
UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 OR 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported) November 8, 2006

ROCKY BRANDS, INC.

(Exact name of registrant as specified in its charter)

Ohio	0-21026	31-1364046
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)
39 East Canal Street, Nelsonville, Ohio		45764
(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code (740) 753-1951

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry Into a Definitive Material Agreement.

On November 8, 2006, Rocky Brands, Inc. (the “Company”) and certain of its subsidiaries entered into Amendment No. 4 to Loan and Security Agreement and Waiver with the financial institutions party thereto (each a “Lender” and collectively, the “Lenders”), and GMAC Commercial Finance LLC (“GMAC CF”), as administrative agent and sole lead arranger for the Lenders (the “GMAC CF Amendment”). Also, on November 8, 2006, the Company and certain of its subsidiaries entered into Second Amendment to Note Purchase Agreement and Waiver with the note purchasers party thereto (each a “Purchaser” and collectively, the “Purchasers”), and American Capital Financial Services, Inc. (“ACAS”), as administrative and collateral agent for the Purchasers (the “ACAS Amendment”). (The GMAC CF Amendment and the ACAS Amendment are referred to herein as the “Amendments.”)

The Amendments altered the terms of restrictive covenants through December 2007 pertaining to minimum EBITDA, senior and total leverage, and fixed charges contained within the Company’s debt agreement with GMAC and the Company’s term loan agreement with ACAS. Additionally, the ACAS Amendment increased the interest rate to LIBOR plus 8.5%.

The foregoing description of the Amendments and the transactions contemplated thereby does not purport to be complete and is qualified in its entirety by reference to the complete text of the Amendments. Copies of the Amendments are attached hereto as Exhibit 10.1 and Exhibit 10.2 and are incorporated herein by reference.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

See “Item 1.01 Entry into a Material Definitive Agreement,” which is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<i>Exhibit No.</i>	<i>Description</i>
10.1	Amendment No. 4 to Loan and Security Agreement and Waiver, dated as of November 8, 2006, by and among Rocky Brands, Inc., Lifestyle Footwear, Inc., EJ Footwear LLC, HM Lehigh Safety Shoe Co. LLC, Georgia Boot LLC, Georgia Boot Properties LLC, Durango Boot Company LLC, Northlake Boot Company LLC, Lehigh Safety Shoe Co. LLC, and Lehigh Safety Shoe Properties LLC, as Borrowers, the financial institutions party thereto (each a “Lender” and collectively, the “Lenders”), and GMAC Commercial Finance LLC, as administrative agent and sole lead arranger for the Lenders.
10.2	Second Amendment to Note Purchase Agreement and Waiver, dated as of November 8, 2006, by and among Rocky Brands, Inc., Lifestyle Footwear, Inc., EJ Footwear LLC, HM Lehigh Safety Shoe Co. LLC, Georgia Boot LLC, Georgia Boot Properties LLC, Durango Boot Company LLC, Northlake Boot Company LLC, Lehigh Safety Shoe Co. LLC, and Lehigh Safety Shoe Properties LLC, as the Loan Parties, the purchasers party thereto (each a “Purchaser” and collectively, the “Purchasers”), and American Capital Financial Services, Inc., as administrative and collateral agent for the Purchasers.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Rocky Brands, Inc.

Date: November 13, 2006

By: /s/ James E. McDonald

James E. McDonald, Executive Vice
President and Chief Financial Officer

EXHIBIT INDEX

<i><u>Exhibit No.</u></i>	<i><u>Description</u></i>
10.1	Amendment No. 4 to Loan and Security Agreement and Waiver, dated as of November 8, 2006, by and among Rocky Brands, Inc., Lifestyle Footwear, Inc., EJ Footwear LLC, HM Lehigh Safety Shoe Co. LLC, Georgia Boot LLC, Georgia Boot Properties LLC, Durango Boot Company LLC, Northlake Boot Company LLC, Lehigh Safety Shoe Co. LLC, and Lehigh Safety Shoe Properties LLC, as Borrowers, the financial institutions party thereto (each a “Lender” and collectively, the “Lenders”), and GMAC Commercial Finance LLC, as administrative agent and sole lead arranger for the Lenders.
10.2	Second Amendment to Note Purchase Agreement and Waiver, dated as of November 8, 2006, by and among Rocky Brands, Inc., Lifestyle Footwear, Inc., EJ Footwear LLC, HM Lehigh Safety Shoe Co. LLC, Georgia Boot LLC, Georgia Boot Properties LLC, Durango Boot Company LLC, Northlake Boot Company LLC, Lehigh Safety Shoe Co. LLC, and Lehigh Safety Shoe Properties LLC, as the Loan Parties, the purchasers party thereto (each a “Purchaser” and collectively, the “Purchasers”), and American Capital Financial Services, Inc., as administrative and collateral agent for the Purchasers.

**AMENDMENT NO. 4
TO
LOAN AND SECURITY AGREEMENT
AND WAIVER**

THIS AMENDMENT NO. 4 AND WAIVER (“Amendment No. 4 and Waiver”) is entered into as of November 8, 2006, by and among ROCKY BRANDS, INC., a corporation organized and existing under the laws of the State of Ohio, LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, EJ FOOTWEAR LLC, a limited liability company organized and existing under the laws of the State of Delaware, HM LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware, DURANGO BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, NORTHLAKE BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (the foregoing entities, jointly and severally, “Borrower”), the financial institutions party thereto (each a “Lender” and collectively, the “Lenders”), and GMAC COMMERCIAL FINANCE LLC, as administrative agent and sole lead arranger for the Lenders (in such capacities, the “Agent”).

BACKGROUND

Borrowers, Agent and Lenders are parties to a Loan and Security Agreement dated as of January 6, 2005 (as amended by Amendment No. 1 to Loan and Security Agreement and Consent dated as of January 19, 2005, Amendment No. 2 to Loan and Security Agreement dated as of April 30, 2006, and Amendment No. 3 to Loan and Security Agreement dated as of June 28, 2006 and as further amended, restated, supplemented or otherwise modified from time to time, the “Loan Agreement”) pursuant to which Agent and Lenders provide Borrowers with certain financial accommodations.

Borrower has notified Agent and Lenders that certain Events of Default have occurred which are continuing due to(a) the failure of Borrower to comply with the provisions of Section 5.3(B) of the Loan Agreement as a result of Total Leverage Ratio of Rocky on a Consolidated Basis for the four fiscal quarter accounting period ended September 30, 2006 being 3.89 to 1.00, which exceeds the required Total Leverage Ratio for such period of 3.80 to 1.00, (a) the failure of Borrower to comply with the provisions of Section 5.3(C) of the Loan Agreement as a result of EBITDA of Rocky on a Consolidated Basis for the four fiscal quarter accounting period ended September 30, 2006 being \$27,364,514, which is less than the required EBITDA for such period of \$30,000,000 and (c) the failure of Borrower to comply with the provisions of Section 5.3(D) of the Loan Agreement as a result of the Senior Leverage Ratio of Rocky on a Consolidated

Basis for the four fiscal quarter accounting period ended September 30, 2006 being 3.34 to 1.00, which exceeds the required Senior Leverage Ratio for such period of 3.30 to 1.00 (the "Designated Defaults"). Borrower has requested Agent and Lenders to waive the Designated Defaults, and Agent and Lenders are willing to do so on the terms and conditions set forth herein.

Borrowers have also requested Lenders to reset certain of the financial covenants, and to amend certain other provisions of the Loan Agreement; Lenders have agreed to effectuate such modifications to the Loan Agreement on the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of any loan or advance or grant of credit heretofore or hereafter made to or for the account of Borrowers by Agent and Lenders, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Definitions. All capitalized terms not otherwise defined herein shall have the meanings given to them in the Loan Agreement.

2. Amendment to Loan Agreement. Subject to satisfaction of the conditions precedent set forth in Section 4 below, the Loan Agreement is amended as follows:

(a) Section 1.1 of the Loan Agreement is amended by inserting the following defined terms in their appropriate alphabetical order:

"Amendment No. 4" shall mean Amendment No. 4 and Waiver to this Agreement dated as of November 8, 2006.

"Amendment No. 4 Closing Date" shall mean the date upon which all of the conditions precedent to the effectiveness of Amendment No. 4 have been satisfied.

(b) Section 5.3(A) of the Loan Agreement is hereby amended and restated solely to the extent of the accounting periods commencing with the Four Quarters ending December 31, 2006 through and including the Four Quarters ending December 31, 2007 as follows:

(A) Fixed Charge Coverage. A minimum Fixed Charge Coverage Ratio as of the end of each period set forth below of not less than the respective ratio set forth below:

<u>Period</u>	<u>Fixed Charge Coverage Ratio</u>
Four Quarters ending December 31, 2006	0.88 to 1.00
Four Quarters ending March 31, 2007	0.85 to 1.00
Four Quarters ending June 30, 2007	0.90 to 1.00
Four Quarters ending September 30, 2007	0.95 to 1.00
Four Quarters ending December 31, 2007	0.95 to 1.00

(c) Section 5.3(B) of the Loan Agreement is hereby amended and restated solely to the extent of the accounting periods commencing with the Four Quarters ending December 31, 2006 through and including the Four Quarters ending December 31, 2007 as follows:

(B) Total Leverage. A Total Leverage Ratio as of the end of each period set forth below in a ratio not greater than the respective ratio set forth below:

Period	Total Leverage Ratio
Four Quarters ending December 31, 2006	4.25 to 1.00
Four Quarters ending March 31, 2007	4.25 to 1.00
Four Quarters ending June 30, 2007	4.20 to 1.00
Four Quarters ending September 30, 2007	4.10 to 1.00
Four Quarters ending December 31, 2007	4.00 to 1.00

(d) Section 5.3(C) of the Loan Agreement is hereby amended and restated solely to the extent of the accounting periods commencing with the Four Quarters ending December 31, 2006 through and including the Four Quarters ending December 31, 2007 as follows:

(C) Minimum EBITDA. EBITDA as of the end of each period set forth below in an amount not less than the respective amount set forth below:

Period	Minimum EBITDA
Four Quarters ending December 31, 2006	\$ 25,500,000
Four Quarters ending March 31, 2007	\$ 25,500,000
Four Quarters ending June 30, 2007	\$ 25,500,000
Four Quarters ending September 30, 2007	\$ 25,500,000
Four Quarters ending December 31, 2007	\$ 25,800,000

(e) Section 5.3(D) of the Loan Agreement is hereby amended and restated solely to the extent of the accounting periods commencing with the Four Quarters ending December 31, 2006 through and including the Four Quarters ending December 31, 2007 as follows:

(D) Senior Leverage Ratio. A Senior Leverage Ratio as of the end of each period set forth below in a ratio not greater than the respective ratio set forth below:

Period	Senior Leverage Ratio
Four Quarters ending December 31, 2006	3.70 to 1.00
Four Quarters ending March 31, 2007	3.65 to 1.00
Four Quarters ending June 30, 2007	3.60 to 1.00
Four Quarters ending September 30, 2007	3.50 to 1.00
Four Quarters ending December 31, 2007	3.40 to 1.00

3. Waiver of Designated Defaults. Subject to satisfaction of the conditions set forth in Section 4 below, Requisite Lenders hereby waive the Designated Defaults.

4. Conditions of Effectiveness. This Amendment No. 4 and Waiver shall become effective upon satisfaction of the following conditions precedent:

(a) Agent shall have received eight (8) copies of this Amendment No. 4 and Waiver duly executed by each Borrower and Requisite Lenders;

(b) Agent shall have received, for the *pro rata* benefit of the Lenders executing Amendment No. 4 and Waiver on or before the Amendment No. 4 Closing Date, based upon their respective Commitments, the sum of \$225,000, which shall be fully earned on the Amendment No. 4 Closing Date and not subject to rebate, refund, proration and/or reduction for any reason;

(c) Agent shall have received six (6) copies of Amendment No. 2 to Intercreditor Agreement in the form annexed hereto as Exhibit B dated as of the Amendment No. 4 Closing Date duly executed by ACAS; and

(d) Agent shall have received a true and correct copy of an amendment to the Note Purchase Agreement in form and substance satisfactory to Agent in all respects.

5. Representations and Warranties. Each Borrower hereby represents and warrants as follows:

(a) This Amendment No. 4 and Waiver and the Loan Agreement, as amended hereby, constitute legal, valid and binding obligations of Borrowers and are enforceable against each Borrower in accordance with their respective terms.

(b) Upon the effectiveness of this Amendment No. 4 and Waiver, each Borrower hereby reaffirms all covenants, representations and warranties made in the Loan Agreement to the extent the same are not amended hereby, and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this Amendment No. 4 and Waiver, except to the extent any such representation or warranty expressly relates to an earlier date.

(c) No Event of Default or Default has occurred and is continuing or would exist after giving effect to this Amendment No. 4 and Waiver.

(d) No Borrower has any defense, counterclaim or offset with respect to the Loan Agreement.

(e) The issuance of this Amendment No. 4 and Waiver is permitted pursuant to all applicable law and all material agreements, documents and instruments to which any Loan Party is a party or by which any of their respective properties or assets are bound.

6. Effect on the Loan Agreement.

(a) Upon the effectiveness of Section 2 hereof, each reference in the Loan Agreement to “this Agreement,” “hereunder,” “hereof,” “herein” or words of like import shall mean and be a reference to the Loan Agreement as amended hereby.

(b) Except as specifically amended herein, the Loan Agreement, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and are hereby ratified and confirmed.

(c) Except as specifically provided herein, the execution, delivery and effectiveness of this Amendment No. 4 and Waiver shall not operate as a waiver of any right, power or remedy of Agent or Lenders, nor constitute a waiver of any provision of the Loan Agreement, or any other documents, instruments or agreements executed and/or delivered under or in connection therewith.

7. Release. Each Borrower hereby acknowledges and agrees that: (a) neither it nor any of its Affiliates has any claim or cause of action against Agent or any Lender (or any of their respective Affiliates, officers, directors, employees, attorneys, consultants or agents) and (b) Agent and each Lender has heretofore properly performed and satisfied in a timely manner all of its obligations to Borrowers under the Loan Agreement and the other Loan Documents. Notwithstanding the foregoing, Agent and the Lenders wish (and Borrowers agree) to eliminate any possibility that any past conditions, acts, omissions, events or circumstances would impair or otherwise adversely affect any of the Agent’s and the Lenders’ rights, interests, security and/or remedies under the Loan Agreement and the other Loan Documents. Accordingly, for and in consideration of the agreements contained in this Amendment and other good and valuable consideration, each Borrower (for itself and its Affiliates and the successors, assigns, heirs and representatives of each of the foregoing) (collectively, the “Releasors”) does hereby fully, finally, unconditionally and irrevocably release and forever discharge Agent and each Lender and each of their respective Affiliates, officers, directors, employees, attorneys, consultants and agents (collectively, the “Released Parties”) from any and all debts, claims, obligations, damages, costs, attorneys’ fees, suits, demands, liabilities, actions, proceedings and causes of action, in each case, whether known or unknown, contingent or fixed, direct or indirect, and of whatever nature or description, and whether in law or in equity, under contract, tort, statute or otherwise, which any Releasor has heretofore had or now or hereafter can, shall or may have against any Released Party by reason of any act, omission or thing whatsoever done or omitted to be done on or prior to the Amendment No. 4 Closing Date arising out of, connected with or related in any way to this Amendment No. 4 and Waiver, the Loan Agreement or any other Loan Document, or any act, event or transaction related or attendant thereto, or the agreements of Agent or any Lender contained therein, or the possession, use, operation or control of any of the assets of any Borrower, or the making of any Advance, or the management of such Advance or the Collateral.

8. Governing Law. This Amendment No. 4 and Waiver shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of New York.

9. Headings. Section headings in this Amendment No. 4 and Waiver are included herein for convenience of reference only and shall not constitute a part of this Amendment No. 4 and Waiver for any other purpose.

10. Counterparts; Facsimile. This Amendment No. 4 and Waiver may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Amendment No. 4 and Waiver has been duly executed as of the day and year first written above.

**ROCKY BRANDS, INC.
LIFESTYLE FOOTWEAR, INC.
EJ FOOTWEAR LLC
HM LEHIGH SAFETY SHOE CO. LLC
GEORGIA BOOT LLC
GEORGIA BOOT PROPERTIES LLC
DURANGO BOOT COMPANY LLC
NORTHLAKE BOOT COMPANY LLC
LEHIGH SAFETY SHOE CO. LLC
LEHIGH SAFETY SHOE PROPERTIES LLC**

By: /s/ James E. McDonald _____

Name: James E. McDonald

Title: Chief Financial Officer of each of the foregoing
Borrowers

GMAC COMMERCIAL FINANCE LLC

By: /s/ Thomas Brent _____

Name: Thomas Brent

Title: Director

Revolving Loan Commitment:

\$27,118,640.00

Term Loan A Commitment:

\$1,211,815.95

Term Loan C Commitment:

\$4,000,709.63

BANK OF AMERICA, N.A.

By: /s/ William J. Wilson _____

Name: William J. Wilson

Title: Vice President

Revolving Loan Commitment:

\$21,186,440.00

Term Loan A Commitment:

\$946,731.33

Term Loan C Commitment:

\$3,125,554.77

Signature Page to Amendment No. 4 and Waiver

CHARTER ONE BANK, N.A.

By: /s/ James G. Zamborsky

Name: James G. Zamborsky

Title: Vice President

Revolving Loan Commitment:

\$17,796,610.00

Term Loan A Commitment:

\$795,254.33

Term Loan C Commitment:

\$2,625,466.07

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Peter Redington

Name: Peter Redington

Title: A.V.P.

Revolving Loan Commitment:

\$17,796,610.00

Term Loan A Commitment:

\$795,254.33

Term Loan C Commitment:

\$2,625,466.07

COMERICA BANK

By: /s/ Harold Dalton

Name: Harold Dalton

Title: V.P.

Revolving Loan Commitment:

\$16,101,700.00

Term Loan A Commitment:

\$719,516.06

Term Loan C Commitment:

\$2,375,422.45

SECOND AMENDMENT TO NOTE PURCHASE AGREEMENT AND WAIVER

THIS SECOND AMENDMENT TO NOTE PURCHASE AGREEMENT AND WAIVER (this "**Amendment and Waiver**"), dated as of November 8, 2006, is by and among ROCKY BRANDS, INC. (formerly known as Rocky Shoes & Boots, Inc.), a corporation organized and existing under the laws of the State of Ohio ("**Parent**"), LIFESTYLE FOOTWEAR, INC., a corporation organized and existing under the laws of the State of Delaware, EJ FOOTWEAR LLC, a limited liability company organized and existing under the laws of the State of Delaware, HM LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT LLC, a limited liability company organized and existing under the laws of the State of Delaware, GEORGIA BOOT PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware, DURANGO BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, NORTHLAKE BOOT COMPANY LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware, LEHIGH SAFETY SHOE PROPERTIES LLC, a limited liability company organized and existing under the laws of the State of Delaware (the foregoing entities and together with Parent, collectively, the "**Loan Parties**"), and each a "**Loan Party**"), the note purchasers that are now and hereafter at any time parties hereto and are listed in Annex A attached to the Note Purchase Agreement (as defined below) or any amendment or supplement thereto (each a "**Purchaser**" and collectively, the "**Purchasers**"), and AMERICAN CAPITAL FINANCIAL SERVICES, INC., as administrative and collateral agent for the Purchasers (in such capacity "**Agent**").

RECITALS

WHEREAS, the Loan Parties, American Capital Strategies, Ltd. (the "**Initial Purchaser**") and Agent are parties to a Note Purchase Agreement dated as of January 6, 2005 (as amended, restated, supplemented or otherwise modified from time to time in accordance with its terms, the "**Note Purchase Agreement**"), pursuant to which the Loan Parties sold Senior Secured Term B Notes to the Initial Purchaser in the aggregate principal amount of \$30,000,000.

WHEREAS, the Initial Purchaser has sold or contributed certain of the Senior Term Notes to the current Purchasers.

WHEREAS, as of the date hereof, the Loan Parties are entering into an Amendment No. 4 and Waiver to the GMAC Credit Agreement (the "**Fourth Credit Agreement Amendment**"), pursuant to which the Loan Parties will be provided with certain financial accommodations.

WHEREAS, the Loan Parties have notified Agent and Purchasers that certain Events of Default have occurred which are continuing due to (a) the failure of the Loan Parties to comply with the provisions of Section 7.3(b) of the Note Purchase Agreement as a result of Total Leverage Ratio of Rocky on a Consolidated Basis for the four fiscal quarter accounting period ended September 30, 2006, being 3.89 to 1.00, which exceeds the required Total Leverage Ratio for such period of 3.80 to 1.00, (a) the failure of the Loan Parties to comply with the provisions of Section 7.3(c) of the Note Purchase Agreement as a result of EBITDA of Rocky on a Consolidated

Basis for the four fiscal quarter accounting period ended September 30, 2006, being \$27,364,514, which is less than the required EBITDA for such period of \$30,000,000 and (c) the failure of the Loan Parties to comply with the provisions of Section 7.3(d) of the Note Purchase Agreement as a result of the Senior Leverage Ratio of Rocky on a Consolidated Basis for the four fiscal quarter accounting period ended September 30, 2006, being 3.34 to 1.00, which exceeds the required Senior Leverage Ratio for such period of 3.30 to 1.00 (collectively, the "Designated Defaults"). The Loan Parties have requested Agent and Purchasers to waive the Designated Defaults, and Agent and Purchasers are willing to do so on the terms and conditions set forth herein.

WHEREAS, the Loan Parties have also requested Agent and the Purchasers to reset certain of the financial covenants, and to amend certain other provisions of the Note Purchase Agreement, and Agent and the Purchasers are willing to do so on the terms and conditions set forth herein.

NOW, THEREFORE, the parties hereto, in consideration of the promises and their mutual covenants and agreements herein set forth and intending to be legally bound hereby, covenant and agree as follows:

1. **Definitions.** All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Note Purchase Agreement.

2. **Amendments to Note Purchase Agreement.** Subject to satisfaction of the conditions precedent set forth in Section 4 below, the Note Purchase Agreement is hereby amended as follows:

(a) The last sentence of Section 3.1(a) of the Note Purchase Agreement is hereby amended and restated to read as follows:

"The Senior Term Notes shall bear interest on the outstanding principal thereof at a rate equal to the LIBOR Rate, as such rate may adjust from time to time, plus eight and one-half percent (8.5%)."

(b) Section 7.3(a) of the Note Purchase Agreement is hereby amended and restated solely to the extent of the accounting periods commencing with the Four Quarters ending December 31, 2006 through and including the Four Quarters ending December 31, 2007 as follows:

"(a) **Fixed Charge Coverage.** A minimum Fixed Charge Coverage Ratio as of the end of each period set forth below of not less than the respective ratio set forth below:

Period	Fixed Charge Coverage Ratio
Four Quarters ending December 31, 2006	0.88 to 1.00
Four Quarters ending March 31, 2007	0.85 to 1.00
Four Quarters ending June 30, 2007	0.90 to 1.00
Four Quarters ending September 30, 2007	0.95 to 1.00
Four Quarters ending December 31, 2007	0.95 to 1.00

(c) Section 7.3(b) of the Note Purchase Agreement is hereby amended and restated solely to the extent of the accounting periods commencing with the Four Quarters ending December 31, 2006 through and including the Four Quarters ending December 31, 2007 as follows:

(b) **Total Leverage.** A Total Leverage Ratio as of the end of each period set forth below in a ratio not greater than the respective ratio set forth below:

Period	Total Leverage Ratio
Four Quarters ending December 31, 2006	4.25 to 1.00
Four Quarters ending March 31, 2007	4.25 to 1.00
Four Quarters ending June 30, 2007	4.20 to 1.00
Four Quarters ending September 30, 2007	4.10 to 1.00
Four Quarters ending December 31, 2007	4.00 to 1.00

(d) Section 7.3(c) of the Note Purchase Agreement is hereby amended and restated solely to the extent of the accounting periods commencing with the Four Quarters ending December 31, 2006 through and including the Four Quarters ending December 31, 2007 as follows:

(c) **Minimum EBITDA.** EBITDA as of the end of each period set forth below in an amount not less than the respective amount set forth below:

Period	Minimum EBITDA
Four Quarters ending December 31, 2006	\$ 25,500,000
Four Quarters ending March 31, 2007	\$ 25,500,000
Four Quarters ending June 30, 2007	\$ 25,500,000
Four Quarters ending September 30, 2007	\$ 25,500,000
Four Quarters ending December 31, 2007	\$ 25,800,000

(e) Section 7.3(d) of the Note Purchase Agreement is hereby amended and restated solely to the extent of the accounting periods commencing with the Four Quarters ending December 31, 2006 through and including the Four Quarters ending December 31, 2007 as follows:

(d) **Senior Leverage Ratio.** A Senior Leverage Ratio as of the end of each period set forth below in a ratio not greater than the respective ratio set forth below:

Period	Senior Leverage Ratio
Four Quarters ending December 31, 2006	3.70 to 1.00
Four Quarters ending March 31, 2007	3.65 to 1.00
Four Quarters ending June 30, 2007	3.60 to 1.00
Four Quarters ending September 30, 2007	3.50 to 1.00
Four Quarters ending December 31, 2007	3.40 to 1.00

3. Waiver of Designated Defaults Subject to satisfaction of the conditions set forth in Section 4 below, Required Purchasers hereby waive the Designated Defaults.

4. Conditions of Effectiveness. This Amendment and Waiver shall become effective upon satisfaction of the following conditions precedent, each of which shall be in form and substance reasonably satisfactory to Agent:

(a) Agent shall have received six (6) copies of this Amendment and Waiver duly executed by the Loan Parties and Required Purchasers;

(b) The Loan Parties shall have paid to Agent, for the ratable benefit of the Purchasers, a fee in the amount of \$50,000, earned as of the date hereof and not subject to rebate, refund, proration and/or reduction for any reason and payable fully in cash;

(c) Agent shall have received Secretary's Certificates from each Loan Party authorizing the execution, delivery and performance of this Amendment and Waiver in form and substance acceptable to Agent;

(d) Agent shall have received a true and correct duly executed copy of the Fourth Credit Agreement Amendment and related documents in form and substance reasonably satisfactory to Agent;

(e) Agent and the GMAC Agent shall have entered into an amendment to the Intercreditor Agreement; and

(f) Agent shall have received such other certificates, instruments, documents, and agreements as may be reasonably required by Agent or its counsel relating to the transactions contemplated in this Amendment and Waiver.

5. Representations and Warranties. Each of the Loan Parties hereby represents and warrants as follows:

(a) This Amendment and Waiver and the Note Purchase Agreement, as amended hereby, constitute legal, valid and binding obligations of each of the Loan Parties and are enforceable against each of the Loan Parties in accordance with their respective terms.

(b) Upon the effectiveness of this Amendment and Waiver, each of the Loan Parties hereby reaffirms all covenants, representations and warranties made in the Note Purchase Agreement to the extent the same are not amended hereby, and agrees that all such covenants, representations and warranties shall be deemed to have been remade as of the effective date of this

Amendment and Waiver, except for those representations and warranties made only as of the Closing Date or as of a particular date prior to the date hereof.

(c) No Event of Default or Default has occurred and is continuing or would exist after giving effect to this Amendment and Waiver.

(d) None of the Loan Parties has any defense, counterclaim or offset with respect to the Note Purchase Agreement.

6. Effect on the Note Purchase Agreement.

(a) Upon the effectiveness of this Amendment and Waiver hereof, each reference in the Note Purchase Agreement to “this Agreement,” “hereunder,” “hereof,” “herein” or words of like import shall mean and be a reference to the Note Purchase Agreement as amended hereby.

(b) Except as specifically amended herein, the Note Purchase Agreement, and all other documents, instruments and agreements executed and/or delivered in connection therewith, shall remain in full force and effect, and are hereby ratified and confirmed.

(c) Except as specifically provided herein, the execution, delivery and effectiveness of this Amendment and Waiver shall not operate as a waiver of any right, power or remedy of Agent or Purchasers, nor constitute a waiver of any provision of the Note Purchase Agreement, or any other documents, instruments or agreements executed and/or delivered under or in connection therewith.

7. Governing Law. This Amendment and Waiver shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns and shall be governed by and construed in accordance with the laws of the State of Maryland, without regard to conflict of laws principles.

8. Costs and Expenses. The Loan Parties agree to reimburse Agent and Purchasers for all fees and expenses incurred in the preparation, negotiation and execution of this Amendment and Waiver and the consummation of the transaction contemplated hereby, including without limitation, the reasonable fees and expenses of counsel.

9. Headings. Section headings in this Amendment and Waiver are included herein for convenience of reference only and shall not constitute a part of this Amendment and Waiver for any other purpose.

10. Counterparts; Facsimile. This Amendment and Waiver may be executed by the parties hereto in one or more counterparts, each of which shall be deemed an original and all of which when taken together shall constitute one and the same agreement. Any signature delivered by a party by facsimile transmission shall be deemed to be an original signature hereto.

* * *

IN WITNESS WHEREOF, the parties hereto have executed this Amendment and Waiver as of the day and year first above written.

LOAN PARTIES:

ROCKY BRANDS, INC.
LIFESTYLE FOOTWEAR, INC.
EJ FOOTWEAR LLC
HM LEHIGH SAFETY SHOE CO. LLC
GEORGIA BOOT LLC
GEORGIA BOOT PROPERTIES LLC
DURANGO BOOT COMPANY LLC
NORTHLAKE BOOT COMPANY LLC
LEHIGH SAFETY SHOE CO. LLC
LEHIGH SAFETY SHOE PROPERTIES LLC

By: /s/ James E. McDonald

Name: James E. McDonald

Title: Chief Financial Officer of each of the foregoing Loan
Parties

AGENT:

AMERICAN CAPITAL FINANCIAL SERVICES, INC.

By: /s/ Kenneth E. Jones

Name: Kenneth E. Jones

Title: Vice President

PURCHASERS:

AMERICAN CAPITAL STRATEGIES, LTD.

By: /s/ Kenneth E. Jones

Name: Kenneth E. Jones

Title: Vice President

[Signature Page No. 1 to Second Amendment and Waiver to Note Purchase Agreement]

ACAS BUSINESS LOAN TRUST 2004-1, a
Delaware statutory trust

By: AMERICAN CAPITAL STRATEGIES, LTD.,
as Servicer

By:/s/ Kenneth E. Jones

Name: Kenneth E. Jones

Title: Vice President

ACAS BUSINESS LOAN TRUST 2005-1, a
Delaware statutory trust

AMERICAN CAPITAL STRATEGIES, LTD.,
as Servicer

By:/s/ Kenneth E. Jones

Name: Kenneth E. Jones

Title: Vice President

[Signature Page No. 2 to Second Amendment and Waiver to Note Purchase Agreement]