant seasonal fluctuations in our business because we derive a significant portion of our revenues from sales of our outdoor products. Many of our outdoor products are used by consumers in cold or wet weather. As a result, a majority of orders for these products are placed by our retailers in January through April for delivery in July through October. In order to meet demand, we must manufacture and source outdoor footwear year round to be in a position to ship advance orders for these products during the last two quarters of each year. Accordingly, average inventory levels have been highest during the second and third quarters of each year and sales have been highest in the last two quarters of each year. In addition, mild or dry weather conditions historically have had a material adverse effect on sales of our outdoor products, particularly if they occurred in broad geographical areas during late fall or early winter. Since our acquisition of EJ Footwear, we have experienced and we expect that we will continue to experience less seasonality and that our business will be subject to reduced weather risk because we now derive a higher proportion of our sales from work-related footwear products. Generally, work, duty and western footwear is sold year round and is not subject to the same level of seasonality or variation in weather as our outdoor product lines. However, because of seasonal fluctuations and variations in weather conditions from year to year, there is no assurance that the results for any particular interim period will be indicative of results for the full year or for future interim periods.

Backlog

At June 30, 2005, our backlog was $67.0 million, including $15.0 million related to a military contract. Because a substantial portion of our orders are placed by our retailers in January through April for delivery in July through October, our backlog is lowest during the October through December period and peaks during the April through June period. Factors other than seasonality could have a significant impact on our backlog and, therefore, our backlog at any one point in time may not be indicative of future results. Generally, orders may be canceled by retailers prior to shipment without penalty. Our contracts to produce boots for delivery to the U.S. military generally include specific quantities and intervals for shipment.

Patents, Trademarks and Trade Names

We own numerous design and utility patents for footwear, footwear components (such as insoles and outsoles) and outdoor apparel in the U.S. and in foreign countries including Canada, Mexico, China and Taiwan. We own U.S. and certain foreign registrations for the trademarks used in our business, including our marks Rocky, Rocky Outdoor Gear, Georgia Boot, Durango and Lehigh. In addition, we license trademarks, including Dickies and Gore-Tex, in order to market our products. We have an exclusive license through December 31, 2007 to use the Dickies brand for footwear in our target markets. Our license with Dickies may be terminated by Dickies prior to December 31, 2007 if we do not achieve certain minimum net shipments in a particular year. While we have an active program to protect our intellectual property by filing for patents and trademarks, we do not believe that our overall business is materially dependent on any individual patent or trademark. We are not aware of any infringement of our intellectual property rights or that we are infringing any intellectual property rights owned by third parties. Moreover, we are not aware of any material conflicts concerning our marks or our use of marks owned by others.

Competition

We operate in a very competitive environment. Product function, design, comfort, quality, technological and material improvements, brand awareness, timeliness of product delivery and pricing are all important elements of competition in the markets for our products. We believe that the strength of our brands, the quality of our products and our long-term relationships with a broad range of retailers allows us to compete effectively in the footwear and apparel markets that we serve. However, we compete with footwear and apparel companies that have greater financial, marketing, distribution and manufacturing resources than we do. In addition, many of these competitors have strong brand name recognition in the markets they serve.

The footwear and apparel industry is also subject to rapid changes in consumer preferences. Some of our product lines are susceptible to changes in both technical innovation and fashion trends. Therefore, the success of these products and styles are more dependent on our ability to anticipate and respond to changing product, material and design innovations as well as fashion trends and consumer demands in a timely manner. Our inability or failure to do so could adversely affect consumer acceptance of these product lines and styles and could have a material adverse effect on our business, financial condition and results of operations.

Employees

At June 30, 2005, we had approximately 1,900 employees. Approximately 1,250 of our employees work in our manufacturing facilities in the Dominican Republic and Puerto Rico. None of our employees is represented by a union. We believe our relations with our employees are good.

Properties

We own, subject to a mortgage, our 25,000 square foot executive offices that are located in Nelsonville, Ohio, our 41,000 square foot outlet store located in Nelsonville, Ohio and our 192,000 square foot finished goods distribution facility near Logan, Ohio. We lease two manufacturing facilities in Puerto Rico consisting of 44,978 square feet and 39,581 square feet. These leases expire in 2009. In the Dominican Republic, we lease an 82,000 square foot manufacturing facility under a lease expiring in 2009 and lease an additional stand-alone 37,000 square foot building, which is on a month to month basis.

Legal Proceedings

We are, from time to time, a party to litigation which arises in the normal course of our business. Although the ultimate resolution of pending proceedings cannot be determined, in the opinion of management, the resolution of these proceedings in the aggregate will not have a material adverse effect on our financial position, results of operations, or liquidity.

MANAGEMENT

The following table shows information about our executive officers and directors as of the date of this prospectus.

Name	Age	Position	Director Since
Mike Brooks	59	Chairman and Chief Executive Officer	1992
David Sharp	50	President and Chief Operating Officer	
James E. McDonald	45	Executive Vice President, Chief Financial Officer and Treasurer	
Thomas R. Morrison	58	Senior Vice President – Sales, Wholesale Brands	
J. Patrick Campbell	56	Director	2004
Glenn E. Corlett	61	Director	2000
Michael L. Finn	61	Director	2004
G. Courtney Haning	56	Director	2004
Curtis A. Loveland	58	Director	1993
Harley E. Rouda, Jr.	43	Director	2003
James L. Stewart	71	Director	1996

Mike Brooks serves as our Chairman and Chief Executive Officer. Prior to his current role, he served as our Chairman, President and Chief Executive Officer from August 1991 until January 2005. Mr. Brooks is a pattern engineering and shoe design graduate of the Ars Sutoria in Milan, Italy. After employment with U.S. Shoe Corporation and various tanning companies, Mr. Brooks returned to the family shoe business in Nelsonville, Ohio, in 1975, serving first as Manager of Product Development and a national salesman and then, in 1984, becoming President. He has been a director of the American Apparel and Footwear Association (f/k/a Footwear Industries of America) since April 1986 and currently serves on the executive board of that organization.

David Sharp serves as our President and Chief Operating Officer. Prior to his current role, he served as our Executive Vice President and Chief Operating Officer from March 2002 until January 2005. He served as Senior Vice President – Sales and Operations from June 2001 until March 2002, as Vice President of Sales and Marketing from October 2000 until June 2001, and as Vice President of Manufacturing Operations and Marketing from June 2000 until October 2000. Prior to joining us, from September 1994 until October 1999, Mr. Sharp served in various capacities, including Vice President and General Manager, of an operating division of H.H. Brown, Inc., a wholly owned subsidiary of Berkshire-Hathaway, Inc., engaged in the footwear business. Mr. Sharp also has held various senior sales and marketing positions at Acme Boot Co., Inc. and Converse, Inc. from June 1991 until September 1994.

James E. McDonald serves as our Executive Vice President, Chief Financial Officer and Treasurer. Prior to his current role, he served as our Vice President and Chief Financial Officer from June 2001 until January 2005. Prior to joining us, from July 1996 until June 2001, Mr. McDonald served as Chief Financial Officer for two operating divisions of H.H. Brown, Inc., a wholly owned subsidiary of Berkshire-Hathaway, Inc., engaged in the footwear business. Mr. McDonald also served as Controller of Wright's Knitwear Corporation, a privately held manufacturer of apparel.

Thomas R. Morrison serves as our Senior Vice President – Wholesale Brands. Prior to his current role, he served as President of Georgia Boot LLC from July 1986 until we acquired EJ Footwear in January 2005.

J. Patrick Campbell has been self-employed serving as a consultant to various corporations and the financial services industry since January 2001. Most recently, from January 2004 until February 2005, Mr. Campbell served as Chief of Technology and Operations for the American Stock Exchange. From January 1997 until December 2001, Mr. Campbell held various executive positions at The Nasdaq Stock Market, including President, Nasdaq U.S. Markets, and Chief Operating Officer and Chairman, Nasdaq Investment Products. Prior to joining Nasdaq, Mr. Campbell was employed by The Ohio Company, a privately held investment bank from 1971 to 1996 as Senior Executive Vice President, and he was a member of the board of directors from 1991 to 1996. Mr. Campbell serves on the board of Metastorm Inc. and as Chairman of the Board of Digital Focus, Inc., both privately held companies.

Glenn E. Corlett has been Dean and Professor of Accounting at the College of Business at Ohio University, Athens, Ohio, since July 1997. From 1993 to 1996, Mr. Corlett was Executive Vice President and Chief Operating Officer of N.W. Ayer & Partners, an international advertising agency headquartered in New York, New York. Mr. Corlett also served as Chief Financial Officer of N.W. Ayer & Partners from 1990 to 1995. Prior to joining N.W. Ayer & Partners, Mr. Corlett had a long history with Price Waterhouse where he was partner-in-charge for mergers and acquisitions in New York from 1988 to 1990; tax partner-in-charge in Denver from 1984 to 1988 and in Cleveland from 1979 to 1984; and held partner and staff positions from 1971 to 1979. Mr. Corlett also serves on the Board of directors of Pubco Corp., a company with a printer supplies business and a construction products business, and Preformed Line Products Company, an international designer and manufacturer of products and systems employed in the construction and maintenance of overhead and underground networks for energy, communications and broadband network companies.

Michael L. Finn has served as President of Central Power Systems, a wholesale distributor in Columbus, Ohio, since 1985, and President of Chesapeake Realty Co., a real estate development and management company in Columbus, Ohio, since 1970.

G. Courtney Haning has served as Chairman, President and Chief Executive Officer of Peoples National Bank, a community bank in New Lexington, Ohio, since January 1991.

Curtis A. Loveland has served as our Secretary since October 1992. Mr. Loveland has practiced law for 32 years and has been a partner in the law firm of Porter, Wright, Morris & Arthur LLP in Columbus, Ohio since 1979. Mr. Loveland also serves on the board of directors of Applied Innovation Inc., a telecommunications products manufacturer.

Harley E. Rouda, Jr. has served as Chief Executive Officer and General Counsel of Real Living, Inc., an independently-owned residential real estate firm headquartered in Columbus, Ohio, since February 2002. He has also served as Chief Executive Officer and General Counsel of HER Realtors, a Columbus based real estate firm, since May 1999 and May 1997, respectively. Prior to serving as Chief Executive Officer, Mr. Rouda served as President of HER Realtors from May 1996 until May 1999.

James L. Stewart serves as the proprietor of Rising Wolf Ranch, Inc., East Glacier, Montana, a summer resort and a winter rehabilitation center for teenage boys involved with drug abuse. Mr. Stewart also consults for various retail and catalog companies. Between 1984 and 1991, Mr. Stewart served as the President and Chief Executive Officer of Dunns Inc. and as the Vice President and General Manager of Gander Mountain Inc. Before that time, he served with Sears Roebuck & Co. for 28 years.

CERTAIN TRANSACTIONS

During 2004, we leased our 41,000 square foot manufacturing facility in Nelsonville, Ohio from the William Brooks Real Estate Company, 25% of which is owned by Mike Brooks. We purchased the manufacturing facility from William Brooks Real Estate Company in January 2005 for $505,000.

Mr. Loveland, one of our directors, is a partner in the law firm of Porter, Wright, Morris & Arthur LLP, which provides legal services to us.

During 2004, we employed certain members of Mr. Brooks' immediate family. Jason Brooks, Mr. Brooks' son, served as our Vice President of Sales, Field Accounts, Stuart Brooks, Mr. Brooks' brother, served as our Vice President of Sales, Work and Duty, and Mark Pitts, Mr. Brooks' son-in-law, served as our Vice President of Sales, Key Accounts and each received base salaries and bonuses of $153,600, $156,800, and $175,360, respectively, in 2004. Additionally, Jay Brooks, Mr. Brooks' brother, served as an independent contractor to us and was paid a total of $88,637 in 2004.

We believe that all terms of the transactions and existing arrangements set forth above are no less favorable to us than similar transactions and arrangements that might have been entered into with unrelated parties.

In January 2005, we acquired all of the equity in EJ Footwear from SILLC Holdings LLC. The total purchase price for the equity, including a closing date working capital adjustment, was $91.3 million in cash plus 484,261 shares of our common stock valued at $11.5 million at closing (valued at $10 million in the definitive agreement). As a result, SILLC became a beneficial owner of more than 5% of our outstanding common stock.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common stock (1) as of September 14, 2005, and (2) as adjusted to reflect the sale of shares in this offering, by:

- our directors;
- each of our three most highly compensated executive officers for 2004;
- all of our executive officers and directors as a group;
- each shareholder known by us to be the beneficial owner of more than 5% of our common stock; and
- each selling shareholder.

The number of shares of our common stock beneficially owned by a person includes shares of common stock issuable with respect to options held by that person that are exercisable on or within 60 days after September 14, 2005. We have calculated the percentage of our common stock beneficially owned by a person assuming that the person has exercised all of these options and that no other persons exercised any options.

		Prior to this Offering			Subsequent to this Offering	
Name	Position with the Company	Total Beneficial Ownership(1)(2)	Percent	Shares Being Sold in this Offering	Total Beneficial Ownership(1)(2)	Percent
Mike Brooks	Chairman and Chief Executive Officer	404,240	7.51%	115,739	288,501	3.91%
David Sharp	President and Chief Operating Officer	56,500	1.07%	—	56,500	*
James E. McDonald	Executive Vice President, Chief Financial Officer and Treasurer	46,450	*	—	46,450	*
J. Patrick Campbell	Director	3,455	*	—	3,455	*
Glenn E. Corlett	Director	19,422	*	—	19,422	*
Michael L. Finn	Director	732	*	—	732	*
G. Courtney Haning	Director	732	*	—	732	*
Curtis A. Loveland	Director	66,922	1.26%	—	66,922	*
Harley E. Rouda, Jr.	Director	6,511	*	—	6,511	*
James L. Stewart	Director	13,281	*	—	13,281	*
All executive officers and directors as a group (11 persons)		618,245	11.3%	115,739	502,506	6.73%
SILLC Holdings LLC		484,261	9.15%	484,261	—	*

* Less than 1.0%.

(1) Unless otherwise noted, each person has sole voting and dispositive power with respect to all shares of common stock beneficially owned.

(2) Includes shares issuable upon the exercise of outstanding stock options that are exercisable on or within 60 days after September 14, 2005 as follows:

- 92,250 shares for Mr. Brooks;
- 16,500 shares for Mr. Sharp;
- 27,500 shares for Mr. McDonald;
- 12,500 shares for Mr. Corlett;
- 15,000 shares for Mr. Loveland;
- 5,000 shares for Mr. Rouda;
- 5,000 shares for Mr. Stewart; and
- 173,750 shares for all directors and executive officers as a group.

DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock is only a summary and is subject to the provisions of our articles of incorporation and code of regulations, which are included as exhibits to the registration statement of which this prospectus forms a part, and provisions of applicable law.

Our articles of incorporation authorize our board of directors to issue 10,000,000 shares of common stock, without par value, and 500,000 shares of preferred stock, without par value, of which 250,000 shares are voting preferred stock and 250,000 shares are non-voting preferred stock.

Common Stock

The holders of common stock are entitled to one vote for each share held of record on all matters submitted to be voted upon. Shareholders are not entitled to cumulate votes for the election of directors. Common shareholders are entitled to share ratably in any dividends that may be declared by the board of directors out of funds legally available therefor. Holders of common stock do not have preemptive, redemption, conversion or other preferential rights and, upon the liquidation, dissolution or winding up of our company, are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference, if any, which may be granted to the holders of preferred stock. All shares outstanding before this offering are, and the shares to be issued in this offering will be, validly issued, fully paid and non-assessable. The rights, preferences and privileges of holders of common stock are subject to the rights, preferences and privileges of holders of any classes or series of preferred stock that we may issue in the future. As of September 14, 2005, 5,293,595 shares of common stock were outstanding.

Preferred Stock

Our articles of incorporation authorize our board of directors to issue, without further action by the holders of our common stock, up to 500,000 shares of preferred stock, of which 250,000 shares are voting preferred stock and 250,000 shares are non-voting preferred stock, in one or more series and to fix any preferences, conversion and other rights, voting powers, restrictions, limitations, qualifications and terms and conditions of redemption as are provided in resolutions adopted by the board. The issuance of preferred stock could have an adverse effect on the rights of holders of common stock. For example, any preferred stock may rank senior to the common stock with respect to the payment of dividends or amounts upon liquidation, dissolution or winding up, or both. In addition, any preferred stock may have class or series voting rights. Holders of preferred stock have no preemptive or other rights to subscribe for additional shares.

Classified Board of Directors; Election of Directors

Our code of regulations provides that our board of directors shall consist of up to 15 members. Our board is divided into two classes, with staggered terms of two years each. Each year the term of one class expires. As a result, approximately one-half of the directors are elected at each annual meeting of shareholders. This can delay the ability of a significant shareholder or group of shareholders to gain control of our board of directors.

Our code of regulations provides that the number of directors cannot be fewer than three nor more than 15; any change in the number of directors cannot have the effect of shortening the term of any incumbent director; and no action may be taken to increase the number of directors unless at least two-thirds of the directors then in office concur in such action. Consistent with the adoption of a classified board, our code of regulations precludes the removal of an incumbent director unless such removal is for cause. This will prevent a shareholder or group of shareholders from removing incumbent directors and simultaneously gaining control of the board by filling the vacancies created by removals with their own nominees. Vacancies on our board of directors may be filled by the remaining directors and, in cases where a director has been removed for cause, by the shareholders. These provisions may only be repealed or amended with the affirmative vote of the holders of two-thirds of the shares entitled to vote on the proposal. Otherwise, our code of regulations may be amended with the affirmative vote of the holders of a majority of the shares entitled to vote on the proposal.

Our code of regulations requires that notice in writing of proposed shareholder nominations for the election of directors be given to our secretary prior to the meeting. The notice must contain certain information about the non-incumbent nominee, including name, age, business and residence addresses, principal occupation, the class and number of our shares beneficially owned by the nominee and such other information as would be required to be included in a proxy statement soliciting proxies for election of the nominee, as well as certain information about the nominating shareholder. We may require any nominee to furnish other information reasonably required by us to determine the nominee's eligibility to serve as a director. If the presiding officer of any shareholders meeting determines that a person was not nominated in accordance with the foregoing procedures, the person shall not be eligible for election as a director.

In addition, our code of regulations requires that notice in writing from any shareholder who proposes to bring business before any meeting of shareholders must be timely given to our secretary prior to the meeting. The notice must contain certain information, including a brief description of the business proposed to be brought before the meeting, the reasons for conducting this business at the meeting, the class and number of our shares beneficially owned by the shareholder and any supporting shareholders and any material interest of the proposing shareholder in the business so proposed. If the presiding officer of any shareholders meeting determines that any business was not properly brought before the meeting in accordance with the foregoing procedures, the business will not be conducted at the meeting. Nothing in our code of regulations precludes discussion by any shareholder of any business properly brought before the meeting in accordance with these procedures.

To be timely, shareholder notice of a nomination for election of a director or to bring business before any shareholders meeting must be received by us not less than 30 days nor more than 60 days prior to the meeting (or, if fewer than 40 days' notice or prior public disclosure of the meeting date is given or made to shareholders, not later than the tenth day following the day of mailing notice of the meeting or public disclosure of the mailing).

Shareholder Rights Plan

We adopted a shareholder rights plan in 1997 under a shareholder rights agreement intended to protect shareholders against unsolicited attempts to acquire control of our company that do not offer what our board of directors believes to be an adequate price to all shareholders or that our board of directors otherwise opposes. As part of the plan, our board of directors declared a dividend that resulted in the issuance of one preferred stock purchase right for each outstanding share of our common stock. Unless extended, the preferred share purchase rights expire on November 5, 2007. If a bidder proceeds with an unsolicited attempt to purchase our stock and acquires 20% or more (or announces its intention to acquire 20% or more) of our outstanding stock, and the board of directors does not redeem the preferred stock purchase rights, the rights will become exercisable at a price that significantly dilutes the interest of the bidder in our common stock.

Provisions Relating to Acquisitions and Mergers

Under our articles of incorporation, we have elected not to be covered by the Ohio Control Share Acquisition Act, known as the Control Act. The Control Act requires the prior approval of shareholders for transfers of corporate control that occur in the open market, including tender offers, or that are privately negotiated.

Under our articles of incorporation, the affirmative vote of the holders of two-thirds of the shares entitled to vote is required for the approval or authorization of any (1) merger or consolidation of our company with or into any other corporation, or (2) sale, lease, exchange or other disposition of all or substantially all of our assets to or with any other corporation, person or other entity, unless two-thirds of our directors have approved the transaction.

Our articles of incorporation further provide that it is a proper corporate purpose, reasonably calculated to benefit shareholders, for our board of directors to base our response to any acquisition proposal, as defined in our articles of incorporation, on our board's evaluation of what is in our best interests. This evaluation will include consideration of the best interests of our shareholders, including the relationship of the consideration offered in the acquisition proposal to the then-current market price of our stock, our current value in a freely negotiated transaction and the estimate of our future value as an independent entity; the business and financial conditions and earnings prospects of the acquiring person or persons; the competence, experience and integrity of the acquiring person or persons and its or their management; and such other factors as our board of directors deems relevant, including the social, legal and economic effects of the acquisition proposal upon employees, suppliers, customers and our business. An acquisition proposal means any proposal for a tender offer or exchange offer for any of our equity securities, any proposal to merge or consolidate us with another corporation, or any proposal to purchase or otherwise acquire all or substantially all of our properties and assets.

Our articles of incorporation explicitly provide that the provisions of Chapter 1704 of the Ohio Revised Code apply to us. Section 1704 generally prevents an issuing public corporation (generally defined as an Ohio corporation with 50 or more shareholders that has its principal place of business, its principal offices, assets with substantial value, or a substantial percentage of its assets in Ohio) from entering into certain business combinations with an interested shareholder (generally defined as any person or entity that can vote, or direct the voting of, 10% or more of the issuing public corporation's stock) or its affiliates for a period of three years after the date of the transaction in which the person became an interested shareholder, unless prior to this transaction (1) the directors have approved the Section 1704 business combination or (2) the directors have approved this transaction. Section 1704 provides further that a corporation may, in its articles of incorporation or code of regulations, elect not to be governed by Section 1704. We have not made this election.

These provisions relating to acquisitions, mergers and combinations may only be amended by the affirmative vote of the holders of two-thirds of the shares entitled to vote on the proposal. Otherwise, our articles of incorporation may be amended by the affirmative vote of the holders of a majority of the shares entitled to vote on the proposal.

Limitation of Director Liability and Indemnification Agreements

Under the Ohio General Corporation Law, a director's liability to us or our shareholders for damages is limited to only those situations where it is proven by clear and convincing evidence that his act or failure to act was undertaken with deliberate intent to cause injury to us or undertaken with reckless disregard for our best interests and those situations involving unlawful loans, asset distributions, dividend payments or share repurchases. As a result, shareholders may be unable to recover monetary damages against directors for actions that constitute gross negligence or that are in violation of their fiduciary duties, although it may be possible to obtain injunctive or other equitable relief with respect to such actions. If equitable remedies are found not to be available to shareholders for any particular case, shareholders may not have any effective remedy against the challenged conduct.

Our articles of incorporation provide that indemnification may be granted to directors, officers and certain other persons serving (or having served) as a director or officer of our company or any other company or enterprise at our request against all expenses (including attorneys' fees), judgments, fines and settlement amounts, paid or incurred by them in any action or proceeding, on account of their service as a director or officer of our company or any other company or enterprise when serving at our request, to the fullest extent permitted by law.

We also entered into indemnification agreements with each director and executive officer, including the directors who are also our employees, to confirm and expand our obligation to indemnify these persons. These indemnification agreements (1) confirm the indemnity provided to them by our articles of incorporation and give them assurances that this indemnity will continue to be provided despite future changes in our articles of incorporation, and (2) provide that, in addition, the directors and officers shall be indemnified to the fullest possible extent permitted by law against all expenses (including attorneys' fees) judgments, fines and settlement amounts, paid or incurred by them in any action or proceeding, including any action by or in the right of our company, on account of their service as a director or officer of our company or as a director or officer of any of our subsidiaries or as a director or officer of any other company or enterprise when they are serving in such capacities at our request.

No indemnity will be provided under the indemnification agreements to any director or officer on account of conduct that is adjudged to have been undertaken with deliberate intent to cause injury to us or undertaken with reckless disregard for our best interests. In addition, the indemnification agreements provide that no indemnification will be permitted if a final court adjudication shall determine that the indemnification is not lawful, or in respect of any suit in which judgment is rendered against a director or officer for an accounting of profits made from a purchase or sale of our securities in violation of Section 16(b) of the Securities Exchange Act of 1934 or of any similar statutory law, or on account of any remuneration paid to a director or officer that is adjudicated to have been paid in violation of law. Except as so limited, indemnification of directors and officers will be permitted under the indemnification agreements to the fullest extent permitted by law.

We believe that these indemnification provisions are essential to attracting and retaining qualified persons as officers and directors. We have obtained directors' and officers' insurance.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Computershare Investor Services LLC located in Chicago, Illinois.

UNDERWRITING

The underwriters named below have agreed to buy, subject to the terms of the purchase agreement, the number of shares listed opposite their names below. The underwriters are committed to purchase and pay for all of the shares if any are purchased.

Piper Jaffray & Co. is acting as representative of the underwriters named below. Subject to the terms and conditions in the underwriting agreement among us, the selling shareholders and the underwriters, each underwriter named below has agreed to purchase from us and the selling shareholders the respective number of shares of common stock shown opposite its name below.

Underwriters	Number of Shares
Piper Jaffray & Co.	
Wachovia Capital Markets, LLC	
BB&T Capital Markets, a division of Scott & Stringfellow, Inc.	
D.A. Davidson & Co.	
Ryan Beck & Co., Inc.	
Total	2,600,000

The underwriters have advised us and the selling shareholders that they propose to offer the shares to the public at $ per share. The underwriters propose to offer the shares to certain dealers at the same price less a concession of not more than $ per share. The underwriters may allow and the dealers may reallow a concession of not more than $ per share on sales to certain other brokers and dealers. After the offering, these figures may be changed by the underwriters.

We have granted to the underwriters an option to purchase up to an additional 390,000 shares of common stock from us at the same price to the public, and with the same underwriting discount, as set forth on the cover hereof. The underwriters may exercise this option any time during the 30-day period after the date of this prospectus, but only to cover over-allotments, if any. To the extent the underwriters exercise the option, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of the additional shares as it was obligated to purchase under the purchase agreement.

The following table shows the underwriting fees to be paid to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the over-allotment option.

	No Exercise	Full Exercise
Per share	$	$
Total	$	$

We and the selling shareholders have agreed to indemnify the underwriters against certain liabilities, including civil liabilities under the Securities Act, or to contribute to payments that the underwriters may be required to make in respect of those liabilities.

We, our directors and executive officers and the selling shareholders have agreed that we will not offer for sale, sell, contract to sell, pledge, grant any option for the sale of, swap, hedge or otherwise dispose of, directly or indirectly, or, in the case of the company, file with the SEC a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any other swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions is to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction or other arrangement, without, in each case, the prior written consent of Piper Jaffray, for a period of 90 days after the date of this prospectus. However, in the event that either (1) during the last 17 days of the “lock-up” period, we release earnings results or material news or a material event relating to us occurs or (2) prior to the expiration of the “lock-up” period, we announce that we will release earnings results during the 16-day period beginning on the last day of the “lock-up” period, then in either case the expiration of the “lock-up” will be extended until the expiration of the 18-day period beginning on the date of the release of the earnings results or the occurrence of the material news or event, as applicable. The restrictions described in the immediately preceding paragraph do not apply to the sale of shares to the underwriters; any securities acquired in the open market; and the transfer of securities to a family member or trust; provided that the transferee must agree to be bound in writing by the terms of the lock-up agreement prior to the transfer.

To facilitate the offering, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock during and after the offering. Specifically, the underwriters may over-allot or otherwise create a short position in the common stock for their own account by selling more shares of common stock than have been sold to them by us. The underwriters may elect to cover any such short position by purchasing shares of common stock in the open market or by exercising the over-allotment option granted to the underwriters. In addition, the underwriters may stabilize or maintain the price of the common stock by bidding for or purchasing shares of common stock in the open market and may impose penalty bids. If penalty bids are imposed, selling concessions allowed to syndicate members or other broker-dealers participating in the offering are reclaimed if shares of common stock previously distributed in the offering are repurchased, whether in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of the common stock at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the common stock to the extent that it discourages resales of the common stock. The magnitude or effect of any stabilization or other transaction is uncertain. These transactions may be effected on the Nasdaq National Market or otherwise and, if commenced, may be discontinued at any time. In connection with this offering, some underwriters and selling shareholders may also engage in passive market making transactions in the common stock on the Nasdaq National Market. Passive market making consists of displaying bids on the Nasdaq National Market limited by the prices of independent market makers and effecting purchases limited by those prices in response to order flow. Rule 103 of Regulation M promulgated by the SEC limits the amount of net purchases that each passive market maker may make and the displayed size of each bid. Passive market making may stabilize the market price of the common stock at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

Some of the underwriters or their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions.

LEGAL MATTERS

The validity of the common stock offered hereby is being passed upon for us and the selling shareholders by Porter, Wright, Morris & Arthur LLP, Columbus, Ohio. Curtis A. Loveland, a partner in Porter, Wright, Morris & Arthur LLP, is our secretary and a director and beneficially owns an aggregate of 66,922 shares of our common stock consisting of a combination of stock and options exercisable within 60 days after September 14, 2005. Certain legal matters will be passed upon for the underwriters by Faegre & Benson LLP, Minneapolis, Minnesota.

EXPERTS

The consolidated financial statements as of December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004, included in this prospectus and the consolidated financial statements from which the Summary Consolidated Financial Data and Selected Consolidated Financial Data included in this prospectus have been derived have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein and elsewhere in the registration statement. Such consolidated financial statements, Summary Consolidated Financial Data and Selected Consolidated Financial Data have been included herein and elsewhere in the Registration Statement in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing. The consolidated financial statements as of December 31, 2002, 2001, 2000 and for the years ended December 31, 2001 and 2000 from which the Summary Consolidated Financial Data and Selected Consolidated Financial Data included in this prospectus have been derived have been audited by Deloitte & Touche LLP, an independent registered public accounting firm.

The financial statement schedule for each of the three years in the period ended December 31, 2004 and management's report on the effectiveness of internal control over financial reporting as of December 31, 2004 incorporated in this prospectus by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2004 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference, and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the Commission. Our Commission filings are available to the public over the Internet at the Commission's web site at http://www.sec.gov. You may also read and copy any document we file with the Commission at its public reference facilities at 100 F Street, N.E., Washington, DC 20549. You can also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the Commission at 100 F Street, N.E., Washington, DC 20549. Please call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference facilities. Our Commission filings are also available at the office of the Nasdaq Stock Market, One Liberty Place, 165 Broadway, New York, New York 10006. For further information on obtaining copies of our public filings at the Nasdaq Stock Market, you should call 212-656-5060.

We incorporate by reference into this prospectus the information we file with the Commission, which means that we can disclose important information to you by referring you to those documents. The information we incorporate by reference is an important part of this prospectus and information that we file with the Commission will automatically update this prospectus. We incorporate by reference the documents listed below and any filings we make with the Commission under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after initial filing of the registration statement that contained this prospectus and prior to the time that we sell all the securities offered by this prospectus:

- our Annual Report on Form 10-K (except for Items 1, 7 and 8) for the year ended December 31, 2004 (filed March 16, 2005), as amended by our Annual Report on Form 10-K/ A for the year ended December 31, 2004 (filed April 7, 2005);
- our Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 (filed May 10, 2005), as amended by our Quarterly Report on Form 10-Q/ A for the quarter ended March 31, 2005 (filed September 13, 2005), and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (filed August 9, 2005);
- our Proxy Statement for our 2005 Annual Meeting of Shareholders held on May 17, 2005 (filed April 15, 2005);
- our Current Report on Form 8-K dated as of January 3, 2005 (filed January 7, 2005), our Current Report on Form 8-K dated as of January 6, 2005 (filed January 12, 2005), as amended by our Current Report on Form 8-K/A (filed March 24, 2005), our Current Report on Form 8-K dated as of January 12, 2005 (filed January 18, 2005), our Current Report on Form 8-K dated as of January 19, 2005 (filed January 21, 2005), our Current Report on Form 8-K dated as of January 21, 2005 (filed January 27, 2005), our Current Report on

Form 8-K (as to Item 8.01 only) dated as of February 16, 2005 (filed February 16, 2005), our Current Report on Form 8-K dated as of March 3, 2005 (filed March 8, 2005), and our Current Report on Form 8-K dated as of May 27, 2005 (filed June 2, 2005);

- the description of our common stock contained in our registration statement on Form 8-A filed with the Commission on December 22, 1992 including any amendment or report filed for the purpose of updating this description; and
- the description of the preferred stock purchase rights associated with our common stock, contained in our registration statement on Form 8-A filed with the SEC on November 5, 1997, as amended on December 9, 2004, including any amendment or report filed for the purpose of updating this description.

Information furnished by us in Current Reports on Form 8-K under Items 2.02 and 9.01 is expressly not incorporated by reference in this prospectus.

You may request a copy of these filings (other than an exhibit to a filing unless that exhibit is expressly incorporated by reference into that filing) at no cost, by writing to or telephoning us at the following address:

Rocky Shoes & Boots, Inc.
39 East Canal Street
Nelsonville, Ohio 45764
(740) 753-1951
Attention: James E. McDonald, Chief Financial Officer

**ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES**

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Rocky Shoes & Boots, Inc.:

We have audited the accompanying consolidated balance sheets of Rocky Shoes & Boots, Inc. and subsidiaries (the “Company”) as of December 31, 2004 and 2003, and the related consolidated statements of income, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Rocky Shoes & Boots, Inc. and subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company’s internal control over financial reporting as of December 31, 2004, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2005, included in the Company’s 2004 Annual Report on Form 10-K and not included herein, expressed an unqualified opinion on management’s assessment of the effectiveness of the Company’s internal control over financial reporting and an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Columbus, Ohio
March 15, 2005 (September 14, 2005, as to Note 16)

**ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS

	December 31, 2004	December 31, 2003
Current assets:		
Cash and cash equivalents	$ 5,060,859	$ 2,159,050
Accounts receivable — trade, net	27,182,198	19,532,287
Other receivables	1,114,959	830,131
Inventories	32,959,124	38,068,187
Deferred income taxes — current	230,151	959,810
Income tax receivable	2,264,531	
Other current assets	588,618	1,045,238
Total current assets	69,400,440	62,594,703
Fixed assets, at cost:		
Property, plant and equipment	52,732,896	46,790,708
Less accumulated depreciation	(32,553,410)	(29,180,470)
Total fixed assets — net	20,179,486	17,610,238
Deferred pension asset	1,347,824	1,499,524
Goodwill	1,557,861	1,557,861
Other assets	4,220,043	2,912,510
Total assets	$ 96,705,654	$ 86,174,836

ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2004	December 31, 2003
Current liabilities:		
Accounts payable	$ 4,349,248	$ 2,810,161
Current maturities — long-term debt	6,492,020	503,934
Accrued expenses:		
Income taxes		1,929,808
Taxes — other	422,692	372,432
Salaries and wages	1,295,722	1,885,896
Plant closing costs		195,500
Co-op advertising	263,000	402,000
Interest	82,904	65,796
Building purchase obligation-related party	505,000	
Other	377,804	219,138
Total current liabilities	13,788,390	8,384,665
Long-term debt — Less current maturities	10,044,544	17,514,994
Deferred liabilities:		
Compensation	206,913	166,641
Pension	89,195	1,460,952
Income Taxes	1,205,814	262,907
Total deferred liabilities	1,501,922	1,890,500
Total liabilities	25,334,856	27,790,159
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, Series A, no par value, $.06 stated value; none outstanding 2004 and 2003		
Common stock, no par value; 10,000,000 shares authorized; outstanding 2004 — 4,694,670 and 2003 — 4,360,400	38,399,114	34,880,199
Accumulated other comprehensive loss	(1,077,586)	(1,950,400)
Retained earnings	34,049,270	25,454,878
Total shareholders' equity	71,370,798	58,384,677
Total liabilities and shareholders' equity	$ 96,705,654	$ 86,174,836

See notes to consolidated financial statements.

**ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2004	2003	2002
Net sales	$ 132,248,963	$ 106,164,753	$ 88,958,721
Cost of goods sold	93,606,600	73,383,128	65,528,213
Gross margin	38,642,363	32,781,625	23,430,508
Selling, general and administrative expenses	25,617,944	23,278,449	18,661,730
Income from operations	13,024,419	9,503,176	4,768,778
Other income and (expenses):			
Interest expense	(1,335,100)	(1,378,131)	(1,404,496)
Other — net	381,073	348,448	432,018
Total other — net	(954,027)	(1,029,683)	(972,478)
Income before income taxes	12,070,392	8,473,493	3,796,300
Income tax expense	3,476,000	2,434,250	953,000
Net income	$ 8,594,392	$ 6,039,243	$ 2,843,300
Net income per common share:			
Basic	$ 1.89	$ 1.44	$ 0.63
Diluted	$ 1.74	$ 1.32	$ 0.62
Weighted average common shares outstanding:			
Basic	4,557,283	4,189,794	4,499,741
Diluted	4,953,529	4,560,763	4,590,095

See notes to consolidated financial statements.

ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total Shareholders' Equity
	Shares Outstanding	Amount			
Balance — December 31, 2001	4,492,215	$ 35,302,159	$ (831,161)	$ 16,572,335	$ 51,043,333
Year ended December 31, 2002:					
Net income				2,843,300	2,843,300
Minimum pension liability, net of tax benefit of $575,784			(1,480,588)		(1,480,588)
Comprehensive income					1,362,712
Treasury stock purchased and retired	(16,400)	(84,540)			(84,540)
Stock options exercised	13,250	71,419			71,419
Balance — December 31, 2002	4,489,065	35,289,038	(2,311,749)	19,415,635	52,392,924
Year ended December 31, 2003:					
Net income				6,039,243	6,039,243
Minimum pension liability, net of tax effect of $154,864			361,349		361,349
Comprehensive income					6,400,592
Treasury stock purchased and retired	(483,533)	(3,106,156)			(3,106,156)
Stock issued and options exercised including related tax benefits	354,868	2,697,317			2,697,317
Balance — December 31, 2003	4,360,400	34,880,199	(1,950,400)	25,454,878	58,384,677
Year ended December 31, 2004:					
Net income				8,594,392	8,594,392
Minimum pension liability, net of tax effect of $356,501			872,814		872,814
Comprehensive income					9,467,206
Stock issued and options exercised including related tax benefits	334,270	3,518,915			3,518,915
Balance — December 31, 2004	4,694,670	$ 38,399,114	$ (1,077,586)	$ 34,049,270	$ 71,370,798

See notes to consolidated financial statements.

ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2004	2003	2002
Cash flows from operating activities:			
Net income	$ 8,594,392	$ 6,039,243	$ 2,843,300
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,407,790	3,556,544	4,032,442
Deferred income taxes	1,316,065	(113,761)	749,171
Tax benefit related to stock options	1,205,300	150,000	
Deferred compensation and pension — net	49,530	775,166	(1,637,689)
(Gain) loss on sale of fixed assets	2,220	5,943	(15,904)
Stock issued as directors' compensation	66,885	60,000	
Change in assets and liabilities:			
Receivables	(7,934,739)	(3,906,086)	860,266
Inventories	5,109,063	(12,846,128)	4,531,675
Income taxes receivable	(2,264,531)		
Other current assets	456,620	221,859	(213,905)
Other assets	(1,333,747)	95,672	321,088
Accounts payable	1,557,084	1,216,130	85,479
Accrued expenses	(2,628,448)	3,183,675	(1,471,619)
Net cash provided by (used in) operating activities	7,603,484	(1,561,743)	10,084,304
Cash flows from investing activities:			
Purchase of fixed assets	(5,466,041)	(2,154,829)	(2,338,388)
Acquisition of business		(4,880,468)	
Proceeds from sale of fixed assets		53,829	59,609
Net cash used in investing activities	(5,466,041)	(6,981,468)	(2,278,779)
Cash flows from financing activities:			
Proceeds from long-term debt	127,659,452	123,166,498	87,589,294
Payments on long-term debt	(129,141,816)	(116,122,120)	(94,059,911)
Purchase of treasury stock		(3,106,156)	(84,540)
Proceeds from exercise of stock options	2,246,730	2,487,317	71,419
Net cash provided by (used in) financing activities	764,366	6,425,539	(6,483,738)
Increase (decrease) in cash and cash equivalents	2,901,809	(2,117,672)	1,321,787
Cash and cash equivalents — Beginning of year	2,159,050	4,276,722	2,954,935
Cash and cash equivalents — End of year	$ 5,060,859	$ 2,159,050	$ 4,276,722

See notes to consolidated financial statements.

**ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation — The accompanying consolidated financial statements include the accounts of Rocky Shoes & Boots, Inc. ("Rocky Inc.") and its wholly-owned subsidiaries, Lifestyle Footwear, Inc. ("Lifestyle"), Five Star Enterprises Ltd. ("Five Star") and Rocky Canada, Inc. (Rocky Canada), collectively referred to as the "Company." All significant intercompany transactions have been eliminated.

Business Activity — The Company designs, manufactures, and markets high quality men's and women's footwear, gloves and related outdoor apparel primarily under the registered trademarks, ROCKY® and GATES®. The Company maintains a nationwide network of Company sales representatives who sell the Company's products primarily through independent shoe, sporting goods, specialty, uniform stores and catalogs, and through mass merchandisers throughout the United States. The Company had one customer, which represented sales of military footwear under a subcontracting agreement, which accounted for 14% of consolidated net sales in 2004 and did not have any customers that accounted for more than 10% of consolidated net sales in 2003 and 2002.

Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents — The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Company's cash and cash equivalents are primarily held in four banks.

Trade Receivables — Trade receivables are presented net of the related allowance for uncollectible accounts of approximately $715,000 and $620,000 at December 31, 2004 and 2003, respectively.

Concentration of Credit Risk — The Company has significant transactions with a large number of customers. Accounts receivable from one customer, which represented sales of military footwear under a subcontracting agreement, represented 11.5% of the Company's total accounts receivable-trade balance as of December 31, 2004. No customer represented 10% of the Company's total accounts receivable-trade balance as of December 31, 2003. The Company's exposure to credit risk is impacted by the economic climate affecting its industry. The Company manages this risk by performing ongoing credit evaluations of its customers and maintains reserves for potential uncollectible accounts.

Supplier and Labor Concentrations — The Company purchases raw materials from a number of domestic and foreign sources. The Company currently buys the majority of its waterproof fabric, a component used in a significant portion of the Company's shoes and boots, from one supplier (GORE-TEX®). The Company has had a relationship with this supplier for over 20 years and has no reason to believe that such relationship will not continue.

A significant portion of the Company's shoes and boots are produced in the Company's Dominican Republic operations. The Company has conducted operations in the Dominican Republic since 1987 and is not aware of any governmental or economic restrictions that would alter its current operations.

The Company sources a significant portion of its footwear, apparel and gloves from manufacturers in the Far East, primarily China. The Company has had sourcing operations in China since 1993 and is not aware of any governmental or economic restrictions that would alter its current sourcing operations.

ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Inventories — Inventories are valued at the lower of cost, determined on a first-in, first-out (FIFO) basis, or market. Reserves are established for inventories when the net realizable value (NRV) is deemed to be less than its cost based on management's periodic estimates of NRV.

Fixed Assets — The Company records fixed assets at historical cost and generally utilizes the straight-line method of computing depreciation for financial reporting purposes over the estimated useful lives of the assets as follows:

	Years
Building and improvements	5-40
Machinery and equipment	3-8
Furniture and fixtures	3-8
Lasts, dies, and patterns	3

For income tax purposes, the Company generally computes depreciation utilizing accelerated methods.

Licensing Rights — On January 4, 2002, the Company re-acquired the licensing rights to ROCKY® Kids for approximately $500,000. Additional payments of approximately $30,000, which were conditional on sales in excess of a predetermined amount, were paid during 2003 completing the transaction. The rights to ROCKY® Kids were purchased from Philip's Kids, LLC ("Philip's"), an entity owned by a former member of the Company's Board of Directors. These licensing rights are considered indefinite lived intangible assets and are not subject to amortization and are recorded in goodwill.

Goodwill and Other Intangibles — Goodwill and trademarks are considered indefinite lived assets and are not amortizable. At December 31, 2004, the goodwill is deductible for tax purposes. Patents are amortized over the life the patents and amortization expense related to these assets was approximately $26,200, $25,100, and $19,800 in 2004, 2003 and 2002 respectively. Such amortization expense will be approximately $26,000 per year from 2005 to 2009.

Advertising — The Company expenses advertising costs as incurred. Advertising expense was $2,265,086, $1,776,909, and $1,921,367 for 2004, 2003 and 2002, respectively.

Revenue Recognition — Revenue and related cost of goods sold are recognized at the time footwear, outdoor apparel and accessories are shipped to the customer and title transfers. Revenue is recorded net of estimated sales discounts and returns based upon specific customer agreements and historical trends. All sales are final upon shipment.

Shipping and Handling Costs — In accordance with the Emerging Issues Tax Force ("EITF") No. 00-10 "Accounting For Shipping and Handling Fees And Costs," all shipping and handling costs billed to customers have been included in net sales. Shipping and handling costs are included in selling, general and administrative costs and totaled $1,789,194, $1,469,565, and $1,491,259 in 2004, 2003 and 2002, respectively. The Company's gross profit may not be comparable to other entities whose shipping and handling is a component of cost of sales.

Per Share Information — Basic net income per common share is computed based on the weighted average number of common shares outstanding during the period. Diluted net income per common share is computed similarly but includes the dilutive effect of stock options. A reconciliation of the shares used in the basic and diluted income per share computations is as follows:

	Years Ended December 31,		
	2004	2003	2002
Basic — weighted average shares outstanding	4,557,283	4,189,794	4,499,741
Dilutive securities — stock options	396,246	370,969	90,354
Diluted — weighted average shares outstanding	4,953,529	4,560,763	4,590,095
Anti-Diluted — weighted average shares outstanding	84,000	0	207,587

Asset Impairments — Annually, or more frequently if events or circumstances change, a determination is made by management, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, to ascertain whether property and equipment and other long-lived assets have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, the Company will recognize an impairment loss in an amount necessary to write down the assets to a fair value as determined from expected future discounted cash flows.

In accordance with SFAS No. 142, the Company tests intangible assets with indefinite lives and goodwill for impairment annually or when conditions indicate an impairment may have occurred.

Recently Adopted Financial Accounting Standards — In December 2003, the FASB issued a revision to Interpretation 46 (FIN 46R) to clarify certain provisions of FASB Interpretation No. 46. Variable interests in a variable interest entity are contractual, ownership, or other pecuniary interests in an entity that change with changes in the entity's net asset value. Variable interests are investments or other interests that will absorb a portion of an entity's expected losses if they occur or receive portions of the entity's expected residual returns if they occur. FIN 46R defers the effective date of FIN 46 for certain entities and makes several other changes to FIN 46. The Company's adoption of FIN 46 or FIN 46R did not have a material impact on the Company's consolidated financial statements.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs — an amendment of ARB No. 43, Chapter 4," which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) and also requires that the allocation of fixed production overhead be based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company is currently evaluating the impact of adopting this statement.

In December 2004, the FASB issued revised SFAS No. 123, "Share-Based Payment" which replaces SFAS No. 123, "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." This statement, which requires the cost of all share-based payment transactions be recognized in the financial statements, establishes fair value as the measurement objective and requires entities to apply a fair-value-based measurement method in accounting for share-based payment transactions. The statement applies to all awards granted, modified, repurchased or cancelled after July 1, 2005, and unvested portions of previously issued and outstanding awards. The Company is currently evaluating the impact of adopting this statement.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets — an amendment of APB Opinion No. 29." The statement addresses the measurement of exchanges of nonmonetary assets and eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets and replaces it with an exception for exchanges that do not have commercial

ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

substance. SFAS No. 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company is currently evaluating the impact of adopting this statement.

In December 2004, the FASB issued FSP No. FAS 109-2, “Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004,” which provides a practical exception to the SFAS No. 109 requirement to reflect the effect of a new tax law in the period of enactment by allowing additional time beyond the financial reporting period to evaluate the effects on plans for reinvestment or repatriation of unremitted foreign earnings. At December 31, 2004 the Company determined it would repatriate a portion of its foreign earnings and accrued the related taxes. (see Note 8).

Product Group Information — Gates Gloves is a product group established in 2003 for reporting sales of Gates® branded gloves and accessories. The following is supplemental information on net sales by product group:

	2004	% of Sales	2003	% of Sales	2002	% of Sales
Rugged Outdoor	$ 46,627,583	35.3%	$ 48,100,097	45.3%	$ 41,554,244	46.7%
Occupational	40,838,295	30.9%	34,560,154	32.6%	29,620,876	33.3%
Military	18,542,564	14.0%	408,204	0.4%	6,437,248	7.2%
Casual	2,392,526	1.8%	2,498,089	2.4%	2,306,748	2.6%
Apparel	8,854,804	6.7%	4,502,865	4.2%	2,740,441	3.1%
Gates Gloves	9,622,923	7.3%	10,240,548	9.6%		
Factory Outlet Stores	4,017,359	3.0%	4,582,687	4.3%	4,050,823	4.6%
Other	1,352,909	1.0%	1,272,109	1.2%	2,248,341	2.5%
Total	$ 132,248,963	100.00%	$ 106,164,753	100.0%	$ 88,958,721	100.0%

Net sales to foreign countries, primarily Canada, represented approximately 2.1% of net sales in 2004, 1.4% of net sales in 2003 and 1.0% of net sales in 2002.

Stock-Based Compensation — The Company applies APB Opinion No. 25 and related Interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized for its stock option plans because the exercise price under the plan is equal to the market value of this underlying common stock on the date of grant. Had compensation costs for the Company’s stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, the Company's net income and net income per share would have resulted in the amounts as reported below.

	Years Ended December 31,		
	2004	2003	2002
Net income, as reported	$ 8,594,392	$ 6,039,243	$ 2,843,300
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	1,003,446	454,299	405,854
Pro forma net income	$ 7,590,946	$ 5,584,944	$ 2,437,446
Earnings per share:			
Basic — as reported	$ 1.89	$ 1.44	$ 0.63
Basic — pro forma	$ 1.67	$ 1.33	$ 0.54
Diluted — as reported	$ 1.74	$ 1.32	$ 0.62
Diluted — pro forma	$ 1.53	$ 1.24	$ 0.54

The pro forma amounts are not representative of the effects on reported net income for future years.

Comprehensive Income — Comprehensive income includes changes in equity that result from transactions and economic events from non-owner sources. Comprehensive income is composed of two subsets — net income and other comprehensive income (loss). Included in other comprehensive income (loss) for the Company is a minimum pension liability adjustment, which is recorded net of a related tax effect. This adjustment is accumulated within the Consolidated Statements of Shareholders' Equity under the caption Accumulated Other Comprehensive Loss.

2. ACQUISITIONS

On April 15, 2003, the Company completed the purchase of certain assets from Gates-Mills, Inc. ("Gates"). Under the terms of the purchase agreement, Rocky acquired all of the intellectual property of Gates, including ownership of the Gates® trademark, selected raw material and finished goods inventory, and certain records in connection with the Gates business in exchange for $3,510,070 plus a deferred purchase price if sales by the Company related to the Gates product line from the date of purchase through December 31, 2003 reach certain performance targets. The Company recorded an additional purchase price of $1,324,400 because net sales of the product line have exceeded the performance targets established for 2003. No additional payments are required. The acquisition was accounted for under the purchase method and results of operations of the Gates business have been included in the Company's results of operations since the date of acquisition. The following unaudited pro-forma information presents results as if the acquisition had occurred on January 1, 2002: net sales ($108,847,526); net loss ($395,462); and net loss per diluted share ($0.09). Unaudited pro-forma results of operations for the year ended December 31, 2003 are not presented due to the unavailability of information from Gates-Mills, Inc. Final allocation of the purchase price is follows:

Inventory	$	2,040,070
Goodwill		1,032,400
Trademarks		1,762,000
Total acquisition cost	$	4,834,470
Transaction costs		91,580
Total	$	4,926,050

On January 6, 2005, the Company completed the purchase of 100% of the issued and outstanding voting limited liability interests of EJ Footwear LLC, Georgia Boot LLC, and HM Lehigh Safety Shoe Co. LLC (the "EJ Footwear Group") from SILLC Holdings LLC. The EJ Footwear Group was acquired to expand the Company's branded product lines, principally occupational products. The aggregate purchase price for the interests of EJ Footwear Group was $91.2 million in cash plus 484,261 shares of the Company's common stock valued at $11,573,000 (valued at $10,000,000 in the definitive agreement). Common stock value is based on the share price at the date of the agreement. To fund the transaction the Company refinanced its existing credit agreement and entered into an additional note agreement. (See Note 6).

The results of operations of EJ Footwear Group will be included in the results of operations of the Company effective January 1, 2005, as management determined that results of operations were not significant and no material transactions occurred during the period from January 1, 2005 to January 6, 2005.

The purchase price, which includes $1.6 million in transaction cost, will be allocated to the Company's tangible and intangible assets and liabilities based upon estimated fair values as of the date of the acquisition. The Company is in the process of obtaining appraisals of all tangible and intangible assets and liabilities to establish the fair values and determining a final working capital adjustment. As the purchase price allocation has not been completed, the amounts and lives assigned to finite and indefinite life intangibles, and the related amortizations periods have been estimated. Goodwill resulting from the transaction will not be tax deductible. The purchase price is preliminarily allocated, based on management's estimates, as follows:

Current assets	$	64,736,890
Fixed assets and other assets		3,109,170
Identifiable intangibles		47,000,000
Goodwill		16,378,518
Liabilities		(8,900,005)
Deferred Taxes — long term		(17,935,223)
Purchase price	$	104,389,350

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The following unaudited pro-forma information presents results as if the acquisition had occurred on January 1, 2004:

Net sales	$	279,051,000
Net income		12,782,000
Earning per share:		
Basic	$	2.54
Diluted	$	2.35

3. INVENTORIES

Inventories are comprised of the following:

	December 31,			
	2004		2003	
Raw Materials	$	4,711,014	$	5,087,468
Work-in-progress		564,717		878,091
Finished goods		26,565,240		31,168,371
Factory outlet finished goods		1,268,153		1,299,257
Less reserve for obsolescence or lower of cost or market		(150,000)		(365,000)
Total	$	32,959,124	$	38,068,187

4. OTHER ASSETS

Intangible assets are recorded in other assets and consist of the following:

	December 31,			
	2004		2003	
Trademarks	$	2,225,887	$	2,149,694
Patents — net of amortization		335,540		310,071
Deferred Acquisition Costs		933,502		
Other		725,114		452,745
Total	$	4,220,043	$	2,912,510

ROCKY SHOES & BOOTS, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. FIXED ASSETS

Fixed assets are comprised of the following:

	December 31, 2004	December 31, 2003
Land	$ 572,838	$ 572,838
Building and improvements	15,484,035	13,112,334
Machinery and equipment	22,730,530	21,949,160
Furniture and fixtures	3,472,210	2,110,909
Lasts, dies and patterns	9,911,316	8,958,470
Construction work-in-progress	561,967	86,997
Total	52,732,896	46,790,708
Less — accumulated depreciation	(32,553,410)	(29,180,470)
Net fixed assets	$ 20,179,486	$ 17,610,238

6. LONG-TERM DEBT

Long-term debt is comprised of the following:

	December 31, 2004	December 31, 2003
Bank-revolving credit facility	$ 11,552,109	$ 12,530,539
Equipment and other obligations	123,300	287,700
Real estate obligations	4,861,155	5,200,689
Total debt	16,536,564	18,018,928
Less current maturities	6,492,020	503,934
Net long-term debt	$ 10,044,544	$ 17,514,994

On September 18, 2000, the Company entered into a three-year loan and security agreement with GMAC Business Credit, LLC (GMAC) refinancing its former bank revolving line of credit based on the collateral value of its accounts receivable and inventory. On October 21, 2002, the Company extended the agreement two years. This loan and security agreement permits a borrowing base to a maximum of $45,000,000. Interest on the revolving credit facility is payable monthly at GMAC's prime rate, and the entire principal is due September 17, 2005. Under terms of the agreement, the Company has the option to borrow up to seventy five percent (75%) of its outstanding obligation at LIBOR plus two and three-eights percent (2.375%) or prime. The interest rate for the outstanding balance at December 31, 2004 was 5.25% (4.00% at December 31, 2003).

Amounts borrowed under the agreement are secured by accounts receivable, inventory, equipment, intangible assets of the Company and its wholly-owned domestic subsidiary, Lifestyle Footwear, Inc. Additional security includes 65% of the capital stock of the Company's wholly-owned foreign subsidiary, Five Star Enterprises, Ltd., and 100% of the capital stock of the Company's wholly-owned domestic subsidiary.

The loan and security agreement contains certain restrictive covenants, which among other things, requires the Company to maintain a certain level of net worth, and fixed charge coverage. As of December 31, 2004, the Company is in compliance with the loan covenants. Presently, the line of credit restricts the payment of dividends on common stock.

Equipment and other obligations at December 31, 2004 bear interest at a variable rate of prime and are payable in monthly installments to 2005. The equipment is held as collateral against the outstanding obligations.

In January 2000, the Company completed a mortgage financing facility with GE Capital Corp. for three of its facilities totaling $6,300,000. The facility bears interest at 8.275%, with total monthly principal and interest payments of $63,100 to 2014. The proceeds of the financing were used to pay down borrowings under a former revolving credit facility.

At December 31, 2004 and 2003, the Company has no interest rate management agreements.

The estimated fair value of the Company's long-term obligations approximated their carrying amount at December 31, 2004 and 2003, based on current market prices for the same or similar issues or on debt available to the Company with similar rates and maturities.

On January 6, 2005, to fund the acquisition of EJ Footwear Group, the Company entered into a loan and security agreement with GMAC Commercial Finance LLC, refinancing its former $45,000,000 revolving line of credit, for certain extensions of credit (the "Credit Facility"). The Credit Facility is comprised of (i) a five-year revolving credit facility up to a principal amount of $100,000,000 with an interest rate of LIBOR plus two and a half percent (2.5%) or prime plus one percent (1.0%) and (ii) a three-year term loan in the principal amount of $18,000,000 with an interest rate of LIBOR plus three and a quarter percent (3.25%) or prime plus one and three quarters percent (1.75%). The Credit Facility is secured by a first priority perfected security interest in all presently owned and hereafter acquired domestic personal property of the Borrowers, subject to specified exceptions. The credit facility restricts the payment of dividends. At December 31, 2004, the Company has no retained earnings available for distribution.

Also on January 6, 2005, the Company entered into a note agreement (the "Note Purchase Agreement") with American Capital Financial Services, Inc., as agent, and American Capital Strategies, Ltd., as lender (collectively, "ACAS"), regarding $30,000,000 in six-year Senior Secured Term B Notes with an interest rate of LIBOR plus eight percent (8.0%). The Note Purchase Agreement provides, among other terms, that (i) the ACAS Second Lien Term Loan will be senior indebtedness of the Company, secured by essentially the same collateral as the Credit Facility, (ii) such note facility will be "last out" in the event of liquidation of the Company and its subsidiaries, and (iii) principal payments on such note facility will begin in the fourth year of such note facility.

Long-term debt maturities, adjusted for the January 2005 refinancing, are as follows for the years ended December 31:

2005	$	6,492,020
2006		6,400,416
2007		6,434,837
2008		10,472,216
2009		10,512,809

7. OPERATING LEASES

The Company leases certain machinery and manufacturing facilities under operating leases that generally provide for renewal options. The Company incurred approximately $918,000, $793,000 and $799,000 in rent expense under operating lease arrangements for 2004, 2003 and 2002, respectively.

Included in total rent expense above are monthly payments of $5,000 for 2004, 2003 and 2002 for the Company's former Ohio manufacturing and clearance center facility leased from an entity in which the owners are also shareholders of the Company. The Company purchased the facility in January 2005 and relocated its factory outlet store in Nelsonville, Ohio to this location.

Future minimum lease payments under non-cancelable operating leases are as follows for the years ended December 31:

2005	$ 742,000
2006	616,000
2007	294,000
2008	294,000
2009	258,000
Total	$ 2,204,000

8. INCOME TAXES

Rocky Inc. and its wholly-owned subsidiary doing business in Puerto Rico, Lifestyle, are subject to U.S. Federal income taxes; however, the Company's income earned in Puerto Rico is allowed favorable tax treatment under Section 936 of the Internal Revenue Code if conditions as defined therein are met. Five Star is incorporated in the Cayman Islands and conducts its operations in a "free trade zone" in the Dominican Republic and, accordingly, is currently not subject to Cayman Islands or Dominican Republic income taxes. Rocky Canada began operations in July 2003 and is subject to Canadian income taxes.

At December 31, 2004, a provision of $157,000 has been made for U.S. taxes on the repatriation of $3,000,000 of accumulated undistributed earnings of Five Star through December 31, 2004. At December 31, 2004, after the planned repatriation above, approximately $6,839,000 is remaining that would become taxable upon repatriation to the United States. During 2005, the Company will complete its evaluation of foreign earnings and may repatriate up to an additional $5,000,000 of accumulated undistributed earnings, which could result in up to $260,000 of additional tax. In addition the Company has provided Puerto Rico tollgate taxes on approximately $3,684,000 of accumulated undistributed earnings of Lifestyle prior to the fiscal year ended June 30, 1994, that would be payable if such earnings were repatriated to the United States. If the Five Star and Lifestyle undistributed earnings were distributed to the Company in the form of dividends, the related taxes on such distributions would be approximately $2,394,000 and $379,000, respectively. In 2001, the Company received abatement for Puerto Rico tollgate taxes on all earnings subsequent to June 30, 1994. This resulted in the Company reducing its deferred tax liability by $408,000. The Company recognized a tax benefit for the exercise of its stock options in the amount of $1,205,300 for the year ended December 31, 2004.

The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes,* which requires an asset and liability approach to financial accounting and reporting for income taxes. Accordingly, deferred income taxes have been provided for the temporary differences between the financial reporting and the income tax basis of the Company's assets and liabilities by applying enacted statutory tax rates applicable to future years to the basis differences.

ROCKY SHOES & BOOTS, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Years Ended December 31, 2004	2003	2002
Federal:			
Current	$ 1,836,232	$ 2,308,011	$ 200,134
Deferred	1,173,870	(93,011)	683,867
Total Federal	3,010,102	2,215,000	884,001
State and local:			
Current	146,858	229,000	3,695
Deferred	142,195	(20,750)	65,304
Total state and local	289,053	208,250	68,999
Foreign — current	176,845	11,000	
Total	$ 3,476,000	$ 2,434,250	$ 953,000

A reconciliation of recorded Federal income tax expense (benefit) to the expected expense (benefit) computed by applying the Federal statutory rate of 35% for 2004 and 34% for all periods to income before income taxes follows:

	Years Ended December 31, 2004	2003	2002
Expected expense at statutory rate	$ 4,224,637	$ 2,880,988	$ 1,290,742
Increase (decrease) in income taxes resulting from:			
Exempt (income) from operations in Puerto Rico, net of tollgate taxes	(560,000)		
Exempt (income) from Dominican Republic operations	(580,009)	(545,792)	(430,416)
Tax on repatriated earnings from Dominican Republic operations	157,000		
State and local income taxes	187,884	132,796	45,539
Other — net	46,488	(33,742)	47,135
Total	$ 3,476,000	$ 2,434,250	$ 953,000

Deferred income taxes recorded in the consolidated balance sheets at December 31, 2004 and 2003 consist of the following:

	December 31, 2004	December 31, 2003
Deferred tax assets:		
Asset valuation allowances and accrued expenses	$ 580,503	$ 809,023
Pension and deferred compensation		759,341
Plant closing costs		74,290
Inventories	275,397	373,721
State and local income taxes	50,256	
Total deferred tax assets	906,156	2,016,375
Deferred tax liabilities:		
Fixed assets	(806,642)	(858,175)
State and local income taxes		(51,372)
Prepaid assets	(210,525)	(41,490)
Pension and deferred compensation	(485,381)	
Tollgate tax on Lifestyle earnings	(379,271)	(368,435)
Total deferred tax liabilities	(1,881,819)	(1,319,472)
Net deferred tax asset	$ (975,663)	$ 696,903

9. RETIREMENT PLANS

The Company sponsors a noncontributory defined benefit pension plan covering non-union workers of the Company’s Ohio and Puerto Rico operations. Benefits under the non-union plan are based upon years of service and highest compensation levels as defined. Annually, the Company contributes to the plans at least the minimum amount required by regulation.

The Company sponsored a non-contributory defined benefit plan for certain union employees. The plan was frozen in September 2001 and terminated March 2004. The settlement of the plan resulted in a gain of $63,228 in 2004.

The funded status of the Company's plans and reconciliation of accrued pension cost at December 31, 2004 and 2003 is presented below (information with respect to benefit obligations and plan assets is as of September 30):

	December 31, 2004	December 31, 2003
Change in benefit obligation:		
Projected benefit obligation at beginning of the year	$ 11,121,263	$ 9,225,682
Service cost	512,317	387,693
Interest cost	646,052	603,481
Actuarial loss	152,722	1,230,283
Exchange loss	352,612	297,293
Benefits paid	(403,330)	(623,169)
Settlement	(2,752,605)	
Projected benefit obligation at end of year	$ 9,629,031	$ 11,121,263
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 8,791,904	$ 7,150,990
Actual gain on plan assets	1,953,062	2,264,083
Employer contribution	1,120,000	
Benefits paid	(403,330)	(623,169)
Settlement	(2,752,605)	
Fair value of plan assets at end of year	$ 8,709,031	$ 8,791,904
Funded Status:		
Unfunded deficit	$ (920,000)	$ (2,329,359)
Remaining unrecognized benefit obligation existing at transition	57,073	73,380
Unrecognized prior service costs due to plan amendments	1,290,751	1,426,144
Unrecognized net loss	2,296,041	3,372,387
Adjustment required to recognize minimum liability	(2,813,060)	(4,194,074)
Curtailment charge included in plant closing costs		190,570
Accrued pension liability	$ (89,195)	$ (1,460,952)
Amounts recognized in the consolidated financial statements:		
Deferred pension asset	$ (1,347,824)	$ (1,499,524)
Deferred pension liability and curtailment liability	2,723,865	2,733,122
Accumulated other comprehensive loss	(1,465,236)	(2,694,550)
Net amount recognized	$ (89,195)	$ (1,460,952)
Accumulated benefit obligation	$ 8,798,226	$ 10,443,426

SFAS No. 87, "Employers' Accounting for Pensions," generally requires the Company to recognize a minimum liability in instances in which a plan's accumulated benefit obligation exceeds the fair value of plan assets. In accordance with the statement, the Company has recorded in the accompanying consolidated financial statements a non-current deferred pension asset of $1,347,824 and $1,499,524 as of

December 31, 2004 and 2003, respectively. In addition, under SFAS No. 87, if the minimum liability exceeds the unrecognized prior service cost and the remaining unrecognized benefit obligation at transition, the excess is reported in other comprehensive income of $872,814 net of a deferred tax of $356,501 for 2004 and $361,349 net of a deferred tax of $154,864 for 2003.

Net pension cost of the Company's plans is as follows:

	Years Ended December 31,		
	2004	2003	2002
Service cost	$ 512,317	$ 387,692	$ 269,715
Interest	646,052	603,481	580,032
Expected return on assets	(684,297)	(552,988)	(456,422)
Amortization of unrecognized net loss	141,642	178,641	51,850
Amortization of unrecognized transition obligation	16,306	16,306	16,306
Amortization of unrecognized prior service cost	135,393	135,393	135,393
Net pension cost	$ 767,413	$ 768,525	$ 596,874

The Company's unrecognized benefit obligations existing at the date of transition for the non-union plan is being amortized over 21 years. Actuarial assumptions used in the accounting for the plans were as follows:

	December 31,	
	2004	2003
Discount rate	5.75%	5.75%
Average rate of increase in compensation levels (non-union only)	3.0%	3.0%
Expected long-term rate of return on plan assets	8.0%	8.0%

The Company's pension plans weighted-average asset allocations at December 31, 2004 and 2003 by asset category are:

	December 31,	
	2004	2003
Rocky, Inc. common stock	19.3%	17.2%
Other equity securities	61.2%	65.5%
Debt securities	6.2%	14.7%
Other	13.3%	2.6%
	100.0%	100.0%

The Company's investment objectives are (1) to maintain the purchasing power of the current assets and all future contributions; (2) to maximize return within reasonable and prudent levels of risk; (3) to maintain an appropriate asset allocation policy (80% equity securities and 20% debt securities) that is compatible with the actuarial assumptions, while still having the potential to produce positive returns; and (4) to control costs of administering the plan and managing the investments.

The expected benefit payments for pensions are as follows for the years ended December 31:

2005	$	297,000
2006		294,000
2007		331,000
2008		346,000
2009		356,000
Thereafter		2,504,000
Total	$	4,128,000

The Company anticipates making a contribution of approximately $800,000 to the pension plan in 2005.

The Company's desired investment result is a long-term rate of return on assets that is at least 8%. The target rate of return for the plans have been based upon the assumption that returns will approximate the long-term rates of return experienced for each asset class in the Company's investment policy. The Company's investment guidelines are based upon an investment horizon of greater than five years, so that interim fluctuations should be viewed with appropriate prospective. Similarly, the Plan's strategic asset allocation is based on this long-term perspective.

The Company also sponsors a 401(k) savings plan for substantially all of its employees. The Company provides contributions to the plan only on a discretionary basis. No Company contribution was made for 2004, 2003 and 2002.

10. COMMITMENTS AND CONTINGENCIES

The Company is, from time to time, a party to litigation which arises in the normal course of its business. Although the ultimate resolution of pending proceedings cannot be determined, in the opinion of management, the resolution of such proceedings in the aggregate will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

11. CAPITAL STOCK

The Company has authorized 250,000 shares of voting preferred stock without par value. No shares are issued or outstanding. Also, the Company has authorized 250,000 shares of non-voting preferred stock without par value. Of these, 125,000 shares have been designated Series A non-voting convertible preferred stock with a stated value of $.06 per share, of which no shares are issued and none are outstanding at December 31, 2004 and 2003, respectively.

In November 1997, the Company's Board of Directors adopted a Rights Agreement, which provides for one preferred share purchase right to be associated with each share of the Company's outstanding common stock. Shareholders exercising these rights would become entitled to purchase shares of Series B Junior Participating Cumulative Preferred Stock. The rights may be exercised after the time when a person or group of persons without the approval of the Board of Directors acquire beneficial ownership of 20 percent or more of the Company's common stock or announce the initiation of a tender or exchange offer which if successful would cause such person or group to beneficially own 20 percent or more of the common stock. Such exercise may ultimately entitle the holders of the rights to purchase for $80 per right, common stock of the Company having a market value of $160. The person or groups effecting such 20 percent acquisition or undertaking such tender offer will not be entitled to exercise any rights. These rights expire November 2007 unless earlier redeemed by the Company under circumstances permitted by the Rights Agreement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In September 2002, the Company's Board of Directors authorized the repurchase of up to 500,000 common shares outstanding in open market or privately negotiated transactions through December 31, 2004. Purchases of stock under this program were funded with borrowings from the Company's credit facility. There were 16,400 shares repurchased and retired in 2002 for $84,540. The Company completed the repurchase program during the first quarter 2003 and retired the remaining shares. There were 483,533 shares repurchased and retired in 2003 for $3,106,153.

On October 11, 1995, the Company adopted the 1995 Stock Option Plan which provides for the issuance of options to purchase up to an additional 400,000 common shares of the Company. In May 1998, the Company adopted the Amended and Restated 1995 Stock Option Plan which provides for the issuance of options to purchase up to an additional 500,000 common shares of the Company. In addition in May 2002, the Board of Directors approved the issuance of a total of 400,000 additional common shares of the Company under the 1995 Stock Option Plan. All employees, officers, directors, consultants and advisors providing services to the Company are eligible to receive options under the Plans. On May 11, 2004 shareholders of the Company approved the 2004 Stock Incentive Plan. This Stock Incentive Plan includes 750,000 of the Company's common shares that may be granted for stock options and restricted stock awards. As of December 31, 2004, the Company is authorized to issue 663,935 options under the 2004 Stock Incentive Plan.

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The plans generally provide for grants with the exercise price equal to fair value on the date of grant, graduated vesting periods of up to 5 years, and lives not exceeding 10 years. The following summarizes all stock option transactions from January 1, 2002 through December 31, 2004:

	Shares	Weighted-Average Exercise Price
Outstanding at January 1, 2002	912,000	$ 7.27
Issued	194,000	5.79
Exercised	(13,250)	5.39
Forfeited	(69,750)	8.63
Outstanding at December 31, 2002	1,023,000	6.92
Issued	224,000	6.59
Exercised	(334,500)	7.46
Forfeited	(61,000)	6.80
Outstanding at December 31, 2003	851,500	6.63
Issued	175,000	20.78
Exercised	(330,700)	6.79
Forfeited	(16,250)	7.57
Outstanding at December 31, 2004	679,550	$ 10.03
Options exercisable at December 31:		
2002	721,625	$ 7.67
2003	515,250	$ 6.97
2004	402,926	$ 7.07
Fair value of options granted during the year:		
2002		$ 2.40
2003		$ 2.79
2004		$ 8.97

The following table summarizes information about options outstanding at December 31, 2004:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number	Average Remaining Contractual Life	Weighted-Average Exercise Price	Number	Weighted-Average Exercise Price
$3.875 – $5.00	111,300	3.9	$ 4.12	105,363	$ 4.09
$5.01 – $5.75	110,500	5.6	$ 5.24	62,750	$ 5.24
$5.76 – $6.50	178,000	4.2	$ 5.87	138,500	$ 5.83
$6.51 – $8.875	40,750	3.5	$ 7.40	34,188	$ 7.51
$8.89 – $15.25	72,000	3.8	$ 13.33	46,125	$ 14.41
$15.26 – $27.25	167,000	6.8	$ 20.78	16,000	$ 22.39
	679,550		$ 10.03	402,926	$ 7.07

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In determining the estimated fair value of each option granted on the date of grant the Company uses the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2004, 2003 and 2002, respectively; dividend yield of 0%; expected volatility of 51%, 44% and 44%; risk-free interest rates of 3.28%, 2.80% and 2.83% and expected life of 4 years, 6 years and 6 years.

12. COMPREHENSIVE INCOME

Comprehensive income represents net income plus the results of certain non-shareholders' equity changes not reflected in the Consolidated Statements of Income. The components of comprehensive income, net of tax, are as follows:

	Years Ended December 31,		
	2004	2003	2002
Net income	$ 8,594,392	$ 6,039,243	$ 2,843,300
Minimum pension liability, net of tax effect	872,814	361,349	(1,480,588)
Comprehensive income	$ 9,467,206	$ 6,400,592	$ 1,362,712

The 2004, 2003 and 2002 minimum pension liability is net of a deferred tax (expense) benefit of $(356,501), $(154,864) and $575,784, respectively.

13. CLOSURE OF MANUFACTURING OPERATIONS

In September 2001, the Board of Directors approved a restructuring plan to consolidate and realign the Company's footwear manufacturing operations. Under this plan, the Company moved the footwear manufacturing operations at its Nelsonville, Ohio factory to the Company's factory in Puerto Rico. The restructuring plan was completed in the fourth quarter of 2001.

The execution of this plan, which started in September 2001, resulted in the elimination of 67 employees at the Company's Nelsonville, Ohio facility, and a transfer of a significant amount of machinery and equipment located at the Nelsonville facility to the Moca, Puerto Rico facility.

A reconciliation of the plant closing costs and accrual is as follows:

	Accrued Balance Dec. 31, 2001	2002 Payments	2002 Expense Adjustments to Original Estimate	Accrued Balance Dec. 31, 2002	2003 Payments	Accrued Balance Dec. 31, 2003	2004 Payments	2004 Expense Adjustments to Original Estimate
Severance:								
Non-union	$ 71,668	$ 25,574	$ 26,094	$ 20,000	$ 14,500	$ 5,500	$	$ 5,500
Union								
Curtailment of pension plan benefits	690,000	500,000		190,000		190,000	132,272	57,728
Employee benefits	33,000	31,047	1,953					
Factory lease	85,000	40,000	45,000					
Equipment and relocation costs	5,000		5,000					
Legal and other costs	18,623	53,667	(35,044)					
Total	$ 903,291	$ 650,288	$ 43,003	$ 210,000	$ 14,500	$ 195,500	$ 132,272	$ 63,228

The Company expects no additional restructuring and realignment costs associated with this plan and therefore recognized $63,228 of income in 2004.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

14. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest and Federal, state and local income taxes was as follows:

	Years Ended December 31,		
	2004	2003	2002
Interest	$ 1,317,991	$ 1,402,743	$ 1,435,505
Federal, state and local income taxes — net of refunds	$ 5,126,694	$ 206,232	$ 68,066

Accounts payable at December 31, 2004, 2003 and 2002 include a total of $522,997, $45,582 and $2,693, respectively, relating to the additional goodwill accrued in the acquisition of certain assets of Gates-Mills, Inc. in 2003 and the purchase of fixed assets. In 2004, the Company agreed to purchase a building for $505,000 from a partnership 25% owned by the Company's Chairman and CEO.

15. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2004 and 2003:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total Year
2004					
Net sales	$ 21,882,089	$ 27,433,987	$ 50,052,894	$ 32,879,993	$ 132,248,963
Gross margin	5,618,604	7,776,209	15,996,490	9,251,060	38,642,363
Net income	72,451	1,447,822	4,887,359	2,186,760	8,594,392
Net income per common share:					
Basic	$ 0.02	$ 0.32	$ 1.06	$ 0.47	$ 1.89
Diluted	$ 0.01	$ 0.29	$ 0.98	$ 0.43	$ 1.74
2003					
Net sales	$ 13,754,941	$ 21,863,148	$ 41,349,824	$ 29,196,840	$ 106,164,753
Gross margin	3,465,528	6,734,984	13,085,792	9,495,321	32,781,625
Net income (loss)	(622,569)	1,095,819	3,467,595	2,098,398	6,039,243
Net income (loss) per common share:					
Basic	$ (0.14)	$ 0.27	$ 0.84	$ 0.50	$ 1.44
Diluted	$ (0.14)	$ 0.25	$ 0.77	$ 0.44	$ 1.32

No cash dividends were paid during 2004 and 2003

16. SEGMENT INFORMATION

We have identified three reportable segments: Wholesale, Retail and Military. Wholesale includes sales of footwear and accessories to several classifications of retailers including sporting goods stores, outdoor specialty stores, mail order catalogs, independent retailers, mass merchants, retail uniform stores, and specialty safety shoe stores. Retail includes all sales from our factory outlet stores. Military includes sales to the U.S. Military. The following is a summary of segment results for the Wholesale, Retail, and Military segments.

ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	2004	2003	2002
Net sales:			
Wholesale	$ 109,689,040	$ 101,173,862	$ 78,470,650
Retail	4,017,359	4,582,687	4,050,823
Military	18,542,564	408,204	6,437,248
Total Net Sales	$ 132,248,963	$ 106,164,753	$ 88,958,721
Gross margin:			
Wholesale	$ 34,738,851	$ 31,104,319	$ 22,308,356
Retail	1,114,364	1,614,454	1,122,152
Military	2,789,148	62,852	—
Total Gross Margin	$ 38,642,363	$ 32,781,625	$ 23,430,508

Segment asset information is not prepared or used to assess segment performance. Product group net sales information is included in Note 1.

ROCKY SHOES & BOOTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2005 (Unaudited)	June 30, 2004 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,015,645	$ 492,408
Trade receivables — net	56,654,184	27,422,370
Other receivables	1,365,390	863,709
Inventories	85,410,975	38,641,868
Deferred income taxes	1,297,850	959,810
Income tax receivable		
Prepaid expenses	1,530,587	1,105,070
Total current assets	147,274,631	69,485,235
Fixed assets — net	23,139,177	19,055,324
Deferred pension asset	1,347,824	1,499,524
Identified intangibles	47,232,076	2,677,892
Goodwill	20,432,550	1,557,861
Other assets	4,293,066	436,929
Total assets	$ 243,719,324	$ 94,712,765
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 17,626,282	$ 6,829,747
Current maturities — long term debt	6,384,242	518,226
Accrued expenses:		
Income taxes	814,831	45,064
Taxes — other	587,405	491,828
Salaries and wages	2,094,912	988,107
Plant closing costs		63,228
Other	4,338,834	636,805
Total current liabilities	31,846,506	9,573,005
Long term debt — less current maturities	104,336,905	21,493,872
Deferred income taxes	18,527,196	262,907
Deferred liabilities	1,326,347	1,962,160
Total liabilities	156,036,954	33,291,944
Shareholders' equity:		
Common stock, no par value;		
10,000,000 shares authorized; issued and outstanding June 30, 2005 — 5,284,725; June 30, 2004 — 4,587,476	50,623,315	36,396,070
Accumulated other comprehensive loss	(889,564)	(1,950,400)
Retained earnings	37,948,619	26,975,151
Total shareholders' equity	87,682,370	61,420,821
Total liabilities and shareholders' equity	$ 243,719,324	$ 94,712,765

See notes to the interim unaudited condensed consolidated financial statements.

ROCKY SHOES & BOOTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(Unaudited)			
Net sales	$ 65,519,637	$ 27,433,987	$ 127,017,721	$ 49,316,076
Cost of goods sold	39,796,398	19,657,778	77,086,610	35,921,263
Gross margin	25,723,239	7,776,209	49,931,111	13,394,813
Selling, general and administrative expenses	19,484,789	5,396,376	40,146,472	10,724,067
Income from operations	6,238,450	2,379,833	9,784,639	2,670,746
Other income and (expenses):				
Interest expense	(2,115,578)	(274,868)	(3,994,170)	(533,441)
Other — net	126,887	24,182	117,639	98,388
Total other — net	(1,988,691)	(250,686)	(3,876,531)	(435,053)
Income before income taxes	4,249,759	2,129,147	5,908,108	2,235,693
Income tax expense	1,444,864	681,325	2,008,759	715,420
Net income	$ 2,804,895	$ 1,447,822	$ 3,899,349	$ 1,520,273
Net income per share				
Basic	$ 0.53	$ 0.32	$ 0.75	$ 0.34
Diluted	$ 0.50	$ 0.29	$ 0.70	$ 0.31
Weighted average number of common shares outstanding				
Basic	5,244,395	4,557,954	5,204,107	4,492,989
Diluted	5,625,169	5,003,936	5,589,643	4,949,805

See notes to the interim unaudited condensed consolidated financial statements.

ROCKY SHOES & BOOTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 3,899,349	$ 1,520,273
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	2,523,105	1,558,687
Deferred compensation and pension	553,158	
Deferred income taxes	(16,118)	334,567
Loss on disposal of fixed assets	37,431	
Stock issued as directors' compensation	60,000	50,000
Change in assets and liabilities, (net of effect of acquisition):		
Receivables	(290,197)	(7,923,661)
Inventories	(17,778,307)	(573,681)
Other current assets	2,048,502	(59,832)
Other assets	166,897	(214,951)
Accounts payable	7,721,322	3,837,559
Accrued and other liabilities	42,425	(2,845,538)
Net cash used in operating activities	(1,032,433)	(4,316,577)
Cash flows from investing activities:		
Purchase of fixed assets	(2,660,940)	(2,782,106)
Acquisition of business	(92,916,237)	
Net cash used in investing activities	(95,577,177)	(2,782,106)
Cash flows from financing activities:		
Proceeds from revolving credit facility (net)	47,988,443	4,241,638
Proceeds from long-term debt	48,000,000	
Repayments of long-term debt	(1,803,860)	(275,468)
Debt financing costs	(2,310,550)	
Proceeds from exercise of stock options	690,363	1,465,871
Net cash provided by financing activities	92,564,396	5,432,041
Decrease in cash and cash equivalents	(4,045,214)	(1,666,642)
Cash and cash equivalents, beginning of period	5,060,859	2,159,050
Cash and cash equivalents, end of period	$ 1,015,645	$ 492,408

See notes to the interim unaudited condensed consolidated financial statements.

ROCKY SHOES & BOOTS, INC.
AND SUBSIDIARIES

NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 2005 AND 2004

1. INTERIM FINANCIAL REPORTING

In the opinion of management, the accompanying interim unaudited condensed consolidated financial statements reflect all adjustments which are necessary for a fair presentation of the financial results. All such adjustments reflected in the unaudited interim consolidated financial statements are considered to be of a normal and recurring nature. The results of the operations for the three-month periods and six-month periods ended June 30, 2005 and 2004 are not necessarily indicative of the results to be expected for the whole year. Accordingly, these consolidated financial statements should be read in conjunction with the condensed consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2004.

The Company accounts for its stock option plans in accordance with APB Opinion No. 25, under which no compensation cost has been recognized. Had compensation cost for all stock option plans been determined consistent with the SFAS No. 123, "Accounting for Stock Based Compensation," the Company's net income and earnings per share would have resulted in the pro forma amounts as reported below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Net income as reported	$ 2,804,895	$ 1,447,822	$ 3,899,349	$ 1,520,273
Deduct: Stock based employee compensation expense determined under fair value based method for all awards, net of tax	231,708	276,830	463,416	429,845
Pro forma net income	$ 2,573,187	$ 1,170,992	$ 3,435,933	$ 1,090,428
Earnings per share:				
Basic — as reported	$ 0.53	$ 0.32	$ 0.75	$ 0.34
Basic — pro forma	$ 0.49	$ 0.26	$ 0.66	$ 0.24
Diluted — as reported	$ 0.50	$ 0.29	$ 0.70	$ 0.31
Diluted — pro forma	$ 0.46	$ 0.23	$ 0.61	$ 0.22

The pro forma amounts are not representative of the effects on reported net income for future years.

2. INVENTORIES

Inventories are comprised of the following:

	June 30, 2005	June 30, 2004
Raw materials	$ 10,865,761	$ 6,949,144
Work-in-process	1,191,299	1,469,094
Finished goods	72,955,072	28,878,360
Factory outlet finished goods	1,383,191	1,570,270
Reserve for obsolescence or lower of cost or market	(984,348)	(225,000)
Total	$ 85,410,975	$ 38,641,868

3. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest and federal, state and local income taxes was as follows:

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Interest	$ 3,701,000	$ 503,000
Federal, state and local income taxes	$ 952,000	$ 2,580,000

The Company issued 484,261 common shares valued at $11,473,838, as part of the purchase of the EJ Footwear LLC, Georgia Boot LLC, and HM Lehigh Safety Shoe Co. LLC (the "EJ Footwear Group") from SILLC Holdings LLC.

4. PER SHARE INFORMATION

Basic earnings per share (EPS) is computed by dividing net income applicable to common shareholders by the basic weighted average number of common shares outstanding during each period. The diluted earnings per share computation includes common share equivalents, when dilutive. There are no adjustments to net income necessary in the calculation of basic and diluted earnings per share.

A reconciliation of the shares used in the basic and diluted income per common share computation for the three months and six months ended June 30, 2005 and 2004 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Basic weighted average shares outstanding	5,244,395	4,557,954	5,204,107	4,492,989
Diluted stock options:	380,774	445,982	385,536	456,816
Diluted weighted average shares outstanding	5,625,169	5,003,936	5,589,643	4,949,805
Anti-diluted weighted average shares outstanding	100,000	85,000	0	5,000

5. RECENT FINANCIAL ACCOUNTING STANDARDS

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"), which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation." The statement supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" and SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure — an amendment of FASB Statement No. 123." The statement requires that the cost resulting from all share-based payment transactions be recognized in the financial statements. SFAS 123(R) establishes fair value as the measurement objective in accounting for share-based payment arrangements and requires all entities to apply a fair value based measurement method in accounting for share-based payment transactions with employees, except for equity instruments held by employee share ownership plans. SFAS 123(R) applies to all awards granted after the required effective date (the beginning of the first annual reporting period that begins after June 15, 2005 in accordance with the Securities and Exchange Commission's delay of the original effective date of SFAS 123(R)) and to awards modified, repurchased or canceled after that date. As a result, beginning January 1, 2006, the Company will adopt SFAS 123(R) and begin reflecting the stock option expense determined under fair value based methods in our income statement rather than as pro forma disclosure in the notes to the financial statements.

In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin Number 107 ("SAB 107") that provided additional guidance to public companies relating to share-based payment transactions and the implementation of SFAS 123(R), including guidance regarding valuation methods and related assumptions, classification of compensation expense and income tax effects of share-based payment arrangements.

The Company has not completed its assessment of the impact or method of adoption of SFAS 123(R) and SAB 107.

6. ACQUISITION

On January 6, 2005, the Company completed the purchase of 100% of the issued and outstanding voting limited interests of the EJ Footwear Group from SILLC Holdings LLC.

The EJ Footwear Group was acquired to expand the Company's branded product lines, principally occupational products, and provide new channels for the Company's existing product lines. The aggregate purchase price for the interests of EJ Footwear Group, including closing date working capital adjustments, was $91.3 million in cash plus 484,261 shares of the Company's common stock valued at $11,473,838. Common stock value was based on the average closing share price during the three days preceding and three days subsequent to the date of the acquisition agreement.

On January 6, 2005, to fund the acquisition of EJ Footwear Group, the Company entered into a loan and security agreement with GMAC Commercial Finance LLC, refinancing its former $45,000,000 revolving line of credit, for certain extensions of credit (the "Credit Facility"). The Credit Facility is comprised of (i) a five-year revolving credit facility up to a principal amount of $100,000,000 with an interest rate of LIBOR plus two and a half percent (2.5%) or prime plus one percent (1.0%) and (ii) a three-year term loan in the principal amount of $18,000,000 with an interest rate of LIBOR plus three and a quarter percent (3.25%) or prime plus one and three quarters percent (1.75%). The Credit Facility is secured by a first priority perfected security interest in all presently owned and hereafter acquired domestic personal property, subject to specified exceptions. Also, on January 6, 2005, the Company entered into a note agreement (the "Note Purchase Agreement") with American Capital Financial Services, Inc., as agent, and American Capital Strategies, Ltd., as lender (collectively, "ACAS"), regarding $30,000,000 in six-year Senior Secured Term B Notes with an interest rate of LIBOR plus eight percent (8.0%). The Note Purchase Agreement provides, among other terms, that (i) the ACAS Senior Secured Term B Notes will be senior indebtedness of the Company, secured by essentially the same collateral as the Credit Facility, (ii) such note facility will be "last out" in the event of liquidation of the Company and its subsidiaries, and (iii) principal payments on such note facility will begin in the fourth year of such note facility.

The purchase price has been allocated to the Company's tangible and intangible assets and liabilities acquired based upon the fair values and income tax basis as determined by independent appraisals.

Goodwill resulting from the transaction will not be tax deductible. The purchase price has been allocated as follows:

Purchase price allocation:		
Cash	$	91,298,435
Common shares — 484,261 shares		11,473,838
Transaction costs		1,617,802
	$	104,390,075
Allocated to:		
Current assets	$	65,899,403
Fixed assets and other assets		3,220,733
Identified intangibles		44,800,000
Goodwill		18,874,689
Liabilities		(11,067,250)
Deferred taxes — long term		(17,337,500)
	$	104,390,075

Estimated amounts of identified intangibles and goodwill and the related allocation by segment are subject to final allocation based on independent appraisals of fair value of assets acquired and final determination of income tax basis of assets and liabilities. During the second quarter, the Company paid the final adjustment of purchase price of $1,795,435.

June 30, 2004		Gross Amount		Accumulated Amortization		Carrying Amount
Trademarks (Wholesale)	$	2,225,887			$	2,225,887
Patents		570,227	$	118,221		452,006
Goodwill		1,649,732		91,871		1,557,861
Total Intangibles	$	4,445,846	$	210,092	$	4,235,754

June 30, 2005		Gross Amount		Accumulated Amortization		Carrying Amount
Trademarks:						
Wholesale	$	28,702,080			$	28,702,080
Retail		15,100,000				15,100,000
Patents		2,905,660	$	375,664		2,529,996
Customer Relationships		1,000,000		100,000		900,000
Goodwill		20,524,421		91,871		20,432,550
Total Intangibles	$	68,232,161	$	567,535	$	67,664,626

Amortization expense for intangible assets was $170,267 and $6,517 for the three months ended June 30, 2005 and 2004, respectively, and $343,868 and $12,639 for the six months ended June 30, 2005 and 2004, respectively. The weighted average amortization period for patents is six years and for customer relationships is five years.

Estimate of Aggregate Amortization Expense:		
Year ending December 31, 2005	$	688,000
Year ending December 31, 2006		688,000
Year ending December 31, 2007		688,000
Year ending December 31, 2008		688,000
Year ending December 31, 2009		688,000

The results of operations of EJ Footwear Group are included in the results of operations of the Company effective January 1, 2005, as management determined that results of operations were not significant and no material transactions occurred during the period from January 1, 2005 to January 6, 2005.

The following table reflects the unaudited consolidated results of operations on a pro forma basis had EJ Footwear been included in operating results from January 1, 2004. There are no material non-recurring items in the pro forma results of operations.

	Three Months Ended June 30, 2004	Six Months Ended June 30, 2004
Net Sales	$ 63,678,760	$ 122,964,212
Operating Income	5,013,085	8,736,483
Net Income	$ 1,936,915	$ 2,899,327
Net Income Per Share		
Basic	$ 0.38	$ 0.59
Diluted	$ 0.35	$ 0.53

7. CAPITAL STOCK

On May 11, 2004, the Company's shareholders approved the 2004 Stock Incentive Plan. This Stock Incentive Plan includes 750,000 of the Company's common shares that may be granted for stock options and restricted stock awards. As of June 30, 2005, the Company was authorized to issue 525,935 shares under its existing plans.

For the six months ended June 30, 2005, options for 103,449 of the Company's common stock were exercised at an average price of $6.67.

8. RETIREMENT PLANS

Net pension cost of the Company's plans is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Service cost	$ 130,966	$ 128,080	$ 261,932	$ 256,159
Interest	132,265	90,758	264,530	252,271
Expected return on assets	(170,931)	(86,391)	(341,862)	(257,465)
Amortization of unrecognized net loss	21,404	32,141	42,808	67,552
Amortization of unrecognized transition obligation	4,077	4,076	8,154	8,153
Amortization of unrecognized prior service cost	33,848	33,849	67,696	67,697
Net pension cost	$ 151,629	$ 202,513	$ 303,258	$ 394,367

The Company's unrecognized benefit obligations existing at the date of transition for the non-union plan is being amortized over 21 years. Actuarial assumptions used in the accounting for the plans were as follows:

	June 30, 2005	June 30, 2004
Discount rate	5.75%	5.75%
Average rate of increase in compensation levels	3.0%	3.0%
Expected long-term rate of return on plan assets	8.0%	8.0%

The Company's desired investment result is a long-term rate of return on assets that is at least 8%. The target rate of return for the plans have been based upon the assumption that returns will approximate the long-term rates of return experienced for each asset class in the Company's investment policy. The Company's investment guidelines are based upon an investment horizon of greater than five years, so that interim fluctuations should be viewed with appropriate perspective. Similarly, the Plan's strategic asset allocation is based on this long-term perspective.

The Company expects to make contributions to the plan in 2005 of approximately $1.0 million. At June 30, 2005, no Company contribution had been made.

The Company also sponsors 401(k) savings plans for substantially all of its employees. The Company provides contributions to the plans on a discretionary basis for workers covered under the defined benefits pension plan, and matches eligible employee contributions up to 4% of applicable salary for qualified employees not covered by the defined benefits pension plan. Total Company contributions to 401(k) plans were $0.2 million in 2005 and none in 2004.

9. SEGMENT INFORMATION

The Company has identified three reportable segments: Wholesale, Retail and Military. Wholesale includes sales of footwear and accessories to several classifications of retailers including sporting goods stores, outdoor specialty stores, mail order catalogs, independent retailers, mass merchants, retail uniform stores, and specialty safety shoe stores. Retail includes all sales from the Company's stores and all sales in the Company's Lehigh division, which includes sales via shoemobiles to individual customers. Military includes sales to the U.S. Military. The following is a summary of segment results for the Wholesale, Retail, and Military segments.

	Three Months Ended June 30, 2005	Three Months Ended June 30, 2004	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004
Net sales:				
Wholesale	$ 45,520,269	$ 23,981,465	$ 87,383,197	$ 40,089,142
Retail	14,216,418	691,143	30,111,095	1,499,331
Military	5,782,950	2,761,379	9,523,429	7,727,603
Total Net Sales	$ 65,519,637	$ 27,433,987	$ 127,017,721	$ 49,316,076
Gross margin:				
Wholesale	$ 17,322,197	$ 7,194,641	$ 32,679,481	$ 12,155,897
Retail	7,668,139	210,631	16,026,272	416,713
Military	732,903	370,937	1,225,358	822,203
Total Gross Margin	$ 25,723,239	$ 7,776,209	$ 49,931,111	$ 13,394,813

Segment asset information is not prepared or used to assess segment performance.


RETAIL
Partners for... Safety
LEHIGH
safety shoes
LEHIGH
OUTFITTERS
GEAR FOR WORK AND WEEKENDS
ROCKY
BRANDS

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2,600,000 Shares

ROCKY SHOES & BOOTS, INC.

Common Stock

PROSPECTUS

Piper Jaffray
Wachovia Securities
BB&T Capital Markets
D.A. Davidson & Co.
Ryan Beck & Co.

, 2005

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The following table sets forth the various expenses in connection with the sale and distribution of the securities being registered hereby, other than underwriting discounts and commissions, if any. All amounts shown are estimates, except the SEC registration fee, the NASD filing fee and the Nasdaq National Market listing fee:

SEC registration fee	$ 10,646
NASD filing fee	9,545
Nasdaq National Market listing fee	22,500
Printing and engraving fee	60,000
Legal fees and expenses	250,000
Accounting fees and expenses	100,000
Transfer agent and registrar fees and expenses	5,000
Miscellaneous fees and expenses	17,309
Total	$ 475,000

All the costs identified above will be paid by us.

Item 15. Indemnification of Directors and Officers.

Section 1701.13 of the Ohio General Corporation Law provides that directors and officers of Ohio corporations may, under certain circumstances, be indemnified against expenses (including attorneys' fees) and other liabilities actually and reasonably incurred by them as a result of any suit brought against them in their capacity as a director or officer, if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, if they had no reasonable cause to believe their conduct was unlawful. Section 1701.13 provides that directors and officers may also be indemnified against expenses (including attorneys' fees) incurred by them in connection with a derivative suit if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made without court approval if such person was adjudged liable to the corporation.

Article Ten of our articles of incorporation permits us to indemnify directors and officers against expenses (including attorneys' fees) and other liabilities actually and reasonably incurred by them to the full extent and according to the procedures and requirements set forth in the Ohio General Corporation Law, as the same may be in effect from time to time. Pursuant to Article Ten, we also have the right to (i) indemnify employees, agents and others as permitted by Ohio law, (ii) purchase and maintain insurance or provide similar protection on behalf of the directors, officers or such other persons against liabilities asserted against them or expenses incurred by them arising out of their service to us as contemplated by our articles of incorporation, and (iii) enter into agreements with these directors, officers, incorporators, employees, agents or others indemnifying them against any and all liabilities (or lesser indemnification as may be provided in these agreements) asserted against them or incurred by them arising out of their service to our company as contemplated by our articles of incorporation.

We have also entered into indemnification agreements with each of our directors and executive officers, including the directors who are also our employees, to confirm and expand our obligation to indemnify these persons. These indemnification agreements (i) confirm the indemnity provided to them by our articles of incorporation and give them assurances that this indemnity will continue to be provided despite future changes in our articles of incorporation, and (ii) provide that, in addition, the directors and officers shall be indemnified to the fullest possible extent permitted by law against all expenses (including attorneys' fees), judgments, fines and settlement amounts, paid or incurred by them in any action or proceeding, including any action by or in the right of our company, on account of their service as a director or officer of our company or as a director or officer of any subsidiary of our company or as a director or officer of any other company or enterprise when they are serving in these capacities at our request.

No indemnity will be provided under the indemnification contracts to any director or officer on account of conduct that is adjudged to have been undertaken with deliberate intent to cause injury to us or undertaken with reckless disregard for our best interests. In addition, the indemnification contracts provide that no indemnification will be permitted if a final court adjudication shall determine that such indemnification is not lawful, or in respect of any suit in which judgment is rendered against a director or officer for an accounting of profits made from a purchase or sale of our securities in violation of Section 16(b) of the Securities Exchange Act of 1934 or of any similar statutory law, or on account of any remuneration paid to a director or officer that is adjudicated to have been paid in violation of law. Except as so limited, indemnification of directors and officers will be permitted under the indemnification contracts to the fullest extent permitted by law.

Item 16. Exhibits.

Exhibit Number	Exhibit Description
1	Form of Underwriting Agreement.
4(a)	Rights Agreement dated as of November 5, 1997, by and between the Company and The Fifth Third Bank, as Rights Agent, previously filed as Exhibit 4.1 to the Registration Statement on Form 8-A (file number 000-21026), filed on November 13, 1997, and incorporated herein by reference.
4(b)	First Amendment to Rights Agreement, dated December 1, 2004, and effective as of August 31, 2004, between the Company and Computershare Investor Services, LLC, a Delaware limited liability company, as Rights Agent, previously filed as Exhibit 4.2 to the Amendment No. 1 to Registration Statement on Form 8-A/A (file number 000-21026), filed on December 8, 2004, and incorporated herein by reference.
5*	Opinion of Porter, Wright, Morris & Arthur LLP.
23(a)*	Consent of Porter, Wright, Morris & Arthur LLP (included in Exhibit 5).
23(b)	Consent of Deloitte & Touche LLP.
24	Power of Attorney.

* To be filed by amendment.

Item 17. Undertakings.

The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) 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 of 1933, as amended 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 of 1933 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 of 1933 and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus 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.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Nelsonville, State of Ohio, on September 14, 2005.

ROCKY SHOES & BOOTS, INC.

By: /s/ James E. McDonald
James E. McDonald,
Executive Vice President and
Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Mike Brooks Mike Brooks	Chairman, Chief Executive Officer and Director (Principal Executive Officer)	September 14, 2005
/s/ James E. McDonald James E. McDonald	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	September 14, 2005
* Curtis A. Loveland Curtis A. Loveland	Secretary and Director	September 14, 2005
* J. Patrick Campbell J. Patrick Campbell	Director	September 14, 2005
* Glenn E. Corlett Glenn E. Corlett	Director	September 14, 2005
* Michael L. Finn Michael L. Finn	Director	September 14, 2005
* G. Courtney Haning G. Courtney Haning	Director	September 14, 2005
* Harley E. Rouda, Jr. Harley E. Rouda, Jr.	Director	September 14, 2005
* James L. Stewart James L. Stewart	Director	September 14, 2005

By: /s/ James E. McDonald
James E. McDonald, attorney-in-fact
for each of the persons indicated

Exhibit Index

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24	Power of Attorney.

* To be filed by amendment.

Exhibit 1

Rocky Shoes & Boots, Inc.

Common Stock

PURCHASE AGREEMENT

____________________, 2005

PIPER JAFFRAY & CO.
As Representative of the several
Underwriters named in Schedule II hereto
c/o Piper Jaffray & Co.
U.S. Bancorp Center
800 Nicollet Mall
Minneapolis, Minnesota 55402

Ladies and Gentlemen:

Rocky Shoes & Boots, Inc., an Ohio corporation (the "*Company*"), and the shareholders of the Company listed in Schedule I hereto (the "*Selling Shareholders*") severally propose to sell to the several Underwriters named in Schedule II hereto (the "*Underwriters*") an aggregate of 2,600,000 shares (the "*Firm Shares*") of Common Stock, no par value per share (the "*Common Stock*"), of the Company. The Firm Shares consist of 2,000,000 authorized but unissued shares of Common Stock to be issued and sold by the Company and 600,000 outstanding shares of Common Stock to be sold by the Selling Shareholders. The Company has also granted to the several Underwriters an option to purchase up to 390,000 additional shares of Common Stock, on the terms and for the purposes set forth in Section 3 hereof (the "*Option Shares*"). The Firm Shares and any Option Shares purchased pursuant to this Purchase Agreement are herein collectively called the "*Securities*."

The Company and the Selling Shareholders hereby confirm their agreement with respect to the sale of the Securities to the several Underwriters, for whom you are acting as representative (the "*Representative*").

1. ***Registration Statement and Prospectus***. A registration statement on Form S-3 (File No. 333-[•]) with respect to the Securities, including a preliminary form of prospectus, has been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the "*Act*"), and the rules and regulations ("*Rules and Regulations*") of the Securities and Exchange Commission (the "*Commission*") thereunder and has been filed with the Commission; one or more amendments to such registration statement have also been so prepared and have been, or will be, so filed; and, if the Company has elected to rely upon Rule 462(b) of the Rules and Regulations to increase the size of the offering registered under the Act, the Company will prepare and file with the Commission a registration statement with respect to such increase pursuant to Rule 462(b). Copies of such registration statement(s) and amendments and each related preliminary prospectus have been delivered to you.

If the Company has elected not to rely upon Rule 430A of the Rules and Regulations, the Company has prepared and will promptly file an amendment to the registration statement and an amended prospectus (including a term sheet meeting the requirements of Rule 434 of the Rules and Regulations). If the Company has elected to rely upon Rule 430A of the Rules and Regulations, it will prepare and file a prospectus (or a term sheet meeting the requirements of Rule 434) pursuant to Rule 424(b) that discloses the information previously omitted from the prospectus in reliance upon Rule 430A. Such registration statement as amended at the time it is or was declared effective by the Commission, and, in the event of any amendment thereto after the effective date and prior to the First Closing Date (as hereinafter defined), such registration statement as so amended (but only from and after the effectiveness of such amendment), including a registration statement (if any) filed pursuant to Rule 462(b) of the Rules and Regulations increasing the size of the offering registered under the Act, all documents incorporated or deemed to be incorporated by reference therein and information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rules 430A(b) and 434(d) of the Rules and Regulations, is hereinafter called the "*Registration Statement*." The prospectus included in the Registration Statement at the time it is or was declared effective by the Commission is hereinafter called the "*Prospectus*," except that if any prospectus (including any term sheet meeting the requirements of Rule 434 of the Rules and Regulations provided by the Company for use with a prospectus subject to completion within the meaning of Rule 434 in order to meet the requirements of Section 10(a) of the Rules and Regulations) filed by the Company with the Commission pursuant to Rule 424(b) (and Rule 434, if applicable) of the Rules and Regulations or any other such prospectus provided to the Underwriters by the Company for use in connection with the offering of the Securities (whether or not required to be filed by the Company with the Commission pursuant to Rule 424(b) of the Rules and Regulations) differs from the prospectus on file at the time the Registration Statement is or was declared effective by the Commission, the term "Prospectus" shall refer to such differing prospectus (including any term sheet within the meaning of Rule 434 of the Rules and Regulations) from and after the time such prospectus is filed with the Commission or transmitted to the Commission for filing pursuant to such Rule 424(b) (and Rule 434, if applicable) or from and after the time it is first provided to the Underwriters by the Company for such use. The term "*Preliminary Prospectus*" as used herein means any preliminary prospectus included in the Registration Statement prior to the time it becomes or became effective under the Act and any prospectus subject to completion as described in Rule 430A or 434 of the Rules and Regulations. Any reference in this Agreement to the Registration Statement, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the effective date of the Registration Statement or the date of such Preliminary Prospectus or the Prospectus, as the case may be, and any reference to "*amend*", "*amendment*" or "*supplement*" with respect to the Registration Statement, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents filed after such date under the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder (collectively, the "*Exchange Act*") that are deemed to be incorporated by reference therein.

2. ***Representations and Warranties of the Company and the Selling Shareholders***.

(a) The Company represents and warrants to, and agrees with, the several Underwriters as follows:

(i) No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission and each Preliminary Prospectus, at the time of filing thereof, complied in all material respects with the requirements of the Act and the Rules and Regulations and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; except that the foregoing shall not apply to statements in or omissions from any Preliminary Prospectus in reliance upon, and in conformity with, written information furnished to the Company by you, or by any Underwriter through you, specifically for use in the preparation thereof.

(ii) As of the time the Registration Statement (or any post-effective amendment thereto, including a registration statement (if any) filed pursuant to Rule 462(b) of the Rules and Regulations increasing the size of the offering registered under the Act) is or was declared effective by the Commission, upon the filing or first delivery to the Underwriters of the Prospectus (or any supplement to the Prospectus (including any term sheet meeting the requirements of Rule 434 of the Rules and Regulations)) and at the First Closing Date and Second Closing Date (as hereinafter defined), (A) the Registration Statement and Prospectus (in each case, as so amended and/or supplemented) conformed or will conform in all material respects to the requirements of the Act and the Rules and Regulations, (B) the Registration Statement (as so amended) did not or will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (C) the Prospectus (as so supplemented) did not or will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they are or were made, not misleading; except that the foregoing shall not apply to statements in or omissions from any such document in reliance upon, and in conformity with, written information furnished to the Company by you, or by any Underwriter through you, specifically for use in the preparation thereof. If the Registration Statement has been declared effective by the Commission, no stop order suspending the effectiveness of the Registration Statement has been issued, and no proceeding for that purpose has been initiated or, to the Company's knowledge, threatened by the Commission. The Company has complied to the Commission's satisfaction with all requests of the Commission for additional or supplemental information.

(iii) The financial statements of the Company, together with the related notes, set forth or incorporated by reference in the Registration Statement, Preliminary Prospectus and Prospectus comply in all material respects with the requirements of the Act and the Exchange Act and fairly present the financial condition of the Company as of the dates indicated and the results of operations and changes in cash flows for the periods therein specified in conformity with generally accepted accounting principles consistently applied throughout the periods involved; and the supporting schedules included in the Registration Statement present fairly the information required to be stated therein. No other financial statements or schedules are required to be included in the Registration Statement or Prospectus. To the Company's knowledge, Deloitte & Touche LLP which has expressed its opinion with respect to the financial statements and schedules filed as a part of the Registration Statement and included in the Registration Statement and Prospectus, is an independent public accounting firm within the meaning of the Act and the Rules and Regulations and such accountants are not in violation of the auditor independence requirements of the Sarbanes-Oxley Act of 2002 (the "*Sarbanes-Oxley Act*").

(iv) Each of the Company and its subsidiaries has been duly organized and is validly existing as a corporation or limited liability company in good standing under the laws of its jurisdiction of incorporation or organization. Each of the Company and its subsidiaries has full corporate power and authority to own its properties and conduct its business as currently being carried on and as described in the Registration Statement and Prospectus, and is duly qualified to do business as a foreign corporation in good standing in each jurisdiction in which it owns or leases real property or in which the conduct of its business makes such qualification necessary and in which the failure to so qualify would have a material adverse effect upon the business, prospects, properties, operations, condition (financial or otherwise) or results of operations of the Company and its subsidiaries, taken as a whole ("*Material Adverse Effect*").

(v) Except as contemplated in the Prospectus, subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, neither the Company nor any of its subsidiaries has incurred any material liabilities or obligations, direct or contingent, or entered into any material transactions, or declared or paid any dividends or made any distribution of any kind with respect to its capital stock; and there has not been any change in the capital stock (other than a change in the number of outstanding shares of Common Stock due to the issuance of shares upon the exercise of outstanding options or warrants), or any material change in the short-term or long-term debt, or any issuance of options, warrants, convertible securities or other rights to purchase the capital stock, of the Company or any of its subsidiaries, or any material adverse change in the general affairs, condition (financial or otherwise), business, prospects, property, operations or results of operations of the Company and its subsidiaries, taken as a whole ("*Material Adverse Change*") or any development involving a prospective Material Adverse Change.

(vi) Except as set forth in the Prospectus, there is not pending or, to the knowledge of the Company, threatened or contemplated, any action, suit or proceeding to which the Company or any of its subsidiaries is a party or of which any property or assets of the Company is the subject before or by any court or governmental agency, authority or body, or any arbitrator, which, individually or in the aggregate, might result in any Material Adverse Change.

(vii) There are no statutes, regulations, contracts or documents that are required to be described in the Registration Statement and Prospectus or be filed as exhibits to the Registration Statement by the Act or by the Rules and Regulations that have not been so described or filed.

(viii) This Agreement has been duly authorized, executed and delivered by the Company, and constitutes a valid, legal and binding obligation of the Company, enforceable in accordance with its terms, except as rights to indemnity hereunder may be limited by federal or state securities laws and except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting the rights of creditors generally and subject to general principles of equity. The execution, delivery and performance of this Agreement and the consummation of the transactions herein contemplated will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, any statute, any agreement or instrument to which the Company is a party or by which it is bound or to which any of its property is subject, the Company's charter or by-laws (or code of regulations), or any order, rule, regulation or decree of any court or governmental agency or body having jurisdiction over the Company or any of its properties; no consent, approval, authorization or order of, or filing with, any court or governmental agency or body is required for the execution, delivery and performance of this Agreement or for the consummation of the transactions contemplated hereby, including the issuance or sale of the Securities by the Company, except such as may be required under the Act or state securities or blue sky laws; and the Company has full power and authority to enter into this Agreement and to authorize, issue and sell the Securities as contemplated by this Agreement.

(ix) All of the issued and outstanding shares of capital stock of the Company, including the outstanding shares of Common Stock, are duly authorized and validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, were not issued in violation of or subject to any preemptive rights or other rights to subscribe for or purchase securities that have not been waived in writing (a copy of which has been delivered to counsel to the Representative), and the holders thereof are not subject to personal liability by reason of being such holders; the Securities which may be sold hereunder by the Company have been duly authorized and, when issued, delivered and paid for in accordance with the terms of this Agreement, will have been validly issued and will be fully paid and nonassessable, and the holders thereof will not be subject to personal liability by reason of being such holders; and the capital stock of the Company, including the Common Stock, conforms to the description thereof in the Registration Statement and Prospectus. Except as otherwise stated in the Registration Statement and Prospectus, there are no preemptive rights or other rights to subscribe for or to purchase, or any restriction upon the voting or transfer of, any shares of Common Stock pursuant to the Company's charter, by-laws (or code of regulations) or any agreement or other instrument to which the Company is a party or by which the Company is bound. Neither the filing of the Registration Statement nor the offering or sale of the Securities as contemplated by this Agreement gives rise to any rights for or relating to the registration of any shares of Common Stock or other securities of the Company. All of the issued and outstanding shares of capital stock and membership interests of each of the Company's subsidiaries have been duly and validly authorized and issued and are fully paid and nonassessable, and, except as otherwise described in the Registration Statement and Prospectus and except for any directors' qualifying shares, the Company owns of record and beneficially, free and clear of any security interests, claims, liens, proxies, equities or other encumbrances, all of the issued and outstanding shares of such stock. Except as described in the Registration Statement and the Prospectus, there are no options, warrants, agreements, contracts or other rights in existence to purchase or acquire from the Company or any subsidiary of the Company any shares of the capital stock or membership interests of the Company or any subsidiary of the Company. The Company has an authorized and outstanding capitalization as set forth in the Registration Statement and the Prospectus.

(x) The Company and each of its subsidiaries holds, and is operating in compliance in all material respects with, all franchises, grants, authorizations, licenses, permits, easements, consents, certificates and orders of any governmental or self-regulatory body required for the conduct of its business and all such franchises, grants, authorizations, licenses, permits, easements, consents, certifications and orders are valid and in full force and effect; and the Company and each of its subsidiaries is in compliance in all material respects with all applicable federal, state, local and foreign laws, regulations, orders and decrees.

(xi) The Company and its subsidiaries have good and marketable title to all property (whether real or personal) described in the Registration Statement and Prospectus as being owned by them, in each case free and clear of all liens, claims, security interests, other encumbrances or defects except such as are described in the Registration Statement and the Prospectus. The property held under lease by the Company and its subsidiaries is held by them under valid, subsisting and enforceable leases with only such exceptions with respect to any particular lease as do not interfere in any material respect with the conduct of the business of the Company or its subsidiaries.

(xii) The Company and each of its subsidiaries owns or possesses all patents, patent applications, trademarks, service marks, tradenames, trademark registrations, service mark registrations, copyrights, licenses, inventions, trade secrets and rights necessary for the conduct of the business of the Company and its subsidiaries as currently carried on and as described in the Registration Statement and Prospectus; except as stated in the Registration Statement and Prospectus, no name which the Company or any of its subsidiaries uses and no other aspect of the business of the Company or any of its subsidiaries will involve or give rise to any infringement of, or license or similar fees for, any patents, patent applications, trademarks, service marks, tradenames, trademark registrations, service mark registrations, copyrights, licenses, inventions, trade secrets or other similar rights of others material to the business or prospects of the Company and neither the Company nor any of its subsidiaries has received any notice alleging any such infringement or fee.

(xiii) Neither the Company nor any of its subsidiaries is in violation of its respective charter or by-laws (or code of regulations) or in breach of or otherwise in default, and no event has occurred which, with notice or lapse of time or both, would constitute such a default in the performance of any material obligation, agreement or condition contained in any bond, debenture, note, indenture, loan agreement or any other material contract, lease or other instrument to which it is subject or by which any of them may be bound, or to which any of the material property or assets of the Company or any of its subsidiaries is subject.

(xiv) The Company and its subsidiaries have timely filed all federal, state, local and foreign income and franchise tax returns required to be filed and are not in default in the payment of any taxes which were payable pursuant to said returns or any assessments with respect thereto, other than any which the Company or any of its subsidiaries is contesting in good faith.

(xv) The Company has not distributed and will not distribute any prospectus or other offering material in connection with the offering and sale of the Securities other than any Preliminary Prospectus or the Prospectus or other materials permitted by the Act to be distributed by the Company.

(xvi) The Common Stock (including the Securities) is registered pursuant to Section 12(g) of the Exchange Act and is included or approved for inclusion on the Nasdaq National Market and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act or delisting the Common Stock from the Nasdaq National Market nor has the Company received any notification that the Commission or the National Association of Securities Dealers, Inc. is contemplating terminating such registration or listing. The Company has complied in all material respects with the applicable requirements of the Nasdaq National Market for maintenance of inclusion of the Common Stock thereon. The Company has filed an application to list the Securities on the Nasdaq National Market.

(xvii) Other than the subsidiaries of the Company listed in Exhibit 21 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004, the Company, directly or indirectly, owns no capital stock or other equity or ownership or proprietary interest in any corporation, partnership, association, trust or other entity.

(xviii) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xix) Other than as contemplated by this Agreement, the Company has not incurred any liability for any finder's or broker's fee or agent's commission in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

(xx) The Company carries, or is covered by, insurance in such amounts and covering such risks as is adequate for the conduct of its business and the value of its properties and as is customary for companies engaged in similar businesses in similar industries.

(xxi) The Company is not and, after giving effect to the offering and sale of the Securities, will not be an "investment company," as such term is defined in the Investment Company Act of 1940, as amended.

(xxii) The conditions for use of Form S-3, set forth in the General Instructions thereto, have been satisfied.

(xxiii) The documents incorporated by reference in the Prospectus, when they became effective or were filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and were filed on a timely basis with the Commission and none of such documents contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; any further documents so filed and incorporated by reference in the Prospectus, when such documents are filed with the Commission, will conform in all material respects to the requirements of the Exchange Act, and will not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(xxiv) The Company is in compliance with all applicable provisions of the Sarbanes-Oxley Act and the rules and regulations of the Commission thereunder.

(xxv) The Company has established and maintains disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 under the Exchange Act) and such controls and procedures are effective in ensuring that material information relating to the Company, including its subsidiaries, is made known to the principal executive officer and the principal financial officer. The Company has utilized such controls and procedures in preparing and evaluating the disclosures in the Registration Statement and Prospectus.

(b) Each Selling Shareholder represents and warrants to, and agrees with, the several Underwriters as follows:

(i) Such Selling Shareholder is the record and beneficial owner of, and has, and on the First Closing Date will have, valid and marketable title to the Securities to be sold by such Selling Shareholder, free and clear of all security interests, claims, liens, restrictions on transferability, legends, proxies, equities or other encumbrances; and upon delivery of and payment for such Securities hereunder, the several Underwriters will acquire valid and marketable title thereto, free and clear of any security interests, claims, liens, restrictions on transferability, legends, proxies, equities or other encumbrances. Such Selling Shareholder is selling the Securities to be sold by such Selling Shareholder for such Selling Shareholder's own account and is not selling such Securities, directly or indirectly, for the benefit of the Company, and no part of the proceeds of such sale received by such Selling Shareholder will inure, either directly or indirectly, to the benefit of the Company other than as described in the Registration Statement and Prospectus.

(ii) Such Selling Shareholder has duly authorized, executed and delivered a Letter of Transmittal and Custody Agreement ("*Custody Agreement*"), which Custody Agreement is a valid and binding obligation of such Selling Shareholder, to **[full name of custodian], as Custodian (the "*Custodian*"); pursuant to the Custody Agreement the Selling Shareholder has placed in custody with the Custodian, for delivery under this Agreement, the certificates representing the Securities to be sold by such Selling Shareholder; such certificates represent validly issued, outstanding, fully paid and nonassessable shares of Common Stock; and such certificates were duly and properly endorsed in blank for transfer, or were accompanied by all documents duly and properly executed that are necessary to validate the transfer of title thereto, to the Underwriters, free of any legend, restriction on transferability, proxy, lien or claim, whatsoever.

(iii) Such Selling Shareholder has the power and authority to enter into this Agreement and to sell, transfer and deliver the Securities to be sold by such Selling Shareholder; and such Selling Shareholder has duly authorized, executed and delivered to Mike Brooks, James E. McDonald and David Sharp, as attorneys-in-fact (the "*Attorneys-in-Fact*"), an irrevocable power of attorney (a "*Power of Attorney*") authorizing and directing the Attorneys-in-Fact, or either of them, to effect the sale and delivery of the Securities being sold by such Selling Shareholder, to enter into this Agreement and to take all such other action as may be necessary hereunder.

(iv) This Agreement, the Custody Agreement and the Power of Attorney have each been duly authorized, executed and delivered by or on behalf of such Selling Shareholder and each constitutes a valid and binding agreement of such Selling Shareholder, enforceable in accordance with its terms, except as rights to indemnity hereunder or thereunder may be limited by federal or state securities laws and except as such enforceability may be limited by bankruptcy, insolvency, reorganization or laws affecting the rights of creditors generally and subject to general principles of equity. The execution and delivery of this Agreement, the Custody Agreement and the Power of Attorney and the performance of the terms hereof and thereof and the consummation of the transactions herein and therein contemplated will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, any agreement or instrument to which such Selling Shareholder is a party or by which such Selling Shareholder is bound, or any law, regulation, order or decree applicable to such Selling Shareholder; no consent, approval, authorization or order of, or filing with, any court or governmental agency or body is required for the execution, delivery and performance of this Agreement, the Custody Agreement and the Power of Attorney or for the consummation of the transactions contemplated hereby and thereby, including the sale of the Securities being sold by such Selling Shareholder, except such as may be required under the Act or state securities laws or blue sky laws.

(v) Such Selling Shareholder does not have any registration or other similar rights to have any equity or debt securities registered for sale by the Company under the Registration Statement or included in the offering contemplated by this Agreement, except as described or incorporated by reference in the Registration Statement.

(vi) Such Selling Shareholder has not distributed and will not distribute any prospectus or other offering material in connection with the offering and sale of the Securities other than any Preliminary Prospectus or the Prospectus or other materials permitted by the Act to be distributed by such Selling Shareholder.

(vii) Such Selling Shareholder has reviewed the Registration Statement and the Prospectus and neither the Registration Statement nor the Prospectus contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading regarding such Selling Shareholder, and, to the knowledge of such Selling Shareholder, the other Selling Shareholders, the Company or otherwise.

(vii) To the knowledge of such Selling Shareholder, the representations and warranties of the Company contained in paragraph (a) of this Section 2 are true and correct.

(c) Any certificate signed by any officer of the Company and delivered to you or to counsel for the Underwriters shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby; any certificate signed by or on behalf of any Selling Shareholder as such and delivered to you or to counsel for the Underwriters shall be deemed a representation and warranty by such Selling Shareholder to each Underwriter as to the matters covered thereby.

3. ***Purchase, Sale and Delivery of Securities***.

(a) On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company agrees to issue and sell the Firm Shares, and each Selling Shareholder agrees, severally and not jointly, to sell the number of Firm Shares set forth opposite the name of such Selling Shareholder in Schedule I hereto, to the several Underwriters, and each Underwriter agrees, severally and not jointly, to purchase from the Company and the Selling Shareholders the number of Firm Shares set forth opposite the name of such Underwriter in Schedule II hereto. The purchase price for each Firm Share shall be $[•] per share. The obligation of each Underwriter to each of the Company and the Selling Shareholders shall be to purchase from each of the Company and the Selling Shareholders that number of Firm Shares (to be adjusted by the Representative to avoid fractional shares) which represents the same proportion of the number of Firm Shares to be sold by each of the Company and the Selling Shareholders pursuant to this Agreement as the number of Firm Shares set forth opposite the name of such Underwriter in Schedule II hereto represents to the total number of Firm Shares to be purchased by all Underwriters pursuant to this Agreement. In making this Agreement, each Underwriter is contracting severally and not jointly; except as provided in paragraph (c) of this Section 3 and in Section 8 hereof, the agreement of each Underwriter is to purchase only the respective number of Firm Shares specified in Schedule II.

The Firm Shares will be delivered by the Company and the Custodian to you for the accounts of the several Underwriters against payment of the purchase price therefor by wire transfer of same day funds payable to the order of the Company and the Custodian, as appropriate, at the offices of Piper Jaffray & Co., U.S. Bancorp Center, 800 Nicollet Mall, Minneapolis, Minnesota, or such other location as may be mutually acceptable, at 9:00 a.m. Central time on the third (or if the Securities are priced, as contemplated by Rule 15c6-1(c) under the Exchange Act, after 4:30 p.m. Eastern time, the fourth) full business day following the date hereof, or at such other time and date as you and the Company determine pursuant to Rule 15c6-1(a) under the Exchange Act, such time and date of delivery being herein referred to as the "*First Closing Date*." If the Representative so elects, delivery of the Firm Shares may be made by credit through full fast transfer to the accounts at The Depository Trust Company designated by the Representative. Certificates representing the Firm Shares, in definitive form and in such denominations and registered in such names as you may request upon at least two business days' prior notice to the Company and the Custodian, will be made available for checking and packaging not later than 10:30 a.m., Central time, on the business day next preceding the First Closing Date at the offices of Piper Jaffray & Co., U.S. Bancorp Center, 800 Nicollet Mall, Minneapolis, Minnesota, or such other location as may be mutually acceptable.

(b) On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company, with respect to the Option Shares hereby grants to the several Underwriters an option to purchase all or any portion of the Option Shares at the same purchase price as the Firm Shares, for use solely in covering any over-allotments made by the Underwriters in the sale and distribution of the Firm Shares. The option granted hereunder may be exercised in whole or in part at any time (but not more than once) within 30 days after the effective date of this Agreement upon notice (confirmed in writing) by the Representative to the Company setting forth the aggregate number of Option Shares as to which the several Underwriters are exercising the option, the names and denominations in which the certificates for the Option Shares are to be registered and the date and time, as determined by you, when the Option Shares are to be delivered, such time and date being herein referred to as the "*Second Closing*" and "*Second Closing Date*", respectively; provided, however, that the Second Closing Date shall not be earlier than the First Closing Date nor earlier than the second business day after the date on which the option shall have been exercised. The number of Option Shares to be purchased by each Underwriter shall be the same percentage of the total number of Option Shares to be purchased by the several Underwriters as the number of Firm Shares to be purchased by such Underwriter is of the total number of Firm Shares to be purchased by the several Underwriters, as adjusted by the Representative in such manner as the Representative deems advisable to avoid fractional shares. No Option Shares shall be sold and delivered unless the Firm Shares previously have been, or simultaneously are, sold and delivered.

The Option Shares will be delivered by the Company to you for the accounts of the several Underwriters against payment of the purchase price therefor by wire transfer of same day funds payable to the order of the Custodian or the Company, as appropriate, at the offices of Piper Jaffray & Co., U.S. Bancorp Center, 800 Nicollet Mall, Minneapolis, Minnesota, or such other location as may be mutually acceptable at 9:00 a.m., Central time, on the Second Closing Date. If the Representative so elects, delivery of the Option Shares may be made by credit through full fast transfer to the accounts at The Depository Trust Company designated by the Representative. Certificates representing the Option Shares in definitive form and in such denominations and registered in such names as you have set forth in your notice of option exercise, will be made available for checking and packaging not later than 10:30 a.m., Central time, on the business day next preceding the Second Closing Date at the office of Piper Jaffray & Co., U.S. Bancorp Center, 800 Nicollet Mall, Minneapolis, Minnesota, or such other location as may be mutually acceptable.

(c) It is understood that you, individually and not as Representative of the several Underwriters, may (but shall not be obligated to) make payment to the Company or the Selling Shareholders, on behalf of any Underwriter for the Securities to be purchased by such Underwriter. Any such payment by you shall not relieve any such Underwriter of any of its obligations hereunder. Nothing herein contained shall constitute any of the Underwriters an unincorporated association or partner with the Company or any Selling Shareholder.

4. ***Covenants***.

(a) The Company covenants and agrees with the several Underwriters as follows:

(i) If the Registration Statement has not already been declared effective by the Commission, the Company will use its best efforts to cause the Registration Statement and any post-effective amendments thereto to become effective as promptly as possible; the Company will notify you promptly of the time when the Registration Statement or any post-effective amendment to the Registration Statement has become effective or any supplement to the Prospectus (including any term sheet within the meaning of Rule 434 of the Rules and Regulations) has been filed and of any request by the Commission for any amendment or supplement to the Registration Statement or Prospectus or additional information; if the Company has elected to rely on Rule 430A of the Rules and Regulations, the Company will prepare and file a Prospectus (or term sheet within the meaning of Rule 434 of the Rules and Regulations) containing the information omitted therefrom pursuant to Rule 430A of the Rules and Regulations with the Commission within the time period required by, and otherwise in accordance with the provisions of, Rules 424(b), 430A and 434, if applicable, of the Rules and Regulations; if the Company has elected to rely upon Rule 462(b) of the Rules and Regulations to increase the size of the offering registered under the Act, the Company will prepare and file a registration statement with respect to such increase with the Commission within the time period required by, and otherwise in accordance with the provisions of, Rule 462(b); the Company will prepare and file with the Commission, promptly upon your request, any amendments or supplements to the Registration Statement or Prospectus (including any term sheet within the meaning of Rule 434 of the Rules and Regulations) that, in your opinion, may be necessary or advisable in connection with the distribution of the Securities by the Underwriters; and the Company will not file any amendment or supplement to the Registration Statement or Prospectus (including any term sheet within the meaning of Rule 434 of the Rules and Regulations), or file any document under the Exchange Act before the termination of the offering of the Securities by the Underwriters if such document would be deemed to be incorporated by reference into the Prospectus, to which you shall reasonably object by notice to the Company after having been furnished a copy a reasonable time prior to the filing.

(ii) The Company will advise you, promptly after it shall receive notice or obtain knowledge thereof, of (A) the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement, (B) the suspension of the qualification of the Securities for offering or sale in any jurisdiction, (C) the initiation or threatening of any proceeding for any such purpose listed in clauses (A) or (B) of this sentence, and (D) the receipt of any comments of, or requests for additional or supplemental information from, the Commission; and the Company will promptly use its best efforts to prevent the issuance of any stop order or to obtain its withdrawal if such a stop order should be issued.

(iii) Within the time during which a prospectus (including any term sheet within the meaning of Rule 434 of the Rules and Regulations) relating to the Securities is required to be delivered under the Act, the Company will comply as far as it is able with all requirements imposed upon it by the Act, as now and hereafter amended, and by the Rules and Regulations, as from time to time in force, and by the Exchange Act so far as necessary to permit the continuance of sales of or dealings in the Securities as contemplated by the provisions hereof and the Prospectus. If during such period any event occurs as a result of which the Prospectus would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances then existing, not misleading, or if during such period it is necessary or appropriate in the opinion of the Company or its counsel or the Representative or counsel to the Underwriters to amend the Registration Statement or supplement the Prospectus to comply with the Act or to file under the Exchange Act any document which would be deemed to be incorporated by reference in the Prospectus in order to comply with the Act or the Exchange Act, the Company will promptly notify you and will amend the Registration Statement or supplement the Prospectus or file such document (at the expense of the Company) so as to correct such statement or omission or effect such compliance.

(iv) The Company shall take or cause to be taken all necessary action to qualify the Securities for sale under the securities laws of such jurisdictions as you reasonably designate and to continue such qualifications in effect so long as required for the distribution of the Securities, except that the Company shall not be required in connection therewith to qualify as a foreign corporation or to execute a general consent to service of process in any state.

(v) The Company will furnish to the Underwriters and counsel for the Underwriters copies of the Registration Statement (which will include three complete manually signed copies of the Registration Statement and all consents and exhibits filed therewith), each Preliminary Prospectus, the Prospectus, and all amendments and supplements (including any term sheet within the meaning of Rule 434 of the Rules and Regulations, and any document filed under the Exchange Act and deemed to be incorporated by reference into the Prospectus) to such documents, in each case as soon as available and in such quantities as you may from time to time reasonably request.

(vi) During a period of five years commencing with the date hereof, the Company will furnish to the Representative, and to each Underwriter who may so request in writing, copies of all periodic and special reports furnished to the shareholders of the Company and all information, documents and reports filed with the Commission, the National Association of Securities Dealers, Inc., Nasdaq or any securities exchange (other than any such information, documents and reports that are filed with the Commission electronically via EDGAR or any successor system).

(vii) The Company will make generally available to its security holders as soon as practicable, but in any event not later than 15 months after the end of the Company's current fiscal quarter, an earnings statement (which need not be audited) covering a 12-month period beginning after the effective date of the Registration Statement that shall satisfy the provisions of Section 11(a) of the Act and Rule 158 of the Rules and Regulations.

(viii) The Company, whether or not the transactions contemplated hereunder are consummated or this Agreement is terminated, will pay or cause to be paid (A) all expenses (including transfer taxes allocated to the respective transferees) incurred in connection with the delivery to the Underwriters of the Securities, (B) all expenses and fees (including, without limitation, fees and expenses of the Company's accountants and counsel but, except as otherwise provided below, not including fees of the Underwriters' counsel) in connection with the preparation, printing, filing, delivery, and shipping of the Registration Statement (including the financial statements therein and all amendments, schedules, and exhibits thereto), the Securities, each Preliminary Prospectus, the Prospectus, and any amendment thereof or supplement thereto, and the printing, delivery, and shipping of this Agreement and other underwriting documents, including Blue Sky Memoranda (covering the states and other applicable jurisdictions), (C) all filing fees and fees and disbursements of the Underwriters' counsel incurred in connection with the qualification of the Securities for offering and sale by the Underwriters or by dealers under the securities or blue sky laws of the states and other jurisdictions which you shall designate, (D) the fees and expenses of any transfer agent or registrar, (E) the filing fees and fees and disbursements of Underwriter's counsel incident to any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Securities, (F) listing fees, if any, and (G) all other costs and expenses incident to the performance of its obligations hereunder that are not otherwise specifically provided for herein. If this Agreement is terminated by the Representative pursuant to Section 9 hereof or if the sale of the Securities provided for herein is not consummated by reason of any failure, refusal or inability on the part of the Company or the Selling Shareholders to perform any agreement on its or their part to be performed, or because any other condition of the Underwriters' obligations hereunder required to be fulfilled by the Company or the Selling Shareholders is not fulfilled, the Company will reimburse the several Underwriters for all out-of-pocket disbursements (including, but not limited to, fees and disbursements of counsel, printing expenses, travel expenses, postage, facsimile and telephone charges) incurred by the Underwriters in connection with their investigation, preparing to market and marketing the Securities or in contemplation of performing their obligations hereunder.

(ix) The Company will apply the net proceeds from the sale of the Securities to be sold by it hereunder for the purposes set forth in the Prospectus.

(x) The Company will not, without the prior written consent of Piper Jaffray & Co., from the date of execution of this Agreement and continuing to and including the date 180 days after the date of the Prospectus (the "*Lock-Up Period*") offer for sale; sell; contract to sell; pledge; grant any option for the sale of; enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any affiliate; or otherwise issue or dispose of, directly or indirectly (or publicly disclose the intention to make any such offer, sale, pledge, grant, issuance or other disposition), any Common Stock or any securities convertible into or exchangeable for, or any options or rights to purchase or acquire, Common Stock, except to the Underwriters pursuant to this Agreement. The Company agrees not to accelerate the vesting of any option or warrant or the lapse of any repurchase right prior to the expiration of the Lock-Up Period. If (1) during the period that begins on the date that is 18 calendar days before the last day of the Lock-Up Period and ends on the last day of the Lock-Up Period, (a) the Company issues an earnings release, (b) the Company publicly announces material news or (c) a material event relating to the Company occurs; or (2) prior to the expiration of the Lock-Up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the Lock-Up Period, then the restrictions of this Agreement, unless otherwise waived by Piper Jaffray & Co. in writing, shall continue to apply until the expiration of the date that is 18 calendar days after the date on which (a) the Company issues an earnings release, (b) the Company publicly announces material news or (c) a material event relating to the Company occurs, as applicable.

(xi) The Company has caused to be delivered to you prior to the date of this Agreement a Lock-Up Agreement in the form attached hereto as Annex A (the "*Lock-Up Agreement*") from each of the Company's directors and officers. The Company will enforce the terms of each Lock-Up Agreement and issue stop-transfer instructions to the transfer agent for the Common Stock with respect to any transaction or contemplated transaction that would constitute a breach of or default under the applicable Lock-Up Agreement.

(xii) The Company has not taken and will not take, directly or indirectly, any action designed to or which might reasonably be expected to cause or result in, or which has constituted, the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(xiii) The Company will not incur any liability for any finder's or broker's fee or agent's commission in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

(xiv) The Company will file with the Commission such periodic and special reports as required by the Exchange Act and the Rules and Regulations.

(xv) The Company and its subsidiaries will maintain such controls and other procedures, including without limitation those required by Sections 302 and 906 of the Sarbanes-Oxley

Act and the applicable regulations thereunder, that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, including without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and its principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure, to ensure that material information relating to Company, including its subsidiaries, is made known to them by others within those entities.

(xvi) The Company and its subsidiaries will comply with all effective applicable provisions of the Sarbanes-Oxley Act.

(b) Each Selling Shareholder covenants and agrees with the several Underwriters as follows:

(i) Except as otherwise agreed to by the Company and the Selling Shareholder pursuant to an outstanding registration rights agreement, a true and correct copy of which has been delivered to counsel to the Underwriters, such Selling Shareholder will pay all taxes, if any, on the transfer and sale, respectively, of the Securities being sold by such Selling Shareholder, the fees of such Selling Shareholder's counsel and such Selling Shareholder's proportionate share (based upon the number of Securities being offered by such Selling Shareholder pursuant to the Registration Statement) of all costs and expenses (except for legal and accounting expenses and fees of the registrar and transfer agent) incurred by the Company pursuant to the provisions of Section 4(a)(viii) of this Agreement; *provided, however*, that each Selling Shareholder severally agrees to reimburse the Company for any reimbursement made by the Company to the Underwriters pursuant to Section 4(a)(viii) hereof to the extent such reimbursement resulted from the failure or refusal on the part of such Selling Shareholder to comply under the terms or fulfill any of the conditions of this Agreement.

(ii) If this Agreement shall be terminated by the Underwriters because of any failure, refusal or inability on the part of such Selling Shareholder to perform any agreement on such Selling Shareholder's part to be performed, or because any other condition of the Underwriters' obligations hereunder required to be fulfilled by such Selling Shareholder is not fulfilled, such Selling Shareholder agrees to reimburse the several Underwriters for all out-of-pocket disbursements (including fees and disbursements of counsel for the Underwriters) incurred by the Underwriters in connection with their investigation, preparing to market and marketing the Securities or in contemplation of performing their obligations hereunder.

(iii) The Securities to be sold by such Selling Shareholder, represented by the certificates on deposit with the Custodian pursuant to the Custody Agreement of such Selling Shareholder, are subject to the interest of the several Underwriters and the other Selling Shareholders; the arrangements made for such custody are, except as specifically provided in the Custody Agreement, irrevocable; and the obligations of such Selling Shareholder hereunder shall not be terminated, except as provided in this Agreement or in the Custody Agreement, by any act of such Selling Shareholder, by operation of law, whether by the liquidation, dissolution or merger of such Selling Shareholder, by the death of such Selling Shareholder, or by the occurrence of any other event. If any Selling Shareholder should liquidate, dissolve or be a party to a merger or if any other such event should occur before the delivery of the Securities hereunder, certificates for the Securities deposited with the Custodian shall be delivered by the Custodian in accordance with the terms and conditions of this Agreement as if such liquidation, dissolution, merger or other event had not occurred, whether or not the Custodian shall have received notice thereof.

(iv) Such Selling Shareholder will comply with the restrictions set forth in the Lock-Up Agreement.

(v) Such Selling Shareholder has not taken and will not take, directly or indirectly, any action designed to or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(vi) Such Selling Shareholder shall immediately notify you if any event occurs, or of any change in information relating to such Selling Shareholder or the Company or any new information relating to the Company or relating to any matter stated in the Prospectus or any supplement thereto (including any term sheet within the meaning of Rule 434 of the Rules and Regulations, and any document filed under the Exchange Act and deemed to be incorporated by reference into the Prospectus), which results in the Prospectus (as supplemented) including an untrue statement of a material fact or omitting to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(vii) Such Selling Shareholder shall deliver to the Custodian or the Representative, as appropriate, prior to the First Closing Date, a properly completed and executed United States Treasury Department Form W-9 (or other applicable form or statement specified by Treasury Department regulations in lieu thereof).

5. ***Conditions of Underwriters' Obligations***. The obligations of the several Underwriters hereunder are subject to the accuracy, as of the date hereof and at each of the First Closing Date and the Second Closing Date (as if made at such Closing Date), of and compliance with all representations, warranties and agreements of the Company and the Selling Shareholders contained herein, to the performance by the Company and the Selling Shareholders of their respective obligations hereunder and to the following additional conditions:

(a) The Registration Statement shall have become effective not later than 5:00 p.m., Central time, on the date of this Agreement, or such later time and date as you, as Representative of the several Underwriters, shall approve and all filings required by Rules 424, 430A and 434 of the Rules and Regulations shall have been timely made; no stop order suspending the effectiveness of the Registration Statement or any amendment thereof shall have been issued; no proceedings for the issuance of such an order shall have been initiated or threatened; any request of the Commission for additional information (to be included in the Registration Statement or the Prospectus or otherwise) shall have been complied with to your satisfaction; and the National Association of Securities Dealers, Inc. shall have raised no objection to the fairness and reasonableness of the underwriting terms and arrangements.

(b) No Underwriter shall have advised the Company that the Registration Statement or the Prospectus, or any amendment thereof or supplement thereto (including any term sheet within the meaning of Rule 434 of the Rules and Regulations, and any document incorporated by reference), contains an untrue statement of fact which, in your opinion, is material, or omits to state a fact which, in your opinion, is material and is required to be stated therein or necessary to make the statements therein not misleading.

(c) Except as contemplated in the Prospectus, subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, neither the Company nor any of its subsidiaries shall have incurred any material liabilities or obligations, direct or contingent, or entered into any material transactions, or declared or paid any dividends or made any distribution of any kind with respect to its capital stock; and there shall not have been any change in the capital stock (other than a change in the number of outstanding shares of Common Stock due to the issuance of shares upon the exercise of outstanding options or warrants), or any material change in the short-term or long-term debt of the Company, or any issuance of options, warrants, convertible securities or other rights to purchase the capital stock of the Company or any of its subsidiaries, or any Material Adverse Change or any development involving a prospective Material Adverse Change (whether or not arising in the ordinary course of business), or any loss by strike, fire, flood, earthquake, accident or other calamity, whether or not covered by insurance, incurred by the Company or any subsidiary, the effect of which, in any such case described above, in your judgment, makes it impractical or inadvisable to offer or deliver the Securities on the terms and in the manner contemplated in the Prospectus.

(d) On or after the date hereof (i) no downgrading shall have occurred in the rating accorded any of the Company's securities by any "nationally recognized statistical organization," as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Act, and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's securities or;

(e) On each Closing Date, there shall have been furnished to you, as Representative of the several Underwriters, the opinion of Porter, Wright, Morris & Arthur LLP, counsel for the Company, dated such Closing Date and addressed to you, to the effect that:

(i) Each of the Company and its subsidiaries is validly existing as a corporation or limited liability company in good standing under the laws of its jurisdiction of incorporation or organization. Each of the Company and its subsidiaries has full corporate power and authority to own its properties and conduct its business as currently being carried on and as described in the Registration Statement and Prospectus, and is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which it owns or leases real property or in which the conduct of its business makes such qualification necessary and in which the failure to so qualify would have a Material Adverse Effect.

(ii) The capital stock of the Company conforms in all material respects as to legal matters to the description thereof contained in the Prospectus under the caption "Description of Capital Stock." All of the issued and outstanding shares of the capital stock of the Company have been duly authorized and validly issued and are fully paid and nonassessable, and the holders thereof are not subject to personal liability by reason of being such holders. The Securities to be issued and sold by the Company hereunder have been duly authorized and, when issued, delivered and paid for in accordance with the terms of this Agreement, will have been validly issued and will be fully paid and nonassessable, and the holders thereof will not be subject to personal liability by reason of being such holders. Except as otherwise stated in the Registration Statement and Prospectus, there are no preemptive rights or other rights to subscribe for or to purchase, or any restriction upon the voting or transfer of, any shares of Common Stock pursuant to the Company's charter, by-laws (or code of regulations) or any agreement or other instrument known to such counsel to which the Company is a party or by which the Company is bound. To such counsel's knowledge, neither the filing of the Registration Statement nor the offering or sale of the Securities as contemplated by this Agreement gives rise to any rights for or relating to the registration of any shares of Common Stock or other securities of the Company.

(iii) All of the issued and outstanding shares of capital stock of each of the Company's subsidiaries have been duly and validly authorized and issued and are fully paid and nonassessable, and, to such counsel's knowledge, except as otherwise described in the Registration Statement and Prospectus, the Company owns of record and beneficially, free and clear of any security interests, claims, liens, proxies, equities or other encumbrances, all of the issued and outstanding shares of such stock. To such counsel's knowledge, except as described in the Registration Statement and Prospectus, there are no options, warrants, agreements, contracts or other rights in existence to purchase or acquire from the Company or any subsidiary any shares of the capital stock of the Company or any subsidiary of the Company.

(iv) The Registration Statement has become effective under the Act and, to such counsel's knowledge, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose has been instituted or, to the knowledge of such counsel, threatened by the Commission.

(v) The descriptions in the Registration Statement and Prospectus of statutes, regulations, legal and governmental proceedings, contracts and other documents are, in all material respects, accurate and fairly present the information required to be shown; and such counsel does not know of any statutes, regulations, legal or governmental proceedings or contracts or other documents required to be described in the Prospectus (or required to be filed under the Exchange Act if upon such filing they would be incorporated in whole or in part, by reference therein) or included as exhibits to the Registration Statement that are not described or included as required.

(vi) The Company has full corporate power and authority to enter into this Agreement, and this Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid, legal and binding obligation of the Company enforceable in accordance with its terms (except as rights to indemnity hereunder may be limited by federal or state securities laws and except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting the rights of creditors generally and subject to general principles of equity); the execution, delivery and performance of this Agreement and the consummation of the transactions herein contemplated will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, any material statute, rule or regulation, any agreement or instrument known to such counsel to which the Company is a party or by which it is bound or to which any of its property is subject, the Company's charter or by-laws (or code of regulations), or any order or decree known to such counsel of any court or governmental agency or body having jurisdiction over the Company or any of its respective properties; and no consent, approval, authorization or order of, or filing with, any court or governmental agency or body is required for the execution, delivery and performance by the Company of this Agreement or for the consummation of the transactions contemplated hereby, including the issuance or sale of the Securities by the Company, except such as may be required under the Act or state securities laws.

(vii) The Registration Statement and the Prospectus, and any amendment thereof or supplement thereto (including any term sheet within the meaning of Rule 434 of the Rules and Regulations), comply as to form in all material respects with the requirements of the Act and the Rules and Regulations; the conditions for use of Form S-3, set forth in the General Instructions thereto, have been satisfied; and on the basis of conferences with officers of the Company, examination of documents referred to in the Registration Statement and Prospectus and such other procedures as such counsel deemed appropriate, nothing has come to the attention of such counsel that causes such counsel to believe that the Registration Statement or any amendment thereof, at the time the Registration Statement became effective and as of such Closing Date (including any Registration Statement filed under Rule 462(b) of the Rules and Regulations), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus (as of its date and as of such Closing Date), as amended or supplemented, includes any untrue statement of material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; it being understood that such counsel will not assume any responsibility for the accuracy, completeness or fairness of the Registration Statement and Prospectus, and need express no opinion as to the financial statements or other financial or accounting data included in any of the documents mentioned in this clause.

(viii) Each document filed pursuant to the Exchange Act (other than the financial statements and supporting schedules included therein, as to which no opinion need to be rendered) and incorporated or deemed to be incorporated by reference in the Prospectus complied when so filed as to form in all material respects with the Exchange Act.

In rendering such opinion such counsel may rely (i) as to matters of law other than Ohio and federal law, upon the opinion or opinions of local counsel provided that the extent of such reliance is specified in such opinion and that such counsel shall state that such opinion or opinions of local counsel are satisfactory to them and that they believe they and you are justified in relying thereon and (ii) as to matters of fact, to the extent such counsel deems reasonable upon certificates of officers of the Company and its subsidiaries provided that the extent of such reliance is specified in such opinion. Such opinion may be subject to reasonable and customary assumptions, qualifications and limitations.

(d) On the First Closing Date, there shall have been furnished to you, as Representative of the several Underwriters, the opinion of Porter, Wright, Morris & Arthur LLP, counsel for the Selling Shareholders, dated such Closing Date and addressed to you, to the effect that:

(i) Each of the Selling Shareholders is the sole record and beneficial owner of the Securities to be sold by such Selling Shareholder and delivery of the certificates for the Securities to be sold by each Selling Shareholder pursuant to this Agreement, upon payment therefor by the Underwriters, will pass marketable title to such Securities to the Underwriters and the Underwriters will acquire all the rights of such Selling Shareholder in the Securities (assuming the Underwriters have no knowledge of an adverse claim), free and clear of any security interests, claims, liens or other encumbrances.

(ii) Each of the Selling Shareholders has the power and authority to enter into the Custody Agreement, the Power of Attorney and this Agreement and to perform and discharge such Selling Shareholder's obligations thereunder and hereunder; and this Agreement, the Custody Agreements and the Powers of Attorney have been duly and validly authorized, executed and delivered by (or by the Attorneys-in-Fact, or either of them, on behalf of) the Selling Shareholders and are valid and binding agreements of the Selling Shareholders, enforceable in accordance with their respective terms (except as rights to indemnity hereunder or thereunder may be limited by federal or state securities laws and except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and subject to general principles of equity).

(iii) The execution and delivery of this Agreement, the Custody Agreement and the Power of Attorney and the performance of the terms hereof and thereof and the consummation of the transactions herein and therein contemplated will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, any statute, rule or regulation, or any agreement or instrument known to such counsel to which such Selling Shareholder is a party or by which such Selling Shareholder is bound or to which any of its property is subject, any such Selling Shareholder's charter or by-laws, or any order or decree known to such counsel of any court or government agency or body having jurisdiction over such Selling Shareholder or any of its respective properties; and no consent, approval, authorization or order of, or filing with, any court or governmental agency or body is required for the execution, delivery and performance of this Agreement, the Custody Agreement and the Power of Attorney or for the consummation of the transactions contemplated hereby and thereby, including the sale of the Securities being sold by such Selling Shareholder, except such as may be required under the Act or state securities laws or blue sky laws.

In rendering such opinion such counsel may rely (i) as to matters of law other than under the laws of the State of Ohio and federal law, upon the opinion or opinions of local counsel provided that the extent of such reliance is specified in such opinion and that such counsel shall state that such opinion or opinions of local counsel are satisfactory to them and that they believe they and you are justified in relying thereon and (ii) as to matters of fact, to the extent such counsel deems reasonable upon certificates of officers of the Selling Shareholders provided that the extent of such reliance is specified in such opinion.

(e) On each Closing Date, there shall have been furnished to you, as Representative of the several Underwriters, such opinion or opinions from Faegre & Benson LLP, counsel for the several Underwriters, dated such Closing Date and addressed to you, with respect to the formation of the Company, the validity of the Securities, the Registration Statement, the Prospectus and other related matters as you reasonably may request, and such counsel shall have received such papers and information as they request to enable them to pass upon such matters.

(f) On each Closing Date you, as Representative of the several Underwriters, shall have received a letter of Deloitte & Touche LLP, dated such Closing Date and addressed to you, confirming that they are independent public accountants within the meaning of the Act and are in compliance with the applicable requirements relating to the qualifications of accountants under Rule 2-01 of Regulation S-X of the Commission, and stating, as of the date of such letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus, as of a date not more than five days prior to the date of such letter), the conclusions and findings of said firm with respect to the financial information and other matters covered by its letter delivered to you concurrently with the execution of this Agreement, and the effect of the letter so to be delivered on such Closing Date shall be to confirm the conclusions and findings set forth in such prior letter.

(g) On each Closing Date, there shall have been furnished to you, as Representative of the Underwriters, a certificate, dated such Closing Date and addressed to you, signed by the chief executive officer and by the chief financial officer of the Company, to the effect that:

(i) The representations and warranties of the Company in this Agreement are true and correct, in all material respects, as if made at and as of such Closing Date, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to such Closing Date;

(ii) No stop order or other order suspending the effectiveness of the Registration Statement or any amendment thereof or the qualification of the Securities for offering or sale has been issued, and no proceeding for that purpose has been instituted or, to the best of their knowledge, is contemplated by the Commission or any state or regulatory body; and

(iii) The signers of said certificate have carefully examined the Registration Statement and the Prospectus, and any amendments thereof or supplements thereto (including any term sheet within the meaning of Rule 434 of the Rules and Regulations, and any documents filed under the Exchange Act and deemed to be incorporated by reference into the Prospectus), and (A) such documents contain all statements and information required to be included therein, the Registration Statement, or any amendment thereof, does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and the Prospectus, as amended or supplemented, does not include any untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, (B) since the effective date of the Registration Statement, there has occurred no event required to be set forth in an amended or supplemented prospectus which has not been so set forth, and there has been no document required to be filed under the Exchange Act that upon such filing would be deemed to be incorporated by reference into the Prospectus that has not been so filed, (C) subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, neither the Company nor any of its subsidiaries has incurred any material liabilities or obligations, direct or contingent, or entered into any material transactions, not in the ordinary course of business, or declared or paid any dividends or made any distribution of any kind with respect to its capital stock, and except as disclosed in the Prospectus, there has not been any change in the capital stock (other than a change in the number of outstanding shares of Common Stock due to the issuance of shares upon the exercise of outstanding options or warrants), or any material change in the short-term or long-term debt, or any issuance of options, warrants, convertible securities or other rights to purchase the capital stock, of the Company, or any of its subsidiaries, or any Material Adverse Change or any development involving a prospective Material Adverse Change (whether or not arising in the ordinary course of business), or any loss by strike, fire, flood, earthquake, accident or other calamity, whether or not covered by insurance, incurred by the Company or any subsidiary, and (D) except as stated in the Registration Statement and the Prospectus, there is not pending, or, to the knowledge of the Company, threatened or contemplated, any action, suit or proceeding to which the Company or any of its subsidiaries is a party before or by any court or governmental agency, authority or body, or any arbitrator, which might result in any Material Adverse Change.

(h) On the First Closing Date, there shall have been furnished to you, as Representative of the several Underwriters, a certificate or certificates, dated as of the First Closing Date and addressed to you, signed by each of the Selling Shareholders or either of such Selling Shareholder's Attorneys-in-Fact to the effect that the representations and warranties of as of the First Selling Shareholder contained in this Agreement are true and correct as if made at and as of the First Closing Date, and that such Selling Shareholder has complied with all the agreements and satisfied all the conditions on such Selling Shareholder's part to be performed or satisfied at or prior to as of the First Closing Date.

(i) The Company shall have furnished to you and counsel for the Underwriters such additional documents, certificates and evidence as you or they may have reasonably requested.

(j) The Offered Securities shall have been approved for listing on the Nasdaq National Market.

(k) On or prior to the date of this Agreement, the Representative shall have received a Lock-up Agreement from each of the directors and officers of the Company.

All such opinions, certificates, letters and other documents will be in compliance with the provisions hereof only if they are satisfactory in form and substance to you and counsel for the Underwriters. The Company will furnish you with such conformed copies of such opinions, certificates, letters and other documents as you shall reasonably request.

6. ***Indemnification and Contribution***.

(a) The Company and each Selling Shareholder, jointly and severally, agree to indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise (including in settlement of any litigation if such settlement is effected with the written consent of the Company and/or such Selling Shareholders, as the case may be), insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, including the information deemed to be a part of the Registration Statement at the time of effectiveness pursuant to Rules 430A and 434(d) of the Rules and Regulations, if applicable, any Preliminary Prospectus, the Prospectus, or any amendment or supplement thereto (including any term sheet within the meaning of Rule 434 of the Rules and Regulations, and any documents filed under the Exchange Act and deemed to be incorporated by reference into the Prospectus), or in any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the offering of the Common Stock ("*Marketing Materials*"), including any roadshow or investor presentations made to investors by the Company (whether in person or electronically) or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by it in connection with investigating or defending against such loss, claim, damage, liability or action; or (ii) in whole or in part upon any inaccuracy in the representations and warranties of the Company or the Selling Shareholders contained herein (except that with respect to this clause (ii), each Selling Shareholder shall only be liable, severally and not jointly, for its representations and warranties set forth in Section 2(b) hereof); or (iii) in whole or in part upon any failure of the Company or the Selling Shareholders to perform their respective obligations hereunder or under law (except that with respect to this clause (iii), each Selling Shareholder shall only be liable, severally and not jointly, for its respective obligations hereunder and under law); *provided, however,* that neither the Company nor any Selling Shareholder shall be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or any such amendment or supplement, or in any Marketing Materials, in reliance upon and in conformity with written information furnished to the Company by you, or by any Underwriter through you, specifically for use in the preparation thereof; *and further provided, however,* that in no event shall any Selling Shareholder be liable under the provisions of this Section 6 for any amount in excess of the aggregate amount of proceeds such Selling Shareholder received from the sale of the Securities pursuant to this Agreement.

In addition to their other obligations under this Section 6(a), the Company and each Selling Shareholder, jointly and severally, agree that, as an interim measure during the pendency of any claim, action, investigation, inquiry or other proceeding arising out of or based upon any statement or omission, or any alleged statement or omission, described in this Section 6(a), they will reimburse each Underwriter on a monthly basis for all reasonable legal fees or other expenses incurred in connection with investigating or defending any such claim, action, investigation, inquiry or other proceeding, notwithstanding the absence of a judicial determination as to the propriety and enforceability of the Company's and/or the Selling Shareholder's obligation to reimburse the Underwriters for such expenses and the possibility that such payments might later be held to have been improper by a court of competent jurisdiction. To the extent that any such interim reimbursement payment is so held to have been improper, the Underwriter that received such payment shall promptly return it to the party or parties that made such payment, together with interest, compounded daily, determined on the basis of the prime rate (or other commercial lending rate for borrowers of the highest credit standing) announced from time to time by U.S. Bank, N.A. (the "*Prime Rate*"). Any such interim reimbursement payments which are not made to an Underwriter within 30 days of a request for reimbursement shall bear interest at the Prime Rate from the date of such request. This indemnity agreement shall be in addition to any liabilities which the Company or the Selling Shareholders may otherwise have.

(b) Each Underwriter will indemnify and hold harmless the Company and each Selling Shareholder against any losses, claims, damages or liabilities to which the Company and the Selling Shareholders may become subject, under the Act or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Underwriter), insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus, or any amendment or supplement thereto (including any term sheet within the meaning of Rule 434 of the Rules and Regulations), or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or any such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by you, or by such Underwriter through you, specifically for use in the preparation thereof, and will reimburse the Company and the Selling Shareholders for any legal or other expenses reasonably incurred by the Company or any such Selling Shareholder in connection with investigating or defending against any such loss, claim, damage, liability or action.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve the indemnifying party from any liability that it may have to any indemnified party except to the extent such indemnifying party has been materially prejudiced by such failure. In case any such action shall be brought against any indemnified party, and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in, and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of the indemnifying party's election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that if, in the sole judgment of the Representative, it is advisable for the Underwriters to be represented as a group by separate counsel, the Representative shall have the right to employ a single counsel to represent the Representative and all Underwriters who may be subject to liability arising from any claim in respect of which indemnity may be sought by the Underwriters under subsection (a) of this Section 6, in which event the reasonable fees and expenses of such separate counsel shall be borne by the indemnifying party or parties and reimbursed to the Underwriters as incurred (in accordance with the provisions of the second paragraph in subsection (a) above).

The indemnifying party under this Section 6 shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party against any loss, claim, damage, liability or expense by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by this Section 6, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity was or could have been sought hereunder by such indemnified party, unless such settlement, compromise or consent (a) includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding and (b) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 6 is unavailable or insufficient to hold harmless an indemnified party under subsection (a) or (b) above, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Shareholders on the one hand and the Underwriters on the other from the offering of the Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Shareholders on the one hand and the Underwriters on the other in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Shareholders on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company and Selling Shareholders bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Selling Shareholders or the Underwriters and the parties' relevant intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company, the Selling Shareholders and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the first sentence of this subsection (d). The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending against any action or claim which is the subject of this subsection (d). Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company and the Selling Shareholders under this Section 6 shall be in addition to any liability which the Company and the Selling Shareholders may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 6 shall be in addition to any liability that the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each director of the Company (including any person who, with his consent, is named in the Registration Statement as about to become a director of the Company), to each officer of the Company who has signed the Registration Statement and to each person, if any, who controls the Company or any Selling Shareholder within the meaning of the Act.

(f) The Underwriters severally confirm and the Company and each Selling Shareholder acknowledges that the statements with respect to the public offering of the Securities by the Underwriters set forth on the cover page of, and the concession and reallowance figures appearing under the caption "Underwriting" in, the Prospectus are correct and constitute the only information concerning such Underwriters furnished in writing to the Company by or on behalf of the Underwriters specifically for inclusion in the Registration Statement and the Prospectus.

7. ***Representations and Agreements to Survive Delivery*.** All representations, warranties, and agreements of the Company and the Selling Shareholders herein or in certificates delivered pursuant hereto, and the agreements of the several Underwriters, the Company and the Selling Shareholders contained in Section 6 hereof, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter or any controlling person thereof, or the Company or any of its officers, directors, or controlling persons, or any Selling Shareholders or any controlling person thereof, and shall survive delivery of, and payment for, the Securities to and by the Underwriters hereunder.

8. ***Substitution of Underwriters***.

(a) If any Underwriter or Underwriters shall fail to take up and pay for the amount of Firm Shares agreed by such Underwriter or Underwriters to be purchased hereunder, upon tender of such Firm Shares in accordance with the terms hereof, and the amount of Firm Shares not purchased does not aggregate more than 10% of the total amount of Firm Shares set forth in Schedule II hereto, the remaining Underwriters shall be obligated to take up and pay for (in proportion to their respective underwriting obligations hereunder as set forth in Schedule II hereto except as may otherwise be determined by you) the Firm Shares that the withdrawing or defaulting Underwriters agreed but failed to purchase.

(b) If any Underwriter or Underwriters shall fail to take up and pay for the amount of Firm Shares agreed by such Underwriter or Underwriters to be purchased hereunder, upon tender of such

Firm Shares in accordance with the terms hereof, and the amount of Firm Shares not purchased aggregates more than 10% of the total amount of Firm Shares set forth in Schedule II hereto, and arrangements satisfactory to you for the purchase of such Firm Shares by other persons are not made within 36 hours thereafter, this Agreement shall terminate. In the event of any such termination neither the Company nor any Selling Shareholder shall be under any liability to any Underwriter (except to the extent provided in Section 4(a)(viii), Section 4(b)(ii) and Section 6 hereof) nor shall any Underwriter (other than an Underwriter who shall have failed, otherwise than for some reason permitted under this Agreement, to purchase the amount of Firm Shares agreed by such Underwriter to be purchased hereunder) be under any liability to the Company or the Selling Shareholders (except to the extent provided in Section 6 hereof).

If Firm Shares to which a default relates are to be purchased by the non-defaulting Underwriters or by any other party or parties, the Representative or the Company shall have the right to postpone the First Closing Date for not more than seven business days in order that the necessary changes in the Registration Statement, Prospectus and any other documents, as well as any other arrangements, may be effected. As used herein, the term “Underwriter” includes any person substituted for an Underwriter under this Section 8.

9. ***Termination of this Agreement***.

(a) You, as Representative of the several Underwriters, shall have the right to terminate this Agreement by giving notice to the Company and the Selling Shareholders as hereinafter specified at any time at or prior to the First Closing Date, and the option referred to in Section 3(b), if exercised, may be cancelled at any time prior to the Second Closing Date, if (i) the Company or the Selling Shareholders shall have failed, refused or been unable, at or prior to such Closing Date, to perform any agreement on its or their part to be performed hereunder, (ii) any condition of the Underwriters’ obligations hereunder is not fulfilled, (iii) trading in the Company’s Common Stock shall have been suspended by the Commission or the Nasdaq National Market or trading in securities generally on the Nasdaq National Market, New York Stock Exchange or the American Stock Exchange shall have been suspended, (iv) minimum or maximum prices for trading shall have been fixed, or maximum ranges for prices for securities shall have been required, on the Nasdaq National Market, New York Stock Exchange or the American Stock Exchange, by such Exchange or by order of the Commission or any other governmental authority having jurisdiction, (v) a banking moratorium shall have been declared by federal or state authorities, or (vi) there shall have occurred any attack on, outbreak or escalation of hostilities or act of terrorism involving the United States, any declaration by the United States of a national emergency or war, any change in financial markets, any substantial change or development involving a prospective substantial change in United States or international political, financial or economic conditions, or any other calamity or crisis that, in your judgment, is material and adverse and makes it impractical or inadvisable to proceed with the completion of the sale of and payment for the Securities. Any such termination shall be without liability of any party to any other party except that the provisions of Section 4(a)(viii), Section 4(b)(ii) and Section 6 hereof shall at all times be effective and shall survive such termination.

(b) If you elect to terminate this Agreement as provided in this Section, the Company and an Attorney-in-Fact, on behalf of the Selling Shareholders, shall be notified promptly by you by telephone, confirmed by letter.

10. ***Default by One or More of the Selling Shareholders or the Company***. If one or more of the Selling Shareholders shall fail at the First Closing Date to sell and deliver the number of Securities which such Selling Shareholder or Selling Shareholders are obligated to sell hereunder, then the Underwriters may at your option, by notice from you to the Company and the non-defaulting Selling Shareholders, either (a) terminate this Agreement without any liability on the part of any Underwriter or, expect as provided in Sections 4(a)(viii) and 4(b)(ii) hereof, any non-defaulting party or (b) elect to purchase the Securities which the Company and the non-defaulting Selling Shareholders have agreed to sell hereunder.

In the event of a default by any Selling Shareholder as referred to in this Section, either you or the Company or, by joint action only, the non-defaulting Selling Shareholders shall have the right to postpone the First Closing Date for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectus or in any other documents or arrangements.

If the Company shall fail at the First Closing Date to sell and deliver the number of Securities which it is obligated to sell hereunder, then this Agreement shall terminate without any liability on the part of any Underwriter or, except as provided in Sections 4(a)(viii) and 4(b)(ii) hereof, any non-defaulting party.

No action taken pursuant to this Section shall relieve the Company or any Selling Shareholders so defaulting from liability, if any, in respect of such default.

11. ***Notices***. Except as otherwise provided herein, all communications hereunder shall be in writing and, if to the Underwriters, shall be mailed, delivered or telecopied to the Representative c/o Piper Jaffray & Co., U.S. Bancorp Center, 800 Nicollet Mall, Minneapolis, Minnesota 55402, Attention: Michael Hoffman (telecopy no. (612) 303-6979) except that notices given to an Underwriter pursuant to Section 6 hereof shall be sent to such Underwriter at the address stated in the Underwriters' Questionnaire furnished by such Underwriter in connection with this offering; if to the Company, shall be mailed, delivered or telecopied to it at Rocky Shoes & Boots, Inc., 39 East Canal Street, Nelsonville, Ohio 45764, Attention: Mike Brooks (telecopied no. (740) 753-5523); if to any of the Selling Shareholders, at the address of the Attorneys-in-Fact as set forth in the Powers of Attorney, or in each case to such other address as the person to be notified may have requested in writing. Any party to this Agreement may change such address for notices by sending to the parties to this Agreement written notice of a new address for such purpose.

12. ***Persons Entitled to Benefit of Agreement***. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns and the controlling persons, officers and directors referred to in Section 6. Nothing in this Agreement is intended or shall be construed to give to any other person, firm or corporation any legal or equitable remedy or claim under or in respect of this Agreement or any provision herein contained. The term "successors and assigns" as herein used shall not include any purchaser, as such purchaser, of any of the Securities from any of the several Underwriters.

13. ***Governing Law***. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota (without regard to its conflict of laws provisions).

14. ***Counterparts***. This Agreement may be executed by facsimile signature and in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original and all such counterparts shall together constitute one and the same instrument.

[*Remainder of page left intentionally blank — signature page follows*]

Please sign and return to the Company the enclosed duplicates of this letter whereupon this letter will become a binding agreement between the Company, the Selling Shareholders and the several Underwriters in accordance with its terms.

Very truly yours,

ROCKY SHOES & BOOTS, INC.

By: ______________________________
Mike Brooks
Chief Executive Officer

SELLING SHAREHOLDERS

By: ______________________________
[•]
Attorney-in-Fact

Confirmed as of the date first above mentioned, on behalf of themselves and the other several Underwriters named in Schedule II hereto.

PIPER JAFFRAY & CO.

By ______________________________
Michael Hoffman
Managing Director

SCHEDULE I

Selling Shareholders

Name	Number of Firm Shares to be Sold	Maximum Number of Option Shares Subject to Option
Total		

SCHEDULE II

Underwriter	Number of Firm Shares (1)
Piper Jaffray & Co.	
Wachovia Securities, INC.	
Branch Banking and Trust Company	
Davidson Companies	
Ryan Beck & Co., Inc.	
Total	

(1) The Underwriters may purchase up to an additional 390,000 Option Shares, to the extent the option described in Section 3(b) of the Agreement is exercised, in the proportions and in the manner described in the Agreement.

Exhibit 23(b)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement on Form S-3 of our report dated March 15, 2005 (September 14, 2005 as to Note 16) relating to the consolidated financial statements of Rocky Shoes & Boots, Inc. appearing in the Prospectus, which is part of this Registration Statement, and to the incorporation by reference in this Registration Statement of our reports dated March 15, 2005 relating to the financial statement schedule and management's report on the effectiveness of internal control over financial reporting, appearing in the Annual Report on the Form 10-K of Rocky Shoes & Boots, Inc. for the year ended December 31, 2004.

We also consent to the reference to us under the headings "Summary Consolidated Financial Data," "Selected Financial Data," and "Experts" in such Prospectus.

/s/ Deloitte & Touche LLP

Columbus, Ohio
September 14, 2005

Exhibit 24

POWER OF ATTORNEY

Each of the undersigned officers and/or directors of Rocky Shoes & Boots, Inc., an Ohio corporation (the "Company"), hereby appoints as his true and lawful attorney-in-fact, Mike Brooks, James E. McDonald, and Curtis A. Loveland, or any of them individually, in his name and on his behalf, and in any and all capacities stated below, to sign and to cause to be filed with the Securities and Exchange Commission the Company's registration statement on Form S-3 (the "Registration Statement") and any and all amendments, including post-effective amendments, to the Registration Statement, and any and all registration statements filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, in connection with or related to the offering contemplated by the Registration Statement and its amendments, if any, hereby granting unto such attorney-in-fact, full power and authority to do and perform in the name and on behalf of the undersigned, in any and all such capacities, every act and thing whatsoever necessary to be done in and about the premises as fully as the undersigned could or might do in person, hereby granting to such attorney-in-fact full power of substitution and revocation, and hereby ratifying all that any such attorney-in-fact or his substitute may do by virtue hereof.

IN WITNESS WHEREOF, we have executed this Power of Attorney, in counterparts if necessary, effective as of September 7, 2005.

DIRECTORS/OFFICERS:

Signature	Title
/s/ Mike Brooks Mike Brooks	Chairman, Chief Executive Officer, and a Director (Principal Executive Officer)
/s/ James E. McDonald James E. McDonald	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Curtis A. Loveland Curtis A. Loveland	Secretary and a Director
/s/ J. Patrick Campbell J. Patrick Campbell	Director
/s/ Glenn E. Corlett Glenn E. Corlett	Director
/s/ Michael L. Finn Michael L. Finn	Director
/s/ G. Courtney Haning G. Courtney Haning	Director
/s/ Harley E. Rouda Harley E. Rouda	Director
/s/ James L. Stewart James L. Stewart	Director